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Productivity is Job 1 for Executives in Post Recessionary Times

Do your employees still put in a solid 8 hr day of work?
Do your new employees understand what it means to actually think and create new value,
   rather than simply share around information they have only half-read?
Are your internal systems, processes & software enhancing or blocking the advancement
   towards your organizational goals?

After reducing staff and paring back expenses, after perhaps a re-focus on core business elements; coming out of the recession over the next few years will demand yet another net improvement in productivity levels. This means adjusting work processes and responsibilities first towards achieving the pre-cutback levels of productivity, then advancing it further towards a real gain over the past. We must seriously re-think our organizational designs and interfaces of people with technology to advance our overall value equation of products, programs and/or services.

What is Meant By Productivity?

There are several definitions of Productivity floating around, but essentially the job for executives is to get more for each hour worked. Smarter thinking, better conversion of ideas into products/services, more leverage of technology.

Productivity -   1. The ratio between Output volume and Input volume; GDP per Hr worked
               2. Multifactor Productivity (MFP) – The relative measure of the efficiency of a person, machine, factory, system, etc. in converting inputs into useful outputs. Computed by dividing the average output per period by the total costs incurred or resources (capital, energy, material, personnel) consumed in that period. (BusinessDictionary.com)

Over the years, growth in productivity is what allows us to improve our quality of living, and return enhanced profitability to shareholders. In the NFP and government sectors, improved productivity is what allows us to more effectively deliver on our mandate within a steady state of donations or declining funding. Frankly the statistics for Canada – especially compared to other countries is not that good. Australia and many European countries are not that much better – Sweden leads the way! And these are from statistics collected before the economic melt-down of 2009/2010.

Fig 1. Growth in GDP per hour worked – Total Economy, percentage change at annual rate (OECD 2008 report)
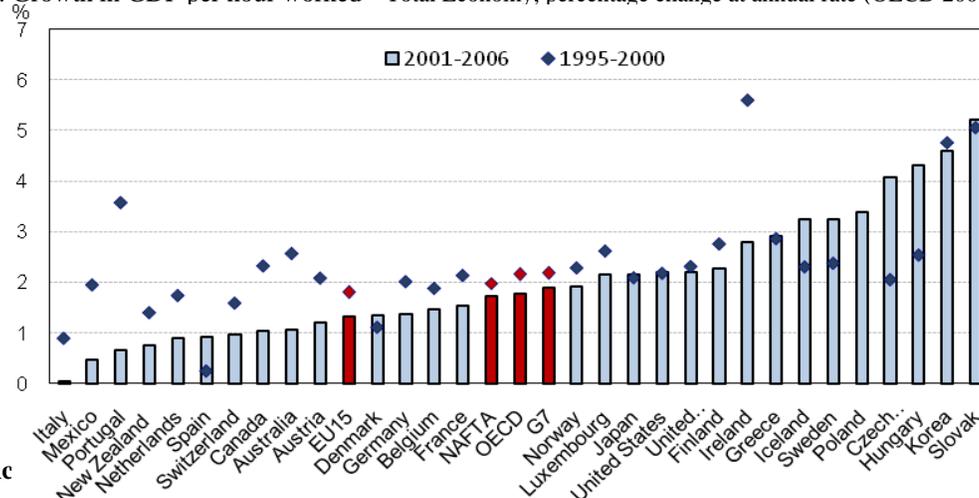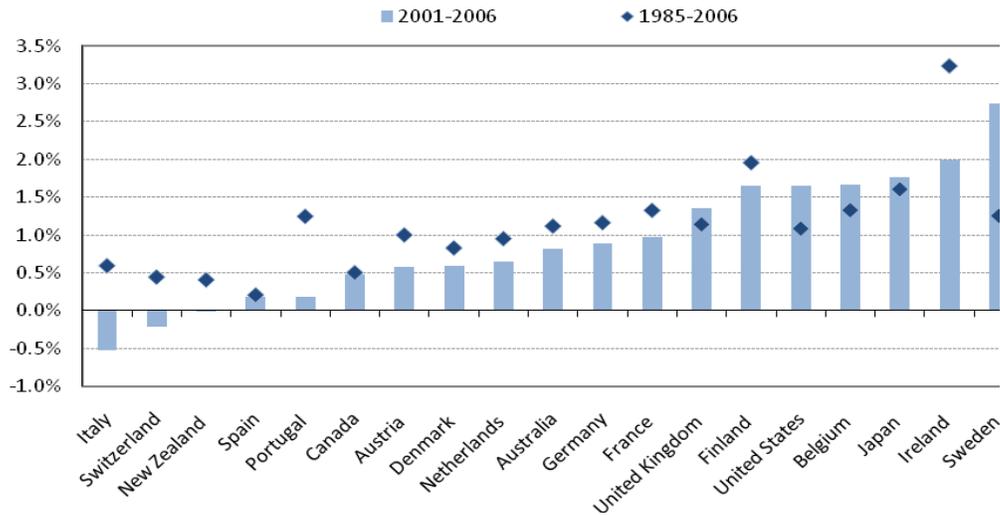
Fig 2. Multifactor Productivity growth, 2001-2006 and 1985-2006 (or closest year available) OECD 2008

