PANDE Associates Inc.

Business*Mantra*™

The *Mantra*™ bulletins are a resource for business executives and owners. Each bulletin is written by an experienced coach and covers topics that are relevant and important to the success of any organization. The bulletins are packed with proven and practical ideas that are simple to implement.

Read the *Mantra*™ and if you like it, tell the world. If you don't like it, tell us. Your feedback will help us improve future issues.

IN THIS ISSUE

This issue is about your most important asset that may be missing on your balance sheet.

ABOUT US

PANDE Associates Inc. (PAI) advises CEOs, boards and executives on leadership development, strategy formulation and strategy execution.

PAI helps organizations get to the next level through a combination of the coach's experiences and the tools of the CEO Advantage™, a proven process built on the great works of Jim Collins, Patrick Lencioni and Verne Harnish.

Prafulla Pande is the owner of PAI and an authorized licensee of the CEO Advantage™.

For more information on how PAI can take your business to the next level and other *Mantra*™ bulletins, please visit us at www.pandeassociates.com.

Business*Mantra*™

Mantra™ 104

How Complete Is Your Balance Sheet?

What is your business' most important asset and is it accounted for on your balance sheet? Are you managing your most important asset?

If someone asks you "Is your balance sheet complete?" you will look at him/her funny. Of course the balance is complete would be your natural answer. And you are undoubtedly correct. But you are also wrong for no fault of your CFO.

Do you know which of the following asset is most important for your company?

1. Plant and equipment
2. Customer list
3. Reputation
4. Financial strength
5. Products and services
6. Unique internal processes
7. Employees

All the above assets are extremely important in any organization but there is one that stands above all. It is your workforce.

If employees are assets then why are they not represented on the balance sheets?

The quick answer is that businesses have never thought of it this way. Secondly, there are no established norms that quantify the value of employees - it is subjective and qualitative. A balance sheet is a snapshot of a company's assets and liabilities. CPAs follow Generally Accepted Accounting Principles (GAAP) to prepare financial statements and these do not have room for non-quantitative reporting.

FROM THE COACH'S TOOLBOX

Create an environment where each employee can grow. Ask each employee what they would like to do beyond their current job. Help them get there if feasible through training and mentoring.

Create an employee satisfaction program by challenging them and showing them a career path.

Reward your employees frequently for exceptional accomplishments and for performing beyond the call of duty.

Watch performance, morale and health of the organization soar.

Sincerely,

Prafulla Pande

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the CEO | advantage™
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If you are interested in a particular topic or you have a question regarding the topic covered in this *Mantra*™, please write to ppande@pandeassociates.com

Employees in any organization are the firm's biggest assets. However, very few firms treat employees as assets, let alone account for them on their balance sheets like hard assets. Employees are often taken for granted. Frequently when a good employee turns in his/her resignation, companies try hard to keep them but do nothing proactively to preserve their greatest asset.

If employees are assets then what are you doing to maintain and upgrade them?

Companies have significant maintenance budgets to maintain their plant and equipment but have little budget to maintain and upgrade their biggest asset. What is your budget for training your employees? I know companies that spend virtually nothing to improve the skills of their workforce. These companies may be avoiding spending money on training but they are losing a lot more through low productivity and poor morale. Profits are made through optimum use of your greatest assets and if these assets do not perform, profitability is affected.

Build a simple Human Balance Sheet as follows:

1. Answer the following questions for each employee:
   - Core values match those of the organization?
   - Need to be managed?
   - Become the best in their job?
   - Value to the customer?
   - Understand the difference between job and responsibility?
   - Would you re-hire the person for the job they are in?

2. Score each answer as Low (L), Medium (M) or High (H)

3. List employees with most H and M on the asset side

4. List those with more L's on the liabilities

5. Implement the following:
   - H Employees: Never lose them
   - M Employees: Help them become H Employee
   - L Employees: Improve them or get rid of them
   - View H and M Employees as valuable assets

This approach will help you view your good employees as valuable assets and put them in the right places within your organization. It will also help you identify marginally performing employees that you either improve or get them off your payroll and add dollars to your bottom line. Your financial balance sheet gets stronger as your workforce gets stronger.