ROI, ROA, What About ROP?

By Bill Drexler

So you're ready to face a new year and new challenges. Are your people ready? Does investing in people make sense? Consider this.

The Wharton School at the University of Pennsylvania recently published an article entitled "How Investing in Intangibles—Like Employee Satisfaction—Translates into Financial Returns". They quote Wharton professor Alex Edmans who found that: "Companies on Fortune Magazine's annual list of the '100 Best Companies to Work for in America' between 1998 and 2005 returned 14% per year compared to 6% for the overall market."[1]

While there are other reasons why these results may be true (good management, strong markets, unique products) this information supports what we at Kraft have believed for years. People are your most valuable asset. People execute your plans, conduct the work of your business, and are the front line face of your business. Motivated (happy) people create happy customers who generate referrals and repeat business, leading to growth, stability and profitability.

How do you look at the people who work for you? What is your ROP (Return on People)?

---

[1] (January 9, 2008 In Knowledge@Wharton)
http://knowledge.wharton.upenn.edu/article.cfm?articleid=1873