Another look at Productivity is the comparison of one's productivity growth to that of the USA as the dominant economy in the world. Especially for Canada, as its geographic neighbour, this is very important.

Productivity Growth/yr	1961-1980	1980-2000	2000-2008	(StatsCan 2009 Report)
Canada	5.8%	3.3%	1.5%	
USA	5.0%	3.9%	5.2%	

In November 2009, TD Bank issued a Special Report on Productivity, encouraging Canadian business to really work at 'investing to win' with respect to Productivity improvement. TD Bank identified need for improvement in such areas as:
- Getting more from new capital invested (Machinery & Equipment)
- Improved business processes, and
- Training for employees to better use new technology

TD Bank further identified that Canada lags significantly in Information & Communication Technology per worker.

Proudfoot Consulting, in their January 2010 Report, identifies that Canada's business sector productivity has fallen to 72% of the US business sector output. In addition, Proudfoot cited several other areas for Canadian organizations to focus productivity boosting efforts:
- The ease with which information flows within organizations – Canada ranked 11th out of 12 countries
- Speed of corporate decision-making – Canada ranked 9th out of 12, only 63% rating themselves "quick"
- Very low level of providing relevant training for both staff and managers – again ranking 11th of 12
  In fact, only 55% of managers said that training needs are formally & regularly assessed.

Productivity Beyond the Numbers
These statistical elements are of course, very general; and they represent a collection of varied productivity from different sectors, and different types of primary vs. secondary industries for example.

In your organization here's what the executive should be looking for:
People: are your people focussed, motivated and effective? What is your turn-over rate? (Regularly having to recruit and re-train individuals really takes a notch out of your productivity.) How is your level of internal collaboration, information-sharing and appropriate involvement in decision-making? Do you have the right talent for the challenges at hand? Do they understand and focus on "advancing the business" of the organization?

Org. Design: Are your people deployed in the best manner to deliver the customer service, programmatic impact or product appreciation you are working to achieve? "Form" really should follow "function", and as the organization shifts its resource complement, its service evolution, and/or its relationship with clients/distribution partners/end-consumers; then so too we need to be able to flex the organizational design and job descriptions. Today it is not uncommon to adjust the org design annually!

Compensation & Reward Design: do your reward mechanisms support the *new* expectations of performance? Are your performance management (annual performance plan + annual performance appraisal) mechanisms in place and adjusted to be in-synch with the new work design and expectations? Are compensation/reward elements reinforcing the same expectations amongst everyone?

