

# The Advisory Alliance

**60-Second E-mail™ – November 28, 2005**

***Your Best Talent: Not Just an Asset, But a Machine.***

If you've stopped repeating the mantra "Our people are our most important asset. Our people are our most important asset. Our people are...", because you truly believe it and don't need reminding, you're in good company. Six out of seven global business executives view talent as the leading contributor to their company's profitability. In their recent global survey of more than 5,800 business executives from 128 countries, McKinsey asked "How much does each of the following assets contribute to your company's profits?" The number one answer? "Talent", with 86% of respondents answering "moderately" or "substantially". This is doubly impressive in view of the fact that Talent came in ahead of "Brand" (74%) and "Intellectual Property" (55%).

However, notwithstanding the fundamental Profit – Talent connection, many U.S. employees are not feeling the consequences of being the most important asset. In a recent survey of 225 U.S. middle managers, Accenture found a significant drop in their level of satisfaction with their own organization. In 2004, two thirds of middle managers were extremely or very satisfied with their organizations. This year? Fewer than half are, 48%.

So what's going on? On the one hand executives say Talent's important, but on the other hand, executives may not *feel* it.

We know there's a fundamental connection between better talent and better performance. And yet for many leaders, that knowledge is insufficient to drive their talent development decisions. I'm reminded of a doctor I once knew, a radiologist who read and interpreted X-rays. He also was a chronic smoker who ultimately died of lung cancer, a condition he diagnosed innumerable times. The irony is tragic. And although the issues facing our companies are not truly life and death, the consequences do have life-altering impact. We know that talent affects corporate performance. But does that knowledge make a difference in what we decide to do about talent?

People are, indeed, a company's most important asset, and if you consider the McKinsey study, the asset that's the leading contributor to its profitability. So why don't we treat our people like an asset? I'll go one further, and assert that we should treat our people not just like assets, but like *machines*. In fact, it's a pity we don't. Here's the explanation:

Consider a company that is looking to acquire a new machine worth \$50,000 – \$150,000. The outlay will be one-time, and it will be viewed not as an expense, but as an "investment". Research and due diligence will be conducted. The needs of the firm will be detailed. Comparisons will be made about the candidate machines' productivity, and the best value for the investment will be determined.

Once the selected machine is acquired, the company will purchase a separate service and maintenance contract, committed to sustaining the value and protecting the worth of its investment.

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The firm will even upgrade the machine whenever practical; competition demands it. The company will see to it that the machine is fully protected and productive, and someone will be directly responsible for its ongoing productivity and “health”.

With the machine in place and up and running, the firm would never let anyone steal it; that would be extremely costly,...and it would be illegal. And the thought of the *competition* walking in and taking it away in plain view of everyone: that would be ludicrous. The company would suffer considerably if that were to happen. And it would be catastrophic if every time the firm invested in a new machine, the competition stole it. No company could sustain such a loss. People would be held accountable, if not fired.

So why is it any different when that same company invests the same \$50,000 - \$150,000 (and more) in talent, not just once, but year after year? Frequently, selection is unstructured, ad hoc and without substantial criteria. Service and maintenance, i.e. development, are often lacking, which is incredibly expensive in today’s highly competitive environment. If you question the cost of development, how expensive is the annual “depreciation” of your talent’s skill set when there’s no routine development? Finally, it’s impressive how the same people who would be hysterical if the competition walked off with a new piece of equipment, just shrug their shoulders and mention “cost of doing business” when a competitor walks off with key talent. They may *know* it’s costly, and they may *know* they should invest in talent development, but like the radiologist smoker, their actions don’t show it.

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<http://www.advisoryalliance.com/detail.php?page=newsletter>

Until next month, best regards,

**David**

David Harper  
Member and Directing Manager

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