

The Debt You Don't Report

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The traditional approach to accounting and financial management doesn't account for all of our assets such as the value of our knowledge, experience, network, and future earnings potential. Neither does it account for all of our liabilities such as our unknown and unresolved issues. Whether accounting for our individual issues or organizational ones, we can have significant but unreported debts.

For homeowners, this debt is the accumulation of repairs that will someday be needed to bring a house up to expected working condition. Similar debts accrue on cars, boats, and other high-value goods. In the context of technology based organizations, this debt is referred to as *technical debt*. Technical debt is the amount of future work required to fix architectural and other underlying technical issues that have accrued yet been ignored.

For many organizations, this unreported debt exists in offerings, systems, operations, and people. As offerings become less competitive, there is an increasing need to invest in research, development, and improvement. As systems grow old, the need for updates and replacement grows. Operational debt accrues as processes become outdated and neglected. As markets change and clients fade away, the need to develop new ones grows. Perhaps most important, fundamental, and unreported is the lack of investment in people. This debt is an organization's skill deficiency and lack of capability which requires future training and development, or replacement.

These debts can become so large that departments are outsourced, people are fired, buildings are bulldozed, assets are sold for scrap, and organizations are shut down because the costs to fix them exceed their value.

People and organizations can choose to ignore these debts, but a lack of action doesn't remove their existence nor their shadow costs. Like interest charges incurred on financial debts, unreported debts have shadow costs such as lower productivity, lost sales, employee disengagement, and increased attrition. People and organizations pay, both now and later, for ignored maintenance whether related to skills, processes, systems, assets, or offerings.

The typical reasons for not addressing these debts are time, costs, and risks. Upgrading systems, redesigning products, implementing new approaches, training people, and replacing outdated assets require time and money, and come with risks. However, unaddressed needs and issues don't go away. In fact, they become bigger. The longer issues are neglected, the more risks, missed opportunities, shadow costs, and debt they create. The longer people and organizations defer the inevitable, the more they miss out on the benefits during their period of neglect. The more they miss out on the improved capabilities of people, assets, processes, and offerings.



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If you want to reduce your costs and debt, consider:

- 1) What issues are you ignoring that aren't going away or getting any better with time? If you had to pick your top three, what would they be?
- 2) For each issue, what is the value of the missed opportunities, wasted effort, frustration, and reduced employee morale they cause?
- 3) If you will have to address the issue eventually, is the value of the missed benefit greater than the value of investing your resources elsewhere?
- 4) If the missed benefit is of greater value, how might you proceed in addressing the issue sooner than later?

Realize that ignoring issues and doing nothing is still a choice. You might be getting by, but the debt is growing as are the missed benefits. Neglecting the development of people, the maintenance of assets, and the investment in business improvements aren't like fine wine. They don't get better with age.

Article written by Mike Hawkins, award-winning author of *Activating Your Ambition: A Guide to Coaching the Best Out of Yourself and Others* (www.ActivatingYourAmbition.com), author of the *SCOPE of Leadership* six-book series on coaching leaders to lead as coaches (www.ScopeOfLeadership.com), and president of Alpine Link Corp (www.AlpineLink.com), a boutique consulting firm specializing in leadership development and sales performance improvement.

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