Technology & Interface: Perhaps the most under-appreciated element and often the biggest barrier to advancement, is the integration of technology with our human creativity and capacities. First, the technology just has to work properly! Second, the software and people interface has to support the org. design and desired new human/team practices. Third, technology has to elevate performance and impact in the manner that actually has more value to the customer. Often technology can create more work for employees, and turn out marginal value to the client.

Executive Facilitation: Executives are an important part of productivity success. Employees often simply can't 'do more with less' or figure out productivity improvement when the senior leader simply demands it in staff meetings. Executives need to be on the front line with staff to see and understand how the elements above are working together. Executives provide context and understanding to employees about why priorities and focus are the way they are. And often, executives must personally connect individuals, capture and champion good ideas, and/or bring clients, employees, and technology support people together to explore improvements. Indeed, executives themselves must have an ability to visualize what success might look like or include, and facilitate that exploration and solution building amongst employees and broader network players (suppliers, consultants, community, clients, partners).

Quality, LEAN, Six Sigma, BPR Processes: The use of these initiatives *must* be applied to the advancement of the organization towards their operational goals. Sometimes, projects in QI or BPR can take on a life of their own, and it's not clear how they are actually advancing the organization – towards their goals! Executives must ensure that these initiatives are integrated within new org design and technology application and that they align with the new strategic/operational plans.

Some Recipes for Success!
Improving productivity is the result of several efforts that executives must orchestrate together. And, it is crucial to understand that many of the mechanisms for improving productivity must be applied within an overall context for where the organization is headed, how it will measure success, and the main priorities within always a resource-constrained environment.

1. **Start with Clear and Compelling Vision**

   Coming out of the recession, many employees are weary, nervous and anxious. They are overwhelmed by personal realities and besieged by media messages of problems and concerns. Individually perhaps, you will likely need to check-in with each person that report to you and understand their challenges. Collectively you will need to find a way to inspire them and energize them for when they come to work! Reinforce the value of what they do and real impact of what the organization aspires to achieve. People thirst for Vision and to be energized. Executives must pump it up in post recessionary times.

2. **Enunciate and hold people Accountable towards Outcomes Measures of Success**

   How do you achieve something significant and yet a bit of a stretch? You break it down. You focus on the priorities. And, you must push out the distractions that can cause you to get way-laid. Some clear goals, accompanied by a few key measures of success are *really* important. So far we haven't got to the nitty-gritty; but it is crucial not to action productivity without such larger context in place – as this is what leads to the 80% failure rate. Previous articles have addressed these topics.

3. **Foster Individual Motivation and Commitment to Personal Productivity**

    This is where it all starts! Our people just have to understand: what does a productive 8hr day look like in action? As basic as it may seem, this is a topic worthy of team discussion and perhaps even some individual coaching. Downsizing of an organization creates both loss of friends, and then seemingly overloads the remaining employees with all the responsibilities left over. Executives have to be present and have to facilitate an exploration of how you are going to do the same with less, or do more with the same, or even do more with less.

    With the evolution of social networking, multi-media glitz, email overload, reporting for this & that, involvement in various side initiatives; it is extremely easy to get so distracted by the easy and interesting 'busy work' such that the important and critical 'productive work' gets set aside.

    Are information exchanges actually working within your team/network?
    For example – do people actually read emails to understand the message or do they poorly scan headers and miss the important content?
    Do team members actually "listen" to each other and either make the point of "connecting the dots" or hear the "so what" of the message?
    I have to say, executives really need to work this at both their own personal and then also their team level. This is very important to address these days, as the fundamentals of effective communications don't seem to be working all that well.

    Do work teams fully understand what they are trying to achieve this week? What are they going to do this coming month to advance the yardsticks towards the Goals for the year/quarter? This is the value of weekly Monday morning meetings, or monthly team meetings. Don't forget to get your staff to bring their Annual Performance Plan to such meetings so they can connect their progress to expectations.

    Do team members help each other with their productivity and accountability to results? While it is clearly a manager's role to address these and create the conditions for effective dialogue, it is also the mark of a great team, when all team members know each person's role(s) and contributes towards motivation and accountability.

