
Editorial

Sweating Your Assets

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Introduction

Imagine if someone told you that it was possible to improve the return on your organisation's most important, and probably largest, assets by as much as 10%, and possibly by as much as 20%. How would you respond? Would you show interest and want to find out more? Or would you express cynicism and question the motives of the individual? Would you think it was a con trick, or, even worse, classify it as another of those management fads that promised the world and, in your experience, delivered little?

Some colleagues, managers and academics, are beginning to realise that it is possible to improve the return on the organisation's most important assets by at least 10%. The assets in question, of course, are the people of the organisation: the staff, the human resource. More and more employers are realising that an organisation's staff really are its most important resource. The all too familiar comment in the annual report "...our staff are our greatest asset..." might just be true. And they are beginning to understand that the contribution their people make can help to transform the performance of their organisation.

In this editorial I am being provocative. I want to challenge you to give serious thought to the way you lead your people and to whether you are getting the best out of them. The title I have chosen for this piece, "Sweating your assets", is not an invitation for you to become a domineering and uncaring boss who tries to exact the last ounce of effort from dispirited galley slaves. Quite the opposite, it is an invitation to become enlightened and to join the ranks of those who are treating their staff as if they really were the most important assets within the organisation and who believe this approach results in tangible benefits.

I might as well make this admission right away: those of you relishing the thought of examining my statistical data, of using your analytical toothcomb to probe for its reliability and validity will be disappointed. The less numerate among you will be pleased! The absence of hard data should not be a discouragement, as the circumstantial evidence is enticing enough.

The argument

A former colleague set up a consulting business with private and public sector clients in the UK and some in other parts of Europe. As he was preparing for one of his assignments, he read of a US management consultant who claimed that when he asked the employees of his clients how much of their available and appropriate ability was being used by their employers the answer he got was usually "About 50%". Quite frankly, my ex-colleague did not believe these figures and decided to ask the same question of the employees of his clients. To his surprise he started getting similar answers. It seemed the average figure was usually around the 50% mark and sometimes the range of responses was anywhere between 30% and 80%. He was careful to explain what he meant by the words in the question. 'Available' meant what you were willing to give to your company; 'appropriate' meant that the organisation needed you to give it; and 'ability' meant the talent or skills or knowledge you possessed. He discussed with them the notions behind his question and time and again he came up with similar answers. When he explained his surprise to some senior managers, employees of a well-known UK public sector organisation, they were not particularly surprised and explained that they, even though they were senior managers, spent about 50% of their time "wading through treacle". In other words, fighting the bureaucracy within their organisation and the systems that seemed to militate against them giving their best performance.

I have told this story to many people, from all walks of life, and I have never been told that I am talking through my hat; that I am speaking nonsense. Typically, I am greeted with a nod of the head, a shrug of the shoulders, and a smile of resignation. It may be that my friends and colleagues are being kind to me, not wanting to highlight my advancing senility, but the impression I get is that they are not that surprised. It seems to square with their experience of life.

Those of you who know something about the introduction of mass production into US manufacturing will be familiar with the story of Henry Ford. As he made his contribution to the latest development in the industrial revolution and perfected the introduction of production lines, with its serried ranks of assembly workers, it is claimed he once asked: "Why is it that whenever I ask for a pair of hands, a brain comes attached?" (1). Today, as organisations attempt to improve performance still further and introduce HR strategies that reflect changes in the workforce itself, another revolution is taking place: it is the growth of knowledge management and the development of the concept of intellectual capital within an organisation's balance sheet.

Defining knowledge and its management, the rise of the knowledge worker, and the concept of intellectual capital is difficult within the space of an editorial, but a series of quotes offers helpful insights. The first "...expresses the characteristics that make knowledge valuable and the characteristics – often the same ones – that make it difficult to manage well":

"Knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the mind of knowers. In organisations, it often becomes embedded not only in documents or repositories but also in organisational routines, processes, practices and norms." (2)

The next quote, from a British writer whom Prime Minister Blair called "...an extraordinarily interesting thinker...his book raises critical questions for Britain's future", exemplifies the point on intellectual capital:

