

People are our most important assets – really?!

Andrew Mayo challenges that well-known mantra by asking, 'are people really our greatest asset'?

Most HR people would assent to this much-used cliché without thinking. Indeed their chief executives probably would do so as well. There is an instinctive logic that without people we can do nothing – and therefore our heading must be true. But is the last symbol a question or an exclamation mark?

How frustrating it is to employees to often find the reality does not seem like the rhetoric. I often ask audiences first about belief in the cliché – which is almost universally present. But then I ask how many work in organisations where the belief is clearly translated into employee experiences. I am lucky if I get more than 10% who can say yes. How so?

"The deeper problem is simply that not all people are assets."

Well one reason is that a financial culture dominates most organisations, whether private or public - so much so that people are seen as top of the costs league and the first port of call when times are hard.

But the deeper problem is simply that not all people are assets. It depends on our definition, but one that most people would assent to is that 'assets are value creating entities'. Can everyone be described as this?

The nature of the job

There are two reasons why they may not be so. The first is the nature of their role. Not everybody has a role that is value creating, especially in larger organisations. The larger and more complex, the more people we have in what we might call 'maintenance' roles – their job being to keep things neat and tidy. They may prevent value being subtracted but they do not create it. (For example HR administration, accounting, IT helpdesks, etc).

Secondly, there are others who, by virtue of their lack of capability, actually subtract value – the customer facing employee who alienates customers, the support function enthusiast who consumes time and money but produces nothing, managers who make consistently bad decisions, bureaucrats who create time consuming processes. To borrow from accounting phraseology, these are actually liabilities.

This raises some challenges for HR. Are we in sufficient tune with what our organisation wants to achieve, to be able to identify and define the strategic capabilities (a term which, for me, embraces knowledge, skills, attitudes, experiences and network/contacts) needed in our organisation?

Do we know who possesses them? And to what level of depth? And who is in the category of liability – not actually adding any value, even though they may be very busy? Do we have the diagnostic and assessment tools for these judgements to be made (typical appraisal ratings being a very crude and mainly useless indicator)?

All kinds of talent

We might say this was the essence of talent(s) management. I add the (s) because so many organisations seem to have such a narrow value of talent – confining it to the 'high potentials' who are deemed to be able to make it to the 'top'. On the other hand, whilst every individual has some talent, not all are strategically important to the organisation and its goals.

"Whilst every individual has some talent, not all are strategically important to the organisation and its goals."

On the evening of 22 May, about 100 attendees attached either to the HR Society – a specialist network dedicated to the business edge of HR – or the Institute of Chartered Accountants of England and Wales (ICAEW) met together. They received presentations and had debate on the very subject of this posting.

Tony Powell, deputy chairman of the ICAEW, gave examples of how in different business situations the relative importance of intangible asset categories varied. It was not always the human capital that was the most critical, even though in the long term this would be so.

Duncan Brown, recently of CIPD and now at PWC, surveyed research in the field, including that which demonstrated – in his view the obvious – that the more care you take in hiring, retaining and developing your people, the better the job they will do for you.

I also contributed with some of the thoughts outlined above, and some practical ways of measuring our human asset value and linking it to performance. A lively debate ensued – one FD describing how in board meetings, 'HR' issues were low down on the agenda and therefore were often squeezed out due to time. The numbers were always discussed first.

If I was the board member responsible for people, I would have to find a way to stop this happening. Management must be educated to understand that appropriate and useful people related measures must be part of the numbers – simply because they influence performance so much.

But HR must not mouth platitudes and rhetoric. It must be anchored in business benefit. Not all people, by any means, are assets. But strategic capabilities are much greater builders of value for the future than last quarter's profits, after all. Those who have them, combined with commitment to our mission, are indeed our most important and valuable assets.

Andrew Mayo is president of the [HR Society](#). He is also a director of [Mayo Learning International](#), a specialist in people related measures.