    Is idea generation fostered, and innovative application of these ideas, encouraged, nurtured and made clear that it is a part of everyone's job?

4. **Enhance the Flow of Information and Proactive Communication/Collaboration**

    Clarity of context, priorities and reinforcement of success is all enhanced by ensuring information is spread throughout the organization in a variety of forms that address different learning/communication styles. This includes: email, video, coffee chats, staff meetings, discussions, customer presentations.

    But what is your culture of sharing information within the organization and proactive thinking about and initiating collaboration and communication?

    If we want our employees to be "partners" in the organization's success, then we need to teach them the business of the organization. Share monthly or quarterly financial and operational reports – then discuss what this means. Engage ideas and suggestions from amongst employees of all levels. Bring the front-line impact of our business into a 'real' perspective. Bring customers and their challenges/feedback to the employees – either by in-person sessions or by video, or take some out into the customer sites. Show employees what their total all-in cost to the organization is, and how this is funded through sales, grants, etc. Draw the connections. Then get explicit about the expectations for communication and collaboration. Set examples, reward those who take such initiative and build new heroes around this behaviour.

For those who are consistent barriers or 'take' far more than they 'contribute'; then there has to be consequences. Interestingly this perception of equality of contribution & return, and the abuse of it by other team members is often the single biggest detractor from a collaborative culture taking root.

Collaboration, sharing, connection-making, establishing communities of practice for exchange of ideas and insight are crucial. Leading by example is *really* critical for executives in this aspect!

5. **Develop the Appropriate Organizational Design**

One of the most 'sluggish' aspects in organizations undergoing change, is their ability to redesign workflow, to re-think and re-model which key resources will be responsible for what. Particularly in circumstances where there have been layoffs or where there are severe resources constraints but expectations for enhanced output/impact, then organizational design and development (OD) is a critical executive skill to apply. In fast changing and fast growth organizations, often the org. chart and job descriptions need adjustment annually – not because management doesn't know what they are doing – but in order to be sensitive and adaptive to the changing circumstances and/or expectations of clients.

In unionized settings this can be difficult. Even in non-unionized environments, it is still difficult. Team members have to be a part of this process of visualizing a new operating approach – focussed of course on the customer-deliverables and productivity-deliverables. They also have to 'suspend' their personal fears and 'turf protection' in order to truly break-out of the existing design. Then as the new design emerges, the roles must be captured into job descriptions, compensation elements updated, and organizational charts adapted. Individual coaching and training/support may also be required.

For all involved, executives have to foster an understanding that we might not get it 100% right at any iteration. (Indeed it is impossible to know what is 'right' in these times.) What is most important is to develop the capacity and appreciation for adaptability and continuous improvement/tweaking of organization design.

6. **Drive-up Innovation**

So what do we mean by innovation as it relates to improved productivity?
Productivity and Innovation are invariably seen as two sides of the same coin, and yet there are so many different kinds of innovation and interpretations of the connection.
In his article a few years ago, *Darwin and the Demon – Innovating Within Established Enterprises*, by Geoffrey A. Moore; Moore very helpfully described several different types of Innovation – each requiring different executive leadership approaches: Disruptive Innovation, Application Innovation, Product Innovation, Process Innovation, Experiential Innovation, Marketing Innovation, Business Model Innovation, Structural Innovation. So, what kind of innovation is most appropriate for your organization?

