What is your ROT[1]?

For sure you closely track your Return on Investment (ROI), Return on Assets (ROA) or Return on Marketing Investment (ROMI). And there are many more similar financial KPI you can monitor. For many organizations, the cost of labor is a very significant one. Why would companies lay off in the 1000s if not to save money? We see personnel expenses as just that … expenses. But what if we look at this as a source of performance and growth?

So are you tracking your ROT?

Return On Team indicates what additional performance your organization gets from a team compared to a set of individuals.

ROT

Return On Team

$$= \frac{\text{Gain in Team Performance}}{\text{Sum of Individual Performances}}$$

ROT = 0 means that your team has a performance equal to the sum of the members' performances. Each team member focuses on their own responsibilities and KPI and delivers what is expected. This is what coordination is about. Each completes their part of the jigsaw, and putting all pieces together, the jigsaw is complete. The whole is equal to the sum of the parts.

ROT < 0 means your team's performance is negatively impacted by in-fighting and silo-mentality. It's a mentality where I can only win if another peer/department/business unit loses. The absence of basic cooperation for those topics where it is needed means the team is losing out and as a whole performs worse than the simple sum of individual performances. The whole is smaller than the sum of the parts.

[1] Return On Team

In both these situations, the idea of a team does not bring any additional value, and cutting heads to optimize expenses is tempting!

You really create an advantage if you have a ROT > 0. This is what a high-performance team is about, where the whole of the team is larger than the sum of the parts. This is what collaboration delivers: the team delivers more than the members separately can deliver. A high-performance team works together to create new products or services, optimize how they work together and find answers to the complex challenges they face. They ensure there is a win-win mindset within the team. A team with ROT equal to 2 or 3 brings a performance return to the organization that is way bigger than the sum of individuals' performances. And why not aim for ROT of 5 or 10?

In this situation, cutting personnel expenses may bring a short-term cost gain, but this is more than offset by the loss of the team's overall performance that will quickly drop back to ROT = 0 at best!

Next time you are looking at your metrics like headcount and payroll, ask yourself what your ROT is at …! Maybe the key to sustainable performance improvement is in your team, rather than in the short-term temptation of cutting heads to cut costs.

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