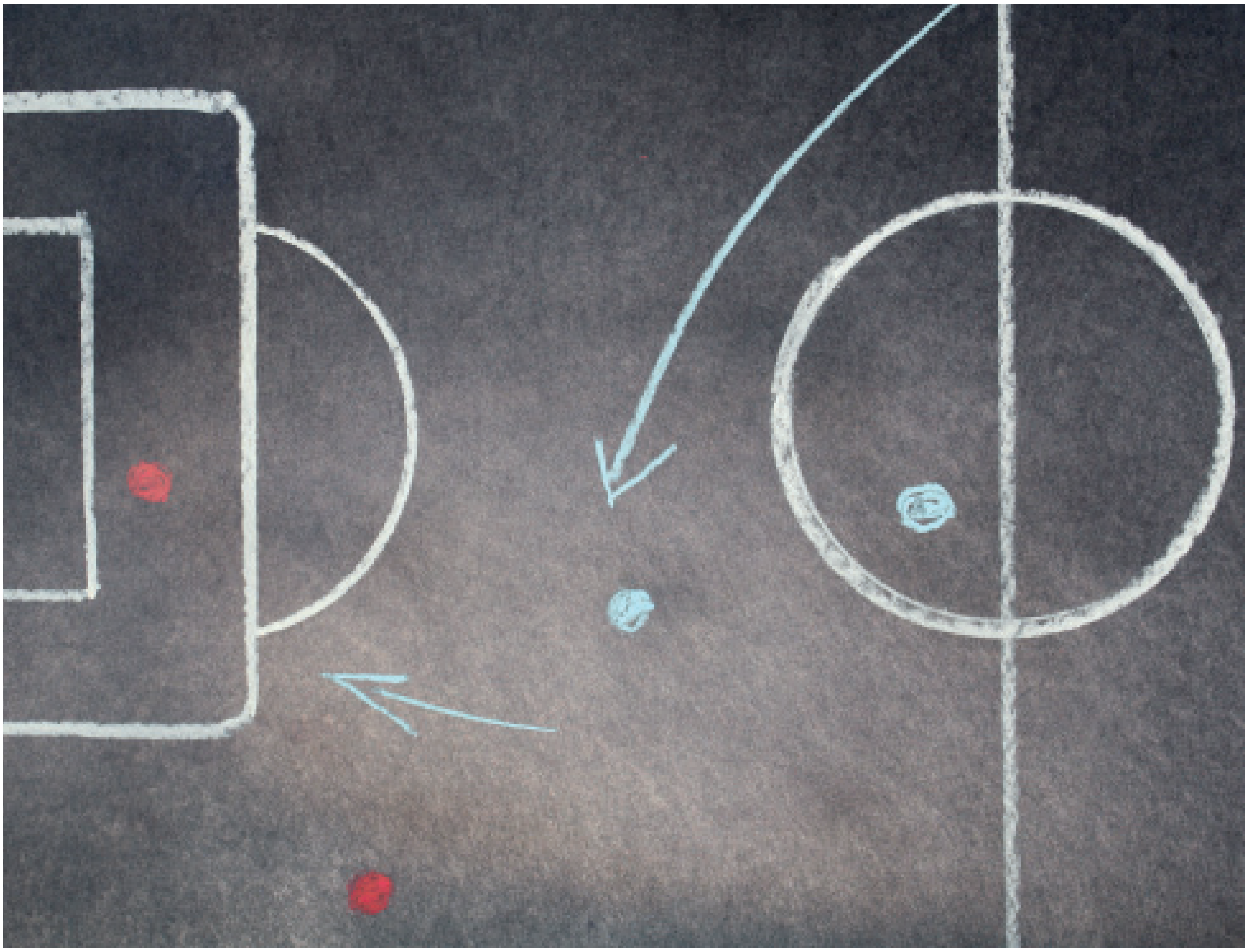

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# Setting a gameplan to score goals

Managers like to talk about productivity, but it's time for fewer words and more action, writes **Leon Gettler**

Business leaders, Liberal backbenchers and former Liberal frontbencher Peter Reith have called for an overhaul of Australia's workplace laws and a return to individual contracts. They say the Fair Work Act is stifling productivity. But they should remember the words of Peter Drucker, one of history's greatest management thinkers. "The productivity of work is not the responsibility of the worker, but of the manager," he said. Unfortunately, Australia's productivity figures suggest many Australian managers have retired on the job.

Australia's poor productivity performance mirrors the gaps in our management culture. Talk to former managers in businesses that have failed and find out how many of them would admit it was their management that caused the company to close down.

Managers talk about productivity, but do little about it. Many send people on productivity training courses without working out what they want to achieve.

One of the central guidebooks of Australian productivity, the 2011 Telstra Productivity Indicator, found that while 76 per cent of Australian organisations ranked productivity as a top priority, only 24 per cent bothered measuring it to raise productivity levels.

This left a gaping "productivity deficit gap" of 52 per cent.

A 2011 Ernst & Young study, which surveyed 2500 workers, found only 58 per cent of the average working day was spent on work that directly added "real value" and a whopping 18 per cent of the day was spent on work that wasted time and effort.