Canada's Public Policy Forum has taken aim at the issue with a focus on Science, Technology & Innovation in their 2009 report *Innovation Nation – Building a Culture and Practice of Innovation in Canada*. Driving up Innovation is definitely an elusive ideal for government, business and NFPs. Indeed experience has shown only about 30% of innovation comes from the formal areas such as R & D Departments and/or Marketing. So innovation truly is everyone's job. In Australia this has been a focus of several reports over the past few years. One of the more compelling is Professor Jonathan West's *Strategy to Accelerate Innovation in NSW*. In this report, West identified a few key aspects that resonate with my personal experiences:

- Innovation is diffused across the economy
- Within industry, innovation is concentrated
- Innovation usually begins with a customer problem, not a technical 'discovery'

- Returns from innovation are disproportionately captured by those who bear and manage its risk, often finance providers
- Some essential components of an effective innovation system cannot be developed by private firms alone (this includes collaboration, and sharing of knowledge)

Innovation is a way of life. It is not limited to companies either, as we have witnessed many NFPs and Government departments that have consistently delivered innovation into the communities they serve. Executives must work to understand innovation in its many forms, and facilitate appropriate exploration and application within their teams.

7. **Ensure Technology Integration & Business Processes Improvement support Goals**
So often I see executives spend a great deal of time and effort developing Vision, Values, Goals & Measures, then off-load the technology and business process re-alignment to lower level managers or external resources. It seems as though there is little appreciation for just how critical these aspects are to the actual implementation of new practices and achievements of the goals.

Over the past year, in my 'coffee chats' with CEOs and Sr. Executives, I have been asking: "what are the 2 or 3 most significant organizational aspects holding them back from realizing their objectives?" While this initiative is not a scientific, statistically sound survey, it is representative of many different industry sectors across 4 or 5 continents. Overwhelmingly, the #1 issue they identify is technology and/or internal process problems. And the solutions are inevitably unclear, expensive and time consuming. Wow!

<u>First on the technology aspect</u> – Some fundamentals are getting in our way these days. Microsoft for example has at least 3 and possibly up to 5 different operating systems currently driving office computers. In addition we now have 3 different versions of MS Office, Word, Outlook, etc. This alone has made it difficult to transfer files and exchange information. Add in Mac O/S, UNIX and Google Apps, and we get a real mess. Actually, it is not impossible, but many employees have never been trained on how to save files or open files of a different version/format. Some organizations decide to take an organization-wide network standardization approach, eliminating anything from the outside and preventing utilization of some of the recent social networking opportunities. Others take a 'cloud computing' approach, with almost all corporate technologies in a web-based form. Of course, there are many other approaches in between. On top of this are a multiplicity of proprietary operation technologies such as robotics, CAD, financial modeling, CRM and many other program, product and service-specific support technologies that every organization relies upon. So, what is your technology strategy in support of the achievement of your organizational goals? Or, is everyone chasing adaptations to deal with systems that cause you to do things in a manner inconsistent with your goals and priorities?

Seriously, things have to just work! And, our systems must support collaboration, knowledge exchange, networks of formal and non-formal work associates, partners and clients.

<u>Second are our business and operational processes</u> – the way we do our work, achieve approvals, ensure quality control, design, develop and produce product. Often these get spread across different departments and /or Divisions in an organization. This requires executives to work effectively across "stovepipes" to adapt both the components and the interfaces of internal mechanisms as the organization changes.

Of course, as you change organizational direction and/or organizational design, then work processes must also change. All those affected by/involved in changing internal processes and procedures need to be engaged so they understand why the change, and what are the expectations. New pathways, and possibly even trustful relationship may need to be facilitated by executives to ensure success.

Are you personally involved in the update/adaptation of internal processes & procedures?
How long does it take for internal processes to effectively change in support of new directions, org. structures, and/or product and service delivery?
Have you effectively crossed outside your own team/division to build an understanding and appreciation for the contributions and 'handoff' points for all involved in internal processes?
After the economic melt-down, have internal processes, approvals, and authorities made things more difficult for staff to achieve results? If so, how do we get them adapted to better support productivity?

8. **Train employees, managers, leaders in application of new technology & processes**
   With so much of our work tied into technology – be it laptops or more powerful specialty applications – the training of our staff on the use and application of technology is a clear necessity. As a reminder, there is a BIG difference between training on 'how to make the software work", versus "how to advance the business through effective use of the software & technology". Employees need both types of training.

