



## **The Ultimate Competitive Advantage**

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Clearly, one of the least developed assets in most businesses is the human resources. In this multi-year challenging economic climate this has become more evident to many business owners who have experienced: flat or lower sales, morale issues and in some cases the loss of top producers.

Most businesses have trimmed overhead, maximized technology, outsourced non-essential services and instituted tighter controls on expenditures and instituted other efficiencies like lean manufacturing.

There is one area that has been omitted by most that will provide businesses with an ultimate competitive advantage...the ability to obtain and retain top producers at all levels of their organization. This is a high return on investment proactive process. I believe the reason for delaying from instituting this is lack of understanding of the real opportunity costs of inaction.

The balance of this executive summary will share information provided by Gallup and similar organizations who have studied workforce engagement and a correlated study compiling over 85 years the costs of not having superior producers at all levels of an organization. This study was published in the 1998 September issue of "Psychological Bulletin" indicating that 84% of all employees were either poor or average producers and illustrated the opportunity lost in productivity when you do not have superior producers. They monetized the impact of not being proactive in getting top producers in all positions.

### **Here are some key points to consider:**

- 4.5 million businesses are currently owned by "baby boomers" and will be looking for buyers in the next 15 years
- The next generation of potential buyers is much smaller than the "baby boomer" population
- Only 33% will transfer their business successfully
- 67% will need to sell their business
- 96% of the business owners believe they need a formal written succession plan

- 87% do not have a formal written succession plan
- Businesses are often the major asset
- Gallup poll indicates 29% of all employees are actively engaged in their jobs
- 54% are not engaged...merely present
- 17% are actively disengaged
- They estimated 22 million actively disengaged US employees cost \$350 billion in lost productivity
- 84% of your workers either want to quit or look for new jobs

The previously mentioned Psychological Bulletin- September 1998 monetized an 85-year study of businesses. Here are some of their findings compiled from their study.

Their study mirrors the recent Gallup study and clearly illustrates the costs of not having superior/top producers at all levels of an organization.

- 16% of the business population surveyed were poor producers
- 68% of the business population surveyed were average producers
- 16% of the business population surveyed were superior/top producers

In this study they monetized the opportunity costs of not having superior or top producers in all positions within an organization. They used a percent of salary as reflecting the higher productivity measured in superior producers over average and poor producers. The businesses studied had their human capital divided into three major areas: Unskilled / Semi Skilled, Skilled and Managerial and Professional positions. Here is the summary of their findings, which will enable you to calculate your opportunity costs for your organization.

#### **Unskilled / Semi Skilled Work Population:**

Average workers produced 19% more than Poor workers  
 Superior workers produced 19% more than Average workers  
 Superior workers produced 38% more than Poor workers

#### **Skilled Work Population:**

Average workers produced 32% more than Poor workers  
 Superior workers produced 32% more than Average workers  
 Superior workers produced 64% more than Poor workers

#### **Management & Professional Population:**

Average workers produced 48% more than Poor workers  
 Superior workers produced 48% more than Average workers  
 Superior workers produced 96% more than Poor workers

Let's do a sample calculation based on Management & Professional workforce in a company with wages of \$100k per position. Let's assume one professional worker who is a Poor producer and two managers who are Average producers.

1 Professional (poor producer) x .96 x \$100,000 = \$96,000

2 Managers (average producers) x .48 x \$100,000 = \$96,000

Three people who were not superior producers in this case cost \$192,000 in lost revenue. It is easy to understand that even in a small organization the impact of having less than a superior producer in any position is great. Go thru your own organization rank your people as Poor, Average or Superior in the various position categories and discover your potential revenue gains when you upgrade to superior or top producers.

**Conclusions:**

- There are no great organizations without top or superior producers at all levels of the organization
- Clearly being proactive and upgrading you work population to superior performers at every opportunity will give you a high ROI
- There are reproducible leadership processes that can be instituted to obtain and retain top producers at all levels of your organization
- The ultimate competitive advantage in all economic climates is having superior producers at all levels of your organization
- Owners obtain greater value for their businesses with superior producers
- Owners have peace of mind and more exiting options with superior producers

There are two major factors that have caused the lack of workforce engagement and the lost opportunities of not having a highly engaged workforce:

- Hiring people who do not fit the position requirements
- Poor leadership and management

This is an opportunity to take many strides ahead of your competitors- to take every opportunity to upgrade your workforce to superior or top producers and realize opportunity revenues through your proactive effort.

Bruce Clinton of BusinessWise is pleased to offer proactive business owners a free assessment of their current processes to obtain and retain top producing talent.

