

TAKING CARE OF YOUR 'INVESTMENT'

People are your biggest asset. What are you doing to maximize your ROI in your most important investment?



BY MARK RICHARDSON

Imagine life without people. Life is all about people. These simple statements are not only obvious but a little patronizing. However, this theme in business is one of the most powerful, if properly understood.

Over the years, I have asked many people to share what they think of the theme “people are your greatest assets.”

About 95% of the time I hear, “People are what it is all about,” or “Without people there is no business.” While these statements are somewhat true, they really don’t get to the essence of why this theme is important to live by and practice.

In an effort to drill into the proper understanding, I then ask, “What word is the most important word in this theme?”

Most will answer with “People!” While people are important, the most critical word that makes this a theme is “asset.” The word asset means investment. If you begin to push the metaphor of “investment” you really start to grasp the understanding of this theme.

MAKING THE RIGHT INVESTMENTS

Think about other investments in your business and life. Your home is an investment. A rental property is an investment. A piece of machinery could be an investment. There are obvious investments such as stocks and bonds.

An investment is something that you expect a return from. The return may be financial but it could also be of other area of fulfillment too. The financial returns are often referred to as the ROI or return on investment.

With a simple investment, like a CD, you place XX dollars in a bank and they tell you up front

you will get Y% interest or return after Z period of time. A CD tends to be relatively low risk, well defined and generally a relatively low return.

Investing in real estate on the other hand has other investment considerations including appreciation (or depreciation), cash flow or tax consequences. As we make the decisions to invest we not only evaluate the potential returns but also the levels of energy and risk involved.

When you begin to think about people through these same filters, some important actions start to unfold. First, look at your annual budget and your overhead costs. For most businesses, the people (including you) are the greatest expense for a business.

As you drill further into the economics you realize that you and your people are generally the difference between a modest return, a windfall or even a loss. If the people make fewer mistakes, the business sees better returns. If the people produce more and you sell more product in a more efficient manner the business will see better returns.

These returns are not only just short term dollars but also create delighted customers, reviews and referrals. Additionally, if the returns are positive, your team members are more likely to stay with you rather than jump ship for a few more dollars with another employer.

CREATING A PLAN

Now going back to the lessons of other assets such as real estate. If you want a healthy real estate investment you must have a plan. This plan looks at all aspects of the costs and income

of the property including taxes and your time.

As you begin to plan to maximize the returns you look at pricing the property correctly, doing the proper maintenance for both the protection and to retain your tenant. You also look at the longer term effects of investing into major upgrades. With the right plan and execution, it will be the difference between getting a 5% return vs. potentially a 20% return.

If you truly believe that people are your greatest asset, you need to treat your people with the degree of reverence that a greatest asset deserves. You must treat your employees as a greater asset than the products they are producing and the greenhouses they are producing them in.

The process to get the buy-in on this theme is very important. Begin with an open discussion with the leadership about people value. Go back and map out the economic effects of people who have left the company. After you begin to get the buy in, look at training as an investment not an expense.

As a leader, a significant percentage of your time should be devoted to the care and nurturing of this greatest asset. ■

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