



## Can Your Company Turn Employee Skills Into Bottom-line Value?

In today's competitive knowledge-driven marketplace, employee skills are crucial to business success. From accumulated employee experience and know-how, to relationships and hard skills—knowledge drives the profitability of companies across industry. But translating knowledge into tangible business results remains a significant challenge. Some lessons about knowledge as a corporate asset provide crucial insight for meeting that challenge.

### **A Framework for Knowledge and Value—Insights from a Business Pioneer**

Formerly considered an “intangible/unmeasurable” asset, corporate knowledge has become an integral part of a company's value as measured by employees, stockholders, and customers. Much of the credit for the idea of turning this intangible value into a financial asset can be attributed to business pioneer Paul Strassmann.

Over his 40-plus year career, Strassmann has worked with information management, business strategy, and reengineering efforts for organizations ranging from major Fortune 500 companies to government agencies. His work at Xerox in the '70s introduced major innovations in telecommunications management, and his work for the Department of Defense helped him earn a Defense Medal for Distinguished Public Service.

At the heart of Strassmann's work as a knowledge strategist is his emphasis on the value of corporate knowledge. Why is a company's market value different (and higher) than its book value (as calculated by generally accepted accounting principles)? Simply put, Strassmann refers to that specific difference with a term he coined and trademarked as “management value-added.” A company's management value-added drives corporate success by making its financial capital assets exceed their book value.

What drives “management value-added?” To a large degree, management value-added depends on the level of “knowledge capital”—a term Strassmann trademarked to denote the value of accumulated knowledge held by employees. Ultimately, this accumulated knowledge, and the increase in working efficiency that comes with it, increases the total value of products or services a company is able to produce. While the simplified explanation provided here only scratches the surface of Strassmann's work, it does reveal prime opportunities for enhancing the value of skills through skills measurement.

### **Recognize Employee Skills as a Valuable Knowledge Asset**

The market valuation of a company's employee worth is largely determined by the knowledge accumulated over the course of years of daily activity—from attending meetings to getting to know people, to learning a company's processes, products and services. None of these activities is entirely possible without the basic element of skills.

Whether the employee's interpersonal skills facilitate the consensus needed to accomplish a project or accelerate delivery, or her programming skills produce more computer code to meet the demands of a particular project, skills add value to the organization.

But how can managers do more than pay lip-service to the necessity of skills for corporate success? Smart companies are providing the answer by giving employees the tools to measure their skills online. The results of these online assessments are detailed scores that enable employees to track learning progress. These same scores give managers the objective metrics they need to measure, manage, and improve skills assets.

**Skills measurement systems can guide employees toward improving core job role skills.**

### **Facilitate the Accumulation of Marketable Skills**

To appreciate the importance and value of skills accumulation, consider this common occurrence. A company needs to implement a new process or system. Key employees undergo weeks of training to become oriented with the changes. Managers may spend months planning and implementing new processes. As the marketplace evolves, the company will acquire new knowledge, build new skills, or build a process to evolve with it. The result—knowledge, skills, and the value that goes with them, are accumulated on the job.

Accumulated experience is the key intangible that drives an increase in knowledge assets. Skills measurement systems give companies the tools to capture the skills component of that accumulated experience. Skills measurement delivers advantages on two fronts—the quality of the skill being improved and the ability to improve that skill efficiently.

The first advantage of skills measurement comes from the marketability of the skills being acquired. An obsolete skill hurts the company as much as the employee, reducing productivity or at worst, resulting in layoffs. While a skills measurement system cannot ensure that every skill an employee develops remains in demand, it can be used to selectively guide employees toward measuring and improving core job role skills—abilities that are proven to contribute to the worth of the individual employee and to the company as a whole.

The second advantage comes from the ability to deliver objective metrics for skills improvement. Companies are finding that, by offering a system for tracking skills through repeatable assessments, they are giving employees the opportunity, and therefore the power, to develop those skills with the help of objective metrics.

Are objective metrics a nice-to-have or a must-have? Consider two track teams of comparable ability training for a meet. One has a stopwatch (providing objective metrics in the form of time results). The other team practices without a stopwatch (no metrics). If you place your bet on the team with the stopwatch to win, you're not alone. Metrics facilitate improvement, and increasingly in the world of corporate skills assets, metrics enhance value.

### **Validating Skills as a Competitive Differentiator**

In every aspect of client interaction, skills drive company value. With skills as an asset that a company offers in the marketplace, skills measurement systems provide the metrics to differentiate that asset. Frequently, companies are certifying the skills of their employees for market differentiation.

Given the choice between certified service providers and those without certification, a client is likely to lean toward the certified choice. The result—certification increases demand for a company's skills, which in turn, increases their value.

### **Translating Skills to Market Value—Metrics Provide Direction**

At the height of the Internet bubble, Strassmann was quick to point out the misuse of knowledge value as an excuse for excessive corporate valuations. The fact remains in 2003, just as it was in 1998—a company's accumulated knowledge is only worth what the market is willing to pay for it.

What is the role of skills measurement solutions in the corporate knowledge equation? From IBM and its employee skills measurement program, to government agencies and their skills measurement recruiting solutions, objective skills measurement systems are providing crucial metrics for ensuring that the skills that drive organizational success also contribute to market value.