

Why Are Employees The Most Valuable Intangible Assets?

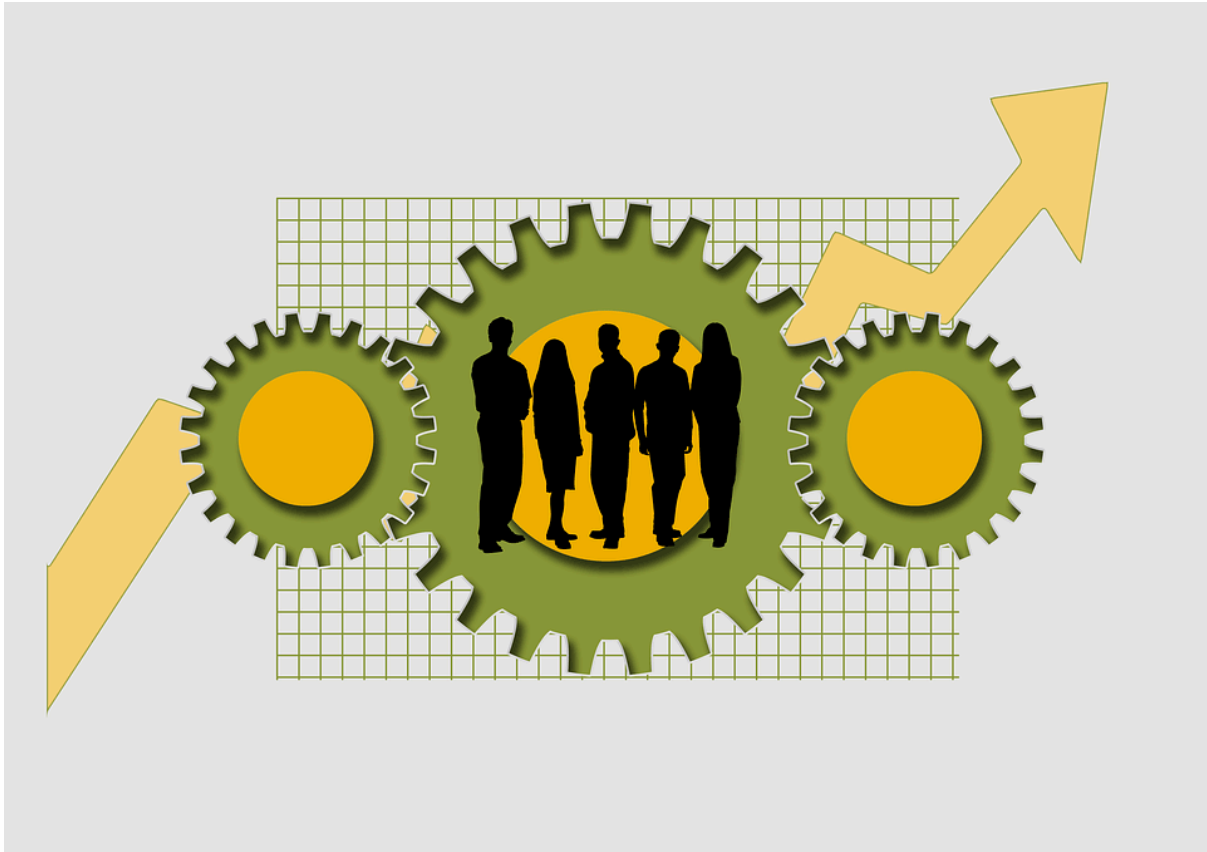
Why Are Employees The Most Valuable Intangible Assets?

There is no doubt about the fact that the human asset is the key intangible asset for any organization.

In today's dynamic and continuously changing business world, it is the human assets and not the fixed or tangible assets that differentiate an organization from its competitors. Today's knowledge economy distinguishes one organization from another with the single most important and powerful factor that is the Human Assets.

Employees leaving an organisation might be replaced physically; however, their skill-sets and knowledge cannot be exactly replaced by the person replacing them, as each individual possesses a different skill-set and experience. It is well known by the business decision-makers that **the skill of employees, account for 85% of a company's assets**. Employee efficiency and talent determines the pace and growth of the organizations.

"People are definitely a company's greatest asset. It doesn't make any difference whether the product is cars or cosmetics. A company is only as good as the people it keeps." – Mary Kay Ash



“The most valuable assets of a 20th-century company were its production equipment,” said management guru Peter Drucker in 1999. **“The most valuable asset of a 21st-century institution, whether business or non-business, will be its knowledge workers and their productivity.”** Drucker’s insightful observation clearly marks the reality as to what are the majority of issues faced by the industry in today’s knowledge economy. All intangible assets, be it patents, copyrights, intellectual property, brands, trademarks, and research & development, are created by the human asset, and they are the most essential contributors towards the profits and shareholder value.

