DISTANCE CONSULTING LLC

What’s the Return on You (ROY)?

Fred Nickols & Harvey Bergholz

These are hard times. No doubt about that. Millions of jobs have been lost and there is no end in sight. When the ax falls, will it fall on you or will you be safe? Frankly, there is no way to tell. Companies use different approaches in deciding who goes and who stays. Some rank order and cut from the bottom. Some leave it up to the individual managers. Some use sophisticated forced-choice comparisons. Some even ask for volunteers and some rely on information from performance appraisals. Whatever approach is used, you can bet that if you’ve established in a clear and convincing way that your company is getting a good return on you, you’ve got a better chance than most of surviving a layoff, downsizing, reduction in force, or whatever term is used to refer to the act of terminating large numbers of employees.

You know what ROI is, right? Return on Investment – that ubiquitous, universal measure of the worth or value of an investment.[1] We’ll bet if you were pressed to come up with the ROI for a particular department, division, operation, project or program you could cobble together some numbers you could defend. But if you were asked to come up with ROY – the return on your company’s investment in you – your eyes might glaze over and perspiration beads might form on your brow. ROI? No sweat. ROY? Big sweat!

Where do you begin? What numbers do you gather? How do you defend them? And why bother thinking through this at all?

We don’t know of a single company that’s asking its employees for their ROY, at least not explicitly and not just yet. However, we believe the day they will is close at hand. The director of training for a large pharmaceuticals plant recently inquired of an internet list about the availability of a “personal ROI equation.” That’s ROY. People, as factors of production or service processes, are simply too costly to be ignored. People-related expenses in large service or information businesses typically account for 65-75% of the operating costs of the business.

So, for several years now, more and more senior managements around the globe have been questioning not just new hires but current positions as well. That goes double for staff functions like training, historically one of management’s favorite targets when the budget and downsizing axes are taken out. And now that we’re in what everyone views as an economic crisis, getting a fix on your ROY is vital to your survival. The typical corporate stance today is has shifted from “Find a way to do it without adding more people” to “Get rid of as many as you can.”

The emphasis on proving your economic value – or being prepared to prove it when asked – can only grow stronger. This paper will help you get a start on doing just that, and on being prepared for that question when (not if) it comes.

ROY has a lot in common with ROI. Both are ratios of the return (valued results) to the investment (one-time and continuing costs) expended on achieving them. Both are ratios of results to resources, whether you’re dealing with actual or expected values.

Think you know all there is to know about your company’s investment in you? You’re probably wrong. Studies show the majority of employees are more than 30% off the mark when asked to estimate their actual costs to their companies. Most people cite “pay and benefits” and stop there.

[1] For this paper we will set aside distinctions between expenditures classed as “expenses” and those classed as “investments.”

But that’s only part of the equation. Let’s get a little more detailed. “Pay” is a very narrow term, usually encompassing just salary, wages and bonus. A better framework is “Compensation.” It encompasses not just salary, wages and bonuses, but also stock options and other monetary benefits like a company car and 401K matches.

“Benefits,” too, is a fuzzy term. Health, medical, dental and vision care are examples, as are life and disability insurance. Other benefits are less obvious. If you have an office, what do you suppose that costs? What about the furniture in it, your PC and your phone? Hey; what about that cell phone on your belt and that PDA in your briefcase? Okay, you don’t have an office, you have a cubicle. Same deal. Been to any training workshops or conferences lately? Tote up the cost of the travel, registration and meals and, whether you consider it a “perk,” a “benefit” or part of your “pay,” it’s an investment in you. While we’re at it, what did it cost to hire you? If your company paid to relocate you, how much was that? And, if you got one, how much was your signing bonus? Does your company pay for or reimburse you for membership in professional associations? Does it reimburse you for your subscriptions to professional journals?

Round up and add up all these figures (and any others that come to mind) and the odds are your company’s investment in you is easily half again what you’re being paid and, in some cases, twice as much. If you don’t believe us, ask your Finance Department (although that could be a risky suggestion; we caution you against waking sleeping dogs, stirring up hornets’ nests, etc.).

Determining your company’s investment in you is the easy part. The hard part is figuring out the return on you. *What results of value have you produced and what results of value will you produce?* If you’re one of those woe-begotten trainers, have you conducted or developed any training courses lately? So what? What results can you lay claim to as a consequence of that course or your conduct of it? Can’t say? You might be in big trouble before long. What’s that? You’re not in the training department so this doesn’t apply to you. Think again. Suppose you’re an account manager and your major accomplishment for the year is that you salvaged a big account that was about to go elsewhere. Good for you. Now, what’s the economic value of that accomplishment? Or, suppose you’re in IT and you led a project to develop a new application. Suppose also that you achieved the impossible dream; you pulled off an IT project on time, on budget and without a hitch. Good for you. What’s that worth in dollars and cents? Or suppose you’re one of those forlorn warriors known as middle managers? You’re responsible for getting results through other people. So what results did you get through them? What are those results worth? How much of that can you reasonably lay claim to? Let’s go back to training for a minute. If you’re a training manager you’re responsible for getting results through people (trainers) who in turn get results through training. And, if you stay in the training department, what are you going to tell other people in your company when they come to you and ask for help or training in how to determine their ROY?

To figure out the bottom number in the ROY equation – the investment – you need to be familiar with your company’s cost accounting and cost allocation systems. As we said, that’s the easy part. To figure out the top number – the return – you need to understand your company’s performance architecture – that complex network of people, work processes and measurement systems – that defines and determines what results get produced, when, where how and by whom. It’s in there that you find the answers to the question about the nature and value of the return you provide your company. And that, of course, is the hard part. But it can be done.

We hope by now you have the picture. Sooner or later someone is going to ask you for your ROY – the return on *you*. They’re going to ask you for yours or they’re going to ask you for help in figuring out theirs. Better start thinking about it now, while you still have the time and luxury of getting a head start on the issue.

To help you get started we have attached a worksheet you can use in figuring out the return on you (ROY).

About the Authors

Fred Nickols is the Managing Partner of Distance Consulting, LLC and a widely published writer. Visit his web site at www.nickols.us or contact him via e-mail at nickols@att.net.

Harvey Bergholz is President of Jeslen Corporation, a consulting firm he has headed for almost 30 years. Harvey can be reached by e-mail at jeslencorp@gmail.com. His company’s web site is at www.jeslen.com.

Return on You (ROY) Worksheet

Resources Used or Consumed (The "Investment" in You)		Results Produced or Enabled (The "Return" on You)	
Resource Categories	**$ Value**	**Result Categories**	**$ Value**
Pay		Sales	
Space		New Customers	
Equipment (PC, PDA, phone, etc)		Cost Savings	
Vacation		Productivity Improvement	
Perks		Performance Improvement	
Benefits (medical, dental, life, etc)		Profit Increase	
Retirement Matching		Shareholder Value Increase	
Stock Options		Problems Solved	
Tuition Reimbursement		Patents Obtained	
Training/Conferences/Travel		Products Developed	
Employment and SocSec taxes			
Worker's comp			
Other (List below)		**Other (List Below)**	
Total Resource $$		**Total Result $$**	

$$\text{ROY} = \frac{\text{Results}}{\text{Resources}} = \frac{\$\_\_\_\_\_\_\_\_}{\$\_\_\_\_\_\_\_\_} = \_\_\_\_\_\_\_\_ \%$$