"By the mid-1990s Microsoft stock was worth about \$86 billion, yet the physical assets recorded on its balance sheet – buildings, real estate, equipment and the like – were worth about \$1 billion. The missing \$85 billion of Microsoft's worth was entirely due to its intangible assets, its know-how, research capabilities, likely stream of new products, the Windows brand name and Gates himself. Gates is the best-known and richest knowledge entrepreneur. But many more are following in his wake." (3)

The rise of the knowledge worker impacts on many aspects of organisational life:

"The rise of the knowledge worker fundamentally alters the nature of work and the agenda of management. Managers are custodians; they protect and care for the assets of the organisation; when the assets are intellectual, the manager's job changes. Knowledge work doesn't happen the way mechanical labour did...when work is about knowledge, the professional model of organisational design inevitably begins to supersede the bureaucratic." (4)

So one would be justified in thinking that in these days organisations, who understand the importance of garnering and maximising knowledge, the intellectual capital of its workforce, would have little problem in making use of this precious resource. Think again! The evidence suggests otherwise.

Consider this extract from a leading work on intellectual capital (4):

"No executive would leave his cash or factory space idle, yet if CEOs are asked how much of the knowledge in their companies is used, they typically say, 'About 20 percent.' That is the observation of Betty Zucker, who studies knowledge management at the Gottlieb Duttweiler Foundation, a Swiss think tank. Says Zucker: 'Imagine the implications for a company if it could get that number up just to 30%'.

I can understand public sector managers who say that the world they inhabit is very different from that of Silicon Valley; that public service is quite different from the commercial world of Gates *et al.* What I cannot accept is the view that the public sector somehow falls outside the realm of knowledge management and the principles of intellectual capital. In many ways the public sector is the very epitome of the knowledge economy. Just imagine the knowledge available to us, the intellectual capital that resides, usually untapped, in a typical public sector organisation.

Imagine further that your people know it to be untapped, (even if they do not know the vocabulary of knowledge management and intellectual capital). That they know the 'left hands' and the 'right hands' in your organisation do not share information; that the same mistakes are made over and over again; that their available and appropriate ability is not used for the benefit of the public they serve and for their personal growth. Most people have anecdotes of the way things are done in their organisation that sometimes works against the achievement of first-class service. Or are they seen as 'whingers', those whose sole purpose in life is to moan and groan about how things are done.

Where there are 'whingers', ignore them! But please start listening to the advice of those whose heart is in the right place. What if they are right? What if the figures of 50% and 20% are right? Perhaps the figure of 50% is widely inaccurate for the amount of available and appropriate ability used by your organisation. Perhaps it should be 70%. Perhaps the figure of 20% for the use of the available knowledge in your organisation is incorrect. It should be 40% or 50%, or perhaps even higher. The truth is none of us know. Yet our organisations can become leading lights in the development of people and in the promotion of knowledge and intellectual capital for the communities we serve.

Even if my figures are wrong by a factor of 50% there is still substantial scope for improvement.

The challenge

I have tried to be provocative. I know that some of my evidence is at best anecdotal. But please think about it and then conduct your own survey? Do not ask your own staff how much of their ability is being used as they might mislead you, but if you are speaking at a conference you could conduct a confidential survey. If the thought of a 'quick and dirty' survey does not appeal to you then why not ask some of your peers to respond to this article and to give you a set of scores for your organisation.

Once you have some information you might want to enter into a meaningful dialogue with your people. Then you can discuss the way work is organised and how their valuable contribution can be maximised for their benefit and that of your organisation.

- 1 Quoted in "Leading the Revolution", Gary Hamel. Harvard Business School Press.
- 2 "Working Knowledge", Thomas H Davenport and Laurence Prusak. Harvard Business School Press.
- 3 "Living on Thin Air", Charles Leadbetter. Penguin.
- 4 "Intellectual Capital", Thomas A Stewart. Nicholas Brealey Publishing. (This book is highly recommended.)

Other sources.

"Managing Information and Knowledge in the Public Sector", Eileen M Miller. Routledge.

"Learning to Fly. Practical Lessons from one of the World's Leading Knowledge Companies", Chris Collins and Geoff Parcell. Capstone.

"Knowledge Capitalism", Alan Burton-Jones. Oxford.

"Common Knowledge", Nancy M Dixon. Harvard Business School Press.