In fact, investment advisory firm Ocean Tomo estimates that in 1975, the value in the S&P 500 firms consisted of more than 80% of tangible assets – like land, plant and machinery. **In 2010, approximately 80% of the S&P500 market value is allocated to the intangible assets.** However, there still lies a gap in today’s accounting systems and financial reporting, as they are using 20th century definitions.

The Harvard Business Review in 2004 noted that the skills and talents of a company's workforce constitute an intangible asset — and that such assets “are worth far more to many companies than their tangible assets.”

It's time that the organizations recognize that valuing their employees as assets should be realized in a full-fledged manner. The employees (their knowledge, expertise, abilities, skill-sets, and experience) are the invaluable and intangible assets in securing the future. Think of what all the organization could achieve with everyone in the boat actively rowing towards the same direction. **The valued employees will gladly compete in this race, overtake the competitors, cross the finish line first, and stand with the organization's name held high on the medal stand.**

Following are the reasons clarifying why the employees are considered as the most Invaluable Intangible assets for any organization.

Here are some of the intangible assets for an organisation:

1. The employees are essential to **provide goods or services** that the company has to offer. Improving employee efficiency and performance therefore become major priorities. Every department comprises of employees with different specializations and responsibilities, be it production, finance, marketing, IT, so on and so forth. The employees produce final goods, take care of finances, promote the products and services in the market, maintain the records for the organization for decision-making, etc.
2. Customer is the King, and **employees are the first customer** to any organization. If the organization does not have happy and satisfied employees, they will not deliver performance-oriented results, thereby, reducing the profits of the organization.

3. The employees **give their 100%** to any organization, whether it is a small-scale, medium-scale, large-scale, or a business giant like Google, Apple, Microsoft, etc. Let's not forget, that it is the result of continuous hard and smart effort put in by the happy and valued employees that keeps the organization going in the long-run, competing with the competitors and keeping it ahead of all.
4. **Employees are the face of an organization.** It's their satisfaction level that matters the most. If an employee is not happy, he might spread a negative word about the organization, even if he is working or has left the organization. Not only this, but an unhappy employee lacks motivation and does not perform well, which ultimately leads to unsatisfactory performance by her/him. This results in unachievable performance targets, low profits, and at worst customers leaving and going to your competitors.

On the other hand, the happy employees will make their outside-workplace social group leave their organizations and join in yours. Remember, positive attracts positive. An efficient and happy employee can be great source of bringing in new people like herself/himself.

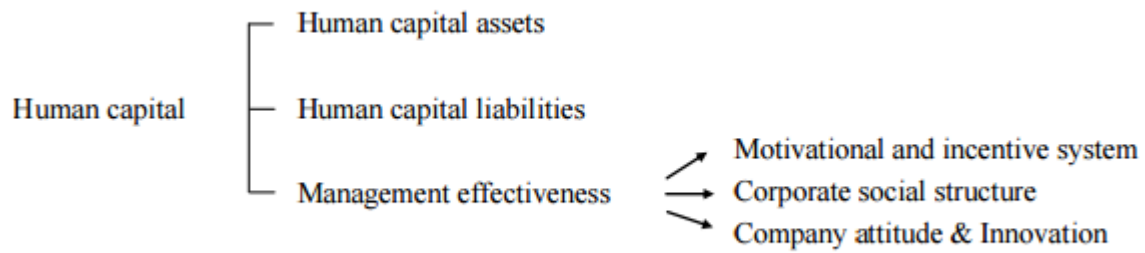
5. They are the **nurturers of the organization.** They give in their heart, soul and blood to the organization. Just like the parents nurture their kids to grow into good human beings, in a similar manner the employees nurture the organization with their valuable and endless efforts to take it on the top of the pyramid.
6. **Skilled people with knowledge** of how a company operates are difficult to find and may be even more difficult to replace. Their skills include training and development programs, experience in specific fields, and an understanding of various companies' cultures, systems, and work procedures. The salaries cannot be considered as true measure of their skills, and expertise, as the knowledge or creative ideas are abstract. They are intangible, and cannot be measured in terms of money.

