

PERSONNEL NOTEBOOK

For Your Most Important Resource—The Human Resource

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PRODUCTIVITY: How To Improve It

In the 1950s, *Playboy* magazine was considered pornography and communities across the country were trying to outlaw it. The Supreme Court of the United States contemplated the banning of all pornography. But all attempts to do so failed. Why? Because they could not define it! One Justice summed it all up in this now historical statement, "I don't know how to define pornography, but I know it when I see it."

When I've met with employers over the years discussing "productivity," I heard executives many times paraphrase that judge. After using anecdotes to describe productivity they often ended up saying, "Maybe I can't define productivity, but I know it when I see it."

I'm using this phrase because trying to define productivity by trying to see it is our first mistake! When we think we see productivity, we may, in fact, be seeing something else. We may be watching the busy activity, the frantic pace, the pushing, the long hours, the exhaustion at the end of the day, the irritated, overworked employee and other signs that appear to be proof of "productivity" because you can see it.

We have all been around long enough to know that inefficiency, poor planning, lack of goals, poor management and many other problems can mean a very hectic, visibly fast-paced activity is often "wheel spinning," "job churning," and "busy-ness" that produces little.

Sometimes a good secretary can accomplish or produce more with one well placed phone call to the right person than a supervisor with two workers can accomplish all day. Who is being more productive, the secretary with two minutes of work or the supervisor with 24 man hours of labor? Each is

productive, but the secretary is clearly far more productive than the supervisor and crew. Which would you rather have?

You can't see that productivity, but you can measure it! Knowing how to do that is going to become even more important as you and your company grow.

What Is Productivity?

Let's try this as our definition of productivity:

Productivity is the process of converting an organization's assets (labor, time, materials, money, equipment, etc.) into products or services.

Productivity isn't the whole venture of the company. Certainly acquiring the assets first, and the price at which you sell those products or services are separate processes. This process will come under the general heading of "production" or operations and is handled with a different philosophy than those used for asset acquisition or product pricing.

Is Increasing Productivity Important?

You bet it is! On a national scale, the increase of productivity [the Gross National Product (GNP) divided by the total amount of labor it took to produce it, equals the U.S. productivity rate] is the key to rising our standard of living. It allows wages to then increase without causing inflation. If productivity drops, the obvious increase in labor costs per product normally causes companies to raise prices and that combination causes inflation. The definition of inflation is based on the cost of goods going so high that money (wages) is not worth as much as when productivity was high. So high productivity means that more of the nation's goods can be purchased for less money. **Your money is worth more when**

productivity is high! When more of those goods are then purchased, our standard of living goes up!

As an example: In the first quarter of 2001, U.S. worker productivity was measured at 2.1%. In the second quarter it dropped to 2.01%. During this time our national output (GNP) increased nicely but the hours worked to produce it increased twice as much, which resulted in a decrease in the productivity rate. Your money overall was worth less in purchasing power.

The more time you spend in the workplace, the more you and your standard of living are being affected by productivity, growing or deteriorating, a truly direct response. The higher productivity we produce, the better we all live.

Layoffs, job closings, unemployment and high costs will all eventually occur as a result of low productivity.

The U.S. started developing the highest standard of living in the world during and after WWII primarily due to our outstanding productivity, as measured in the '50s at 3.5% annually. In the 1980s, the national productivity rate was 1.7% annually, approximately half the 1950s figure, and we were losing industries to foreign competitors who were outproducing us at lower costs.

Your company is a microcosm of that national model. How productive you are leads the way to the value of products and services, competitiveness, your prices and ultimately your profits.

The good news is that U.S. productivity is on the rise and our standard of living is growing further. Our global competitiveness is improving. The not quite so good news is that almost all of that improvement is in two areas, manufacturing and technology. In service, finance, medicine, education, government, agriculture, etc., we have not yet even devised ways to measure productivity.

As a rule, performance measurement in most professions has been discarded over the last 10 years and replaced with a higher concentration on employee interests and satisfaction (also called employee hygiene factors). Many employees are objecting to any measurement of performance, efficiency or productivity. Managers have become

uncomfortable using those tools and many have never learned to use performance evaluations.

The world markets are not going to be won by manufacturing and technology alone but by services, information, professional skills, etc.

Who Knows How To Improve Productivity?

There are many professions built upon this question:

- Industrial engineers
- Work study engineers
- Work measurement consultants

How many of these titles do you see in your company? Of course, senior management in all companies is added to this list of key people needed to create this process with middle managers and supervisors being responsible for carrying out and maintaining them.

