

Looking Beyond Past Performance

Increasing Your Business' Success by Obtaining Return on Talent

How a business performs will depend a lot on the employees. Granted, there are many elements that make a business successful such as:

- A great marketing strategy,
- Your core products and services,
- Manufacturing capabilities,
- Technological advantages,
- Having the best equipment and facilities,
- A strong business owner.



However, without talented and diligent employees to create and improve these elements, a business can crumble under its own weight.

Placed in the right positions, talented employees can help implement new initiatives that drive a business to greater success. If placed in the wrong position, the opposite effect can happen. You have to know whether an employee has the talent to add something beneficial to your business.

Past Performance Overlooks High-Potential Employees

It's easy to only base high-potential employees on past performance for advancement to more responsibilities and greater importance in your business. Their track record is good for what they have done so far. However, the tasks that they may have done up to their current point of employment does not mean that they are qualified to handle the greater tasks that you want them to handle now.

Emphasizing past performance of one or several employees can overlook the true talent of another employee or prospect. In many cases, this has proved to determine to be the Achilles Heel of many businesses. If the overlooked employee is not utilized the way that they should, they will seek greener pastures elsewhere. This can only hurt your business in the long term.

Understanding How to Sort Out the Talent

The conundrum of identifying, positioning and compensating high-potential employees spans all disciplines and levels from the loading dock to the boardroom. Many businesses can receive huge financial losses as a result of lost and underused employees.

A second problem is the difficulty in measuring the financial contribution of employees beyond global measures such as revenues per employee.

Return on Talent (ROT)

To make a business successful, you as a business owner must use a tool called *Return on Talent* (ROT). Most businesses fail to understand this. They place too much emphasis on *Return on Investment* (ROI). The key strategy to increase ROI is by increasing ROT.



ROT has the power and ability to revolutionize business. To calculate your ROT, you must divide the knowledge generated and applied by the investment in talent. Address the dilemma of how to measure an intangible asset and how to generate high ROT value.

For decades, businesses have used key metrics like ROI and ROA (*Return on Assets*) to determine their value. But increasingly, an effective new-economy business will use ROT. Current business measurements merely measure the use of capital. However, ROT is expressed as follows:

$$ROT = \text{Generated \& Applied Knowledge} \div \text{Investment in Talent}$$

If you have talented people, knowledge is just one component. The generation of knowledge is the most important thing talent can provide. Just remember despite coming from talent, generated knowledge doesn't equal applied knowledge. If knowledge isn't applied, then the greater the business loses the market value of that knowledge. Whatever knowledge a person generates in a year, divided by how much is invested in that particular person is the value.

Generating and Implementing Knowledge

If an employee generates more innovative ideas but never implements any, they fail to generate any value because the return to the company is zero. Generated knowledge does not necessarily mean applied knowledge.

Therefore, value is knowledge earned and applied.

Knowledge becomes an asset only when it's captured and used effectively. If it isn't effectively applied, it can't generate any yield or ROI.

Generating a lot of knowledge within a business doesn't add any value unless that knowledge is used in effective strategy formulation. Like money or equipment, knowledge assets are worth cultivating only in the context of strategy. You can't define and manage intellectual assets unless you know what you are trying to do with them. This is the backbone of the knowledge economy. Success in this field depends on mastery of talent, just as success in manufacturing relies on the skillful employment of plant and supply chains.