7. **Employees are the base to a strong and long-running organization.** If the base of a building is not strong enough, it always has a danger to fall in an unexpected critical situation. The same goes for an organization too. The employees run the organization, whether they are at middle level or senior level. Their strength, their commitment and dedication, and their emotional connection with the organization cannot be judged or assessed in monetary values, which makes them invaluable as well as intangible assets.
8. Motivated **employees make a significant difference** by reaching new targets, meeting customers' demands and needs, developing innovative and new products, and performing enormous and huge efforts to achieve company's objectives, whether long-term or short-term.
9. Employees are the **major contributors to profits and worth** of the organization. The employees might appear under "asset" in the balance sheet or books of accounts of an organisation, however, they are the most valuable assets that cannot be given any monetary value as such. This is because of the irreplaceable efforts that the employees put in, which further results in excellent customer reviews and creating brand loyalty from customers.
10. The HR department comprises of employees who are responsible for hiring more employees with specific talents who can team up with the veteran in the organization that belong to their job profile, and work for the organization in an efficient and effective manner by **combining new and fresh ideas with unmatched experience**. The employees are the workforce of the organization. They are far more important than machinery or production equipment, or land that serve as tangible assets.

"Your number one customers are your people. Look after employees first and then customers last." – Ian Hutchinson, author of People Glue



If we look at it, it would seem that the employees are tangible assets. After all, they're present in front of us, in a physical form. But while it's all right for organizations to address their employees as invaluable assets, it's not really the employees — **the flesh-and-blood individuals** — rather, it's their abilities, which make the employees intangible assets, because abilities, knowledge and experience cannot be given any monetary value whatsoever. **When a talented, skilled worker leaves the company, he/she can't be replaced just by bringing in another body off from the road.** The organization requires someone with equivalent skill-set. The skill set of the organization's people, more than the people themselves, is an asset, and since these abilities or skills can't be touched, it's an intangible asset.



The major responsibility of an organization is to keep the employees happy and satisfied. **This does not come with the huge salaries or hefty paychecks alone.** There are a lot many other factors besides this, which help in retaining the invaluable and intangible assets of the organizations, viz., Employees:

- Perks and incentives
- Bonuses
- Healthy work environment
- Coerciveness and Positivity in the workplace
- Other fringe benefits
- Flexible work culture

Employees are undoubtedly the invaluable and intangible assets for any organization taking it forward by keeping a dynamic and learning environment to cope up with the continuously changing industry whether it is the technological advancements, or political and economic changes. It's the employees who actually run the company with their efforts that cannot be priced no matter what. The reason employees are termed intangible is because the skill-set, expertise, knowledge, and experience possessed by an employee cannot be measured in terms of money. The salaries are given to a position and not the skills of an employee. An employee is far more than the salary provided to her/him, which is why the concept of performance-based incentives was introduced, so that the

employees can be given somewhere close to what they deserved based on the efforts they put in for the organization.

The valued and delighted employees or the human capital or the workforce of an organization put in their heart and soul in their work in the form of the best skills, know-how, creativity, ideas, adaptability, word-of mouth, so on and so forth. It is this contribution that makes them highly invaluable and of course intangible as these efforts and dedication has no measure in monetary terms. The employees work for the organization and themselves. The organization's practices to keep their not only best but all employees happy and motivated are directly proportional to the endless commitment and dedication put in by the employees. It's a joint effort by the organizations and employees. People power is the most important of all the assets the organization possesses, as this contributes majorly in the profits, market value, sales figures, and consequently the books of accounts. The goodwill section in the balance sheet can be taken as the value for the former employees, as it was their efforts and contribution that has brought the organization to this position today. However, the current workforce will be considered as the invaluable and intangible assets.

"People want to know they matter and they want to be treated as people. That's the new talent contract." – Pamela Stroko in Tanveer Naseer's blog post "How Leaders are Creating Engagement in Today's Workplaces"

All in all, the employees, working at any level, are the eyes and ears of any organization. The real fuel and energy behind a company's growth and success comes from its people or the workforce. It's important to keep the employees delighted and contented to make sure that the organization does not lose on its customers, profits, and most importantly market value.

Employees should be recognized as a company's greatest asset. While most companies agree with this in principle, they often do not support it in their day-to-day actions. People can make all the difference in a company's success and, with a motivated work force, can make up for almost any lack

of other resources such as facilities, working capital, and limited products. Every company should make concentrated efforts to meet employee needs and desires in a cost-effective way, so that company performance will be improved. This improved performance should result in better customer service and increased shareholder value.

Majority of employees are hired to do functions specifically based on current needs of the organization. As the strategies and directions of an organization change, these employees (human assets) start yielding less over time. In some situations, such employees hired never have their complete capabilities assessed or explored. Furthermore, general inability to quantify the capacity of human resources exists. Subsequently, the organization is not able effectively determine when it has reached its affordable human asset capacity level. This finally concludes the reasons that describe why the employees are invaluable and intangible assets for any organization. See educba.com