The top three management "gurus" of the 20th century, listed below, all concentrated on productivity.

1. Frederick W. Taylor (1856 to 1915).

"The over abundance of labor causes it to be squandered."

"The key to productivity is not muscle power but brain power."

"Scientific management means measuring the work and its movements and to examine ways to improve it."

2. W. Edward Deming

- Developed the concept of the statistical analysis of work while employed by the U.S. government which rejected his concepts. His methods were recognized by the Japanese in the 1950s where he was brought in as their productivity leader. He is credited with the brilliant rise of the Japanese in today's global market. Today the U.S. regards his methods as the model for the U.S.

3. Peter Drucker

- The most prolific of all the top management consultants. His works and essays are prized as our most influential guides. He introduced general motors to new concepts

in productivity in the 1940s. The term "management" was hardly known until Drucker made it the responsibility of corporations. His concepts for productivity were:

- Scientific management
- Ethics in corporations
- Worker participation in management and productivity (work teams)
- Self management
- Decentralization of controls

Examining the writings of these three gurus is a must for anyone who wants to deeply study productivity.

Improving Your Productivity

Let's divide the company's environment into three major areas:

1. **Acquisition Of Assets:**

Acquiring the capital, labor and equipment necessary for your business.

2. **Production. The Use Of Assets:**

A. **Human Factors**

Performance measurement, performance improvement, skill development, team building, nurturing good performance, rewards.

B. **Management Issues**

Communicate the vision, identify the goals, know how to attain them, monitor and husband the process, create the productive philosophy and environment, be good and efficient managers.

C. **Technical Issues:**

Technology can improve your process. Identify how! Don't be afraid to explore and introduce new technology. The right technology for you has a built-in productivity.

3. **The Price Of Assets:**

Identifying the right price, marketing and selling the products and services competitively and profitably.

For productivity you must center your action primarily on Item No. 2, production. Item No. 1, acquiring the assets and Item No. 3, pricing the products, although important, have limited need for productivity. Productivity, in fact, is of little value to those two categories.

Six Steps To Improve Your Productivity

1. Make goals and purposes clear.
2. Measure and rate performance of managers first and individuals next.

Managers. Do they:

- Provide clear directions
- Give employees work that uses their skills and challenges their abilities
- Ensure team and work groups are working if and when the work calls for team effort
- Provide rewards, recognitions, interest in the work
- Give workers a voice in issues that affect them
- Create an environment that workers feel part of

Individuals. Do they:

- Strive to participate
 - Take advantage of learning opportunities
 - Be proactive in seeking and recommending solutions
 - Take responsibility for improvement
3. Involve people in looking for opportunities.
 - What barriers and obstacles need to be overcome?
 - What tasks can be done more efficiently? How?
 - What might be dropped? Shortened? Simplified?
 - Are employees unhappy about too much/too little work?
 - Use performance appraisal systems

4. Analyze, measure, analyze.
 - Analyze objectives, problems, opportunities
 - Decide what ought to be measured
 - Define the output/input measures
 - Establish data collection systems
 - Analyze the validity and use of each system
5. Choose ripe opportunities.
 - People solutions
 - Procedure solutions
 - Environmental solutions
6. Use technology.
 - Capital Investments
 - » Equipment improvements, computers, automated systems, capital investments, new or improved facilities, palm PCs, bar code readers, telecommunications, cell phones, portable faxes, web marketing, product conversions, modernizations, accounting systems
 - Low Cost Technology
 - » Designing better business forms (shorter, not redundant, designed for action response, reduction in volume)
 - » Quicker, easier communications, instant answers, central information points, computer notes
 - » New work sheets (i.e., create better job information on sales document. Eliminate one trip to job)
 - » Automatic ordering
 - » Pre-fab work and job prep in shop instead of on job
 - » Work flow charts
 - » Preprinted tool lists for every job type
 - » Color coding for instant organizing

» Extra tool kits, hardware packs, problem solving question and answer booklets for emergency use

So again and again we find that looking for short, quick, 30 second sound bite, instant, easy solutions is seldom the way to real profits. Sometimes a systematic roll-up-your-sleeves and find out how to improve productivity is where you'll find the best answers.

It's not really respectful to discuss a major element of economics without at least once paying homage to the economics pioneer Adam Smith who said, "The engine that drives profits is productivity, not thrift, but productivity."

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