   In addition, our employees often need some training on how to effectively collaborate, the change process, high performance teams, leadership and more. Also, they need time and space to share their insights, 'tricks and tips', and explore together new approaches with the technology.

   Are your people fully capable at applying their technology into the work they do?
   Do your team members know how to get technology to 'leverage' their knowledge/past work in order to ensure efficiencies and continuously improve their productivity?
   If you could capture a half day with your team on technology applications, what would you cover?

Improving Productivity – Easy to Demand, Harder to Deliver
Advancement in the value of a company is directly related to continuously improving productivity. There are many components to making this happen as outlined above, indeed there are several others in addition to those identified above. Productivity is also critical in government & NFPs.

While many seem to simplify the dialogue by focussing on Research, Science and Technology; the challenge goes far beyond this. We have a whole new generation (Gen X and front edge of Gen Y) entering the workforce with very different attitudes and understanding of personal productivity. Also their skill levels and experience are rudimentary. Some of our new senior executives have also come up from the technical streams and are now in charge of major strategic and operational decision-making. This puts them into new and unchartered territory. Thus, our people part of this equation actually requires significant hands-on facilitation and development by experienced leaders.

Finally, executives today have to do more that talk about and demand improved productivity. They need to be hands on in leading it, facilitating collaboration, and relentless in the encouragement of communication and sharing throughout the network. This is however, very important work to address.

Exploring the Web!

This month, the connections below take you to sites with more perspectives on Productivity improvement.

http://www.oecd.org/topicstatsportal/0,3398,en_2825_30453906_1_1_1_1_1,00.html
OECD Productivity Stats

http://www.td.com/economics/special/gb1109_me.pdf
TD Bank Special Report: *Innovation and New Investment Remain key to Business Success* (Nov 2009)

http://www.newswire.ca/en/releases/archive/January2009/22/c9688.html
Proudfoot Consulting: *Canada Falling Behind in Productivity* (Jan 2010)

http://apps.business.ualberta.ca/mlounsbury/techcom/readings/darwin%20and%20demon.pdf
Darwin and the Demon – Innovating Within Established Enterprises; Geoffrey A. Moore

http://www.ppforum.ca/publications/innovation-nation-building-culture-and-practice-of-innovation-canada
Public Policy Forum Report: *Innovation Nation: Building a Culture and Practice of Innovation*

http://www.business.nsw.gov.au/NR/rdonlyres/77585A36-3F2D-4817-9F4A-
E7ED3E1BACF1/0/NSW_Innovation_Strategy_JonathanWest.pdf
Strategy to Accelerate Innovation in NSW – Prof. Jonathan West

http://www.apo-tokyo.org/00e-books/IS-05_CorpGovAsia/IS-05_CorpGovAsia.pdf
Impact of Corporate Governance on Productivity: Asian Experience

http://www.theglobeandmail.com/report-on-business/economy/want-to-fix-ottawas-books-try-working-a-bit-harder/article1477553/?cmpid=1
Want to Fix Ottawa's Books? Try Working Harder - Globe & Mail

http://www.newyorkfed.org/research/staff_reports/sr433.html
The Paradox of Toil – Fed Reserve Bank of New York

Quotable Quotes:

Drucker on Management:

> *"It is the purpose of the organization, and the grounds of management authority, to make human strength productive…*
> *… The first task of the business manager is therefore economic performance. But, at the same time she faces the tasks of making the work productive and the worker achieving, and of providing for the quality of life for society and individual."*
> Peter F. Drucker, 1989; from *The Daily Drucker*

On Governance:

> *"In an Asian context, good corporate governance means unlearning pre-crisis corporate practices, getting concentrated ownership under control, keeping shareholders and consumers satisfied, and keeping stakeholders constantly informed. In a region as varied as Asia, that is not an easy task to do… there is more to corporate governance than simply adherence to a code of good conduct: it is the sine qua non for improving corporate productivity and performance."*
> Takashi Tajima, Secretary-General – Asian Productivity Organization

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