

The most valuable asset of the Company

What is the most valuable asset ?

One of the great anomalies of the current system of accounting is that the most valuable asset of the company is not shown in the balance sheet. The same asset is so essential to the company that it could not operate one second without it.

The asset is, of course, the personnel of the company. Without the personnel there would be no production – there would be no sales – there would be no product to produce – there would be no marketing.

No-one is indispensable, but the group of workers making up the collective, we call personnel, is what makes the company tick and what gives the company its identity. The personnel is so important you can say that the personnel is the company. The company, the collective, is an organic entity just like a person.

Why is it the most valuable asset?

Anyone can buy a machine, but it does not mean that you will produce anything any good unless you have know-how. If you can use the machine, you still need a product that the market wants. If you have a product that the market wants, you still need someone to sell it. And so on. Nothing happens without the human touch, even if it is the finger to the keyboard.

When you walk around a profitable business it is easy to see why it works. You will see the clever things that have been invented to do the work more effectively. You will see the attention that has gone into reducing the material content to a minimum. You will see high quality product, and low rejects and waste. All that has been created by the people working together to make it happen. The people have made the business competitive and profitable. It is not the machines that make a business a success, it is how the people use the machines.

What is the nature of the asset?

This asset of people is organic, just like the single person. The characteristics of an organism are:- it is born; it grows; it reproduces; and it dies. It is good to look to nature and see how things work. Personally I find the analogy of a tree useful for considering what makes a healthy company. Trees are balanced, they grow straight and not grow lop-sided (not more growth on one side compared to the other). The roots they put down are strong enough to support and hold firm the tree above. The roots are again part of the balance. The upward and downward growth must be balanced – the sales push must be matched by the production capacity: the working capital financing must be available from the right sources. The growth of the tree will depend on how well it is suited to the environment. How well the tree grows will depend on it getting the right kind and amount of nourishment.

How to nourish your most valuable asset

What is good for the individual is good for the collective. Here are four pointers to nourish the most valuable asset of the company:-

1. Recognition and appreciation: each individual wants to be recognized as being part of the company, the organic entity. He likes to feel that he exists, and this is easily done by acknowledging his presence with a »hallo« or » good morning«. The thing that upsets most people is feeling that they are being ignored, that they are invisible, so tell them that you are happy to see them. Going one step on: when we are at work we try to do our best, and sometimes we work hard and do something special. We invent a new solution and we feel so happy with ourselves. But we feel even better if someone else tells us that how clever it was. It may be that we just work hard and with special attention to get a lot ready for shipping on time. It is nice that someone recognizes and appreciates the special contribution made to the business. It does not have to be a monetary appreciation, in fact giving more than symbolic awards can be counter-productive. A lot of noise recognizing the good work will be remembered long after any money is spent.

2. Handling change: resistance to change is a common phenomenon in companies. People, it seems, like to continue doing the same thing. The reason for resisting change is because the known (how it is now) is better than the unknown, even if it is repetitive and boring. Change questions the present level of safety. Safety here is meant in terms of feeling secure (not threatened) about - having a job, getting a salary, being able to handle the work and the responsibility, and working with the superior, peers and subordinates. Often one of the issues is that people do not want to change who they work with. They have entrenched relationships that work for them, and they do not want to try and explore working with new people. Working with new people means creating a new informal hierarchy, who has power over whom. People who are adverse to change also need a greater level of safety. So in order to promote change in companies it is necessary to see where the blockages are and to reassure people about their safety.
3. Constant challenges: people are stimulated by the new. On one side there is resistance to change, on the other side there is the need for stimulation from new things. The economic world is built on the constant output of new products to stimulate new demand. The job of the the leader is to focus the energy of the company towards the strategic objectives. By defining where the company is going in micro terms, the trust of the people will be built and the level of safety required will be relaxed. People will need encouragement to search out new solutions and to go beyond the known. The planning, and also the whole culture of the company, will embrace constant improvement to keep moving towards the objectives.
4. Giving meaning to the work: people reach out for a meaning for what they are doing. People will follow a leader with a vision of where he is going. They want to be part of a grand design. They want to be able to say what their contribution was. This means that they will take the responsibility for their part. The key is to translate the vision into a strategic plan which says where the company is going and what steps will be taken and when. The plan will drill down as far as you want to go involving accountants, designers, technicians, marketeers, salesmen, production people et al in what they will do to make it happen. Then everyone knows what he is doing is contributing to growing the company to € 500 million sales a year, or to taking the

number one market share spot in Europe, or to becoming one of the best in the class producers in the world for profitability. He contributes because he has a personal interest in being part of the winning team that scores the goal.

What you put in – you get out

How much a company puts into nourishing its most valuable asset is exactly what it will get back in return. This is a complex asset, it is not like the machine manual which says that if you put in so much electricity and so much of this and that, then the result is a widget size #4. This asset is organic, it lives and it feels and it needs to be nurtured. Everything you do (and do not do) has an instant impact on the company. Two examples to contemplate, but not to be tried out in practice: someone says that they have heard tomorrow twenty free-of-charge ice cream machines will be installed in the factory – how will the employees behave to such news, and later hearing it was not true. Secondly, imagine the General Manager walks into the company one day and he does not greet anybody, no "good mornings" and no "hallo's" – how would people react?

The culture of values is created by the General Manager, the management and so on going deeper down into the organization. And it must be constantly reinforced. Success will come from having a clear vision (including values) that is communicated in thought, word and deed and adopted by more and more people.

As a closing note, it may sound provocative, but if the most valuable asset of the company is its personnel, then what do you say about those special service providers (the experts you do not use everyday, but with whom you have built up a relationship of trust over the years), what do you say about the suppliers in whom you have invested so much time and money to get the price, the quality and logistics all right, and what about the customer who you struggle to serve so diligently.