According to Ernst & Young, the estimated annual wastage in wages could be as much as $109 billion, more than twice the federal budget deficit.

A PricewaterhouseCoopers report revealed Australia's productivity had slipped to its second lowest level in 15 years. The PwC productivity scorecard identified the retail sector as a laggard.

Productivity growth for Australian retailers has been below Europe and North America. The retail sector productivity slipped 1.3 per cent last year. In the past decade, productivity growth hit a high of 4.8 per cent in 2002, but slowed to only 0.4 per cent last financial year.

In the business world, there are massive productivity gaps. The hospitality sector is one of the worst examples – most of those businesses still operate off manual systems. Consultants say companies can not come to grips with issues such as streamlining decisionmaking, delegating and generating ideas. There is a poor understanding of technology; processes that don't match technologies; a lack of alignment; badly trained staff; poor metrics and KPIs that are too easy to reach and fail to capture the performance of the organisation and managers.

None of this is about industrial relations. The focus on industrial relations is a diversion and distracts attention from the problems of Australian management.

As Drucker said, it's about management. Putting people on contracts creates financial productivity – you are either reducing or putting a lid on your labour costs, leaving you with more dollars on the finished product – but it doesn't actually increase labour productivity. The workers are not producing more widgets, getting more customers in and serving or cooking more meals.

Management consultant Kevin Dwyer from the Change Factory puts it bluntly: "If I can pay lower wages and every dollar I spend creates more dollars on finished products, I haven't actually increased the productive capacity of each hour of labour. I have just changed the cost base."

identifying where the company needs to be heading.

"Just to say I have to improve productivity is too vague," McLean says.

"You need to decide what you want to improve, by how much and by when.

"Then as you get into it, you will have something you can refer back to.

"Everyone working on the project then understands why they are doing it, what they doing, what the benefits are and why it's necessary. It's far better to take the management team and say we need to increase productivity. What exactly does that mean? It means we have to increase the output on this product line by X. We have to reduce our labour costs by Y and the reason we have to do that is because our competitor is attacking this market share. You really need to have a clear idea of what you want to achieve."

He says companies then need to look at the service or product in terms of the value stream, that is, all the steps taken to deliver it to the customer.

"In a manufacturing sense that would be a product line so you look at all the steps you take from raw materials to the finished goods to get that product to the customer. In the service industry,

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it might be a particular service and you look at all the steps involved in delivering that service."

This is when the company should organise better meetings, streamline reporting lines and make sure there is total follow through, accountability and delegation.

The important point, however, is this needs to be done with the value stream – what it takes to get the product or service out – not individual departments.

That means making sure, for example, there are clear reporting lines in the process to ensure customers get what they want. Those reporting lines might come from all over the organisation.

Meetings therefore need to focus on the process of production, which means they could involve people from different departments.

It's very different from most organisations that tackle their operations in terms of vertical silos or departments but it's the approach companies such as Toyota and Motorola have taken.

Their productivity work focuses on value streams and what it takes to give customers the goods they want.

McLean says companies should set themselves productivity targets of no more than six months. "You might have a high-level three-year vision, but in terms of practical implementation, you only set targets and plan for six months so you bite off what you can chew rather than trying to set a long-term vision where everyone will lose focus along the way." Mt

So how should managers lift productivity levels?

Dwyer says managers need to make it part of their strategy. Running better meetings, creating more targeted reporting lines, making sure there is proper follow-through and delegating better are a good start.

They also need to bring in active management methods and systems to ensure productivity is running smoothly. The rest will follow. Productivity needs to be company strategy.

Tim McLean, chief executive officer of Lean Manufacturing and project management company TXM Lean Solutions, which works as a consultancy to manufacturers, says companies should first work out their objectives as part of their strategy.

This then has to be communicated down the line. Saying you want to lift productivity is not enough. Turning productivity into a strategic goal means

## BOOSTING PRODUCTIVITY

1. Run better meetings.
2. Choose teams carefully. Teams need to be diverse because they take in different ideas that help identify productivity road blocks. Too many teams are built in the image of the boss.
3. Delegate better and set clear rules.
4. Create more targeted reporting lines.
5. Lean management tools are all easily available and used by companies everywhere: from Toyota to Motorola. These include concepts such as error and mistake-proofing, lean visioning, and Lean Six Sigma (see our definition on page 9). Workers and managers come together to work through them and identify trouble spots and how to improve them. This allows them to create tighter reporting lines, unclog the system so there is proper follow through and work out whether they need so many meetings, or at least improve the ones they have to ensure they deliver something.
6. Work out exactly what you want to improve, by how much and when.
7. Set productivity targets of no more than six months.
8. Set up systems that monitor productivity. When work goes through slow periods and when there is a hold-up in production and customers are left waiting, there needs to be a system that monitors and tackles this straight away.
9. If you bring in company-wide KPIs, make sure you have the right metrics.
10. Establish an active management system with streamlined reporting lines, accountability and follow through. Everyone needs to know what they're doing, and people will need sufficient authority to delegate.