



A New Role for IT: Numerator Management

By [Theresa Wellbourne](#)

February 2, 2005: Cutting costs (and employees) is one way to grow the bottom line but it's tough on everyone. Tapping unused employee potential is a better solution to post the numbers you need, writes *CIO Update* guest columnist Theresa Wellbourne of [eePulse](#).

Have you been called to the executive suite and told to cut costs to improve performance? This is often the first efforts suggested by the Board or the CEO and is what a colleague of mine refers to as "denominator management": the constant chipping away at expenses without an equal growth in sales.

This can have devastating consequences not only to the firm but to the management team. According to over 4,000, worldwide leaders, who are participating in an ongoing research study about leadership, this non-stop, often unfocused, cost-cutting is taking its toll on employees and on all organization leaders.

Confidence is Low

Since June of 2003, I've been tracking leadership confidence and leader energy (e.g. motivation, engagement) levels, and the scores have been plummeting.

You might not be surprised if you think I'm tracking confidence in the economy, government, etc. (similar polls have shown downward trends). But my research focuses on confidence in leaders themselves. The confidence scale that I use asks leaders to rate confidence in their own leadership team (including themselves); whether or not their companies have the right people and skills needed to execute on strategy; their vision; and their ability to execute on that vision.

The executive participating in the study were quick to explain why the scores were going down: you can only do so much when it comes to cutting costs.

Constant cost-cutting zaps workforce energy, including the energy levels of the leaders themselves. But, if tough economic times are here for a while longer (which seems to be the case), then leaders need to search for new solutions.

Fixing the Problem

Therefore, in November, 2004, our research team turned to the executives who reported low confidence and energy levels. Although these people reported feeling "beat up," they were willing to change to make organizational improvements.

They started working on innovative solutions to their problems. Specifically, when we asked what they were doing to improve firm performance, beyond cutting costs, the top five responses were as follows:

- Improving current company processes.
- Focusing strategies and partnerships for increased sales.
- Training and teaching employees.
- Motivating and recognizing employees.
- Introducing new products and services to the market.

Make Changes Happen

All of the comments indicate that these organizations, and the leaders running these firms, are trying innovative approaches we call "numerator management" -- or increasing revenues (vs. cutting costs). The ROI equation is being optimized by improving return on the current knowledge in the firm. In other words, they are tapping their human assets by asking employees to use their knowledge to improve the firm.

When you've cut so much that even your most senior executives are experiencing high levels of burnout (which our data indicates is happening today), changes are required.

Rather than viewing employees as a cost to be cut, innovative employers are asking employees for help. They are utilizing employees as "scouts" or "reporters" -- using their insights from working with customers to develop new insights to enhance sales, for example.

Innovative businesses are even asking their employees to help sell their products. The employee population is being asked to help make more out of the overall assets they have in place, and they are rising to the occasion. Innovative firms are improving efficiency, taking a hard look at process and making changes, investing in talent and aligning employees to grow the company.

How IT Can Help

Information technology can contribute extensively to the new "numerator management" phenomenon. This is because IT staff can help their organizations understand how to better leverage the knowledge that employees have about the business. I am not promoting large, extensive knowledge management campaigns but simply improving the methods by which information flows between employees and management and how that data can be accumulated, analyzed, and understood.

With most employees at least having access to computers, IT can be instrumental in setting up systems that utilize employee "scouting" to accumulate high quality information about business process, customers, suppliers, new ideas, and more.

Grow from Within

When you run out of costs to cut, the next option is looking inward for growth. And that's what successful leaders are now doing. Think about it. Everyone says "employees are our most important asset," but when it comes to improving returns and net profit, employees are usually the first to go.

However, employees are the only asset that can produce more with simple, low-cost interventions. And the most cost-effective and easy implementation is listening.

My own executive teaching efforts focus on developing "learning leaders." These are leaders who listen to customers and employees, learn and then lead based on new knowledge. By simply taking the time to listen to what's truly going on with your employees, you can learn valuable information that will help you improve overall performance in your organization.

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