

Productivity is the key. What does it take to be more productive?

The underlying performance improvement opportunity is increased productivity, he said. That's obvious everyone cried – but if it is so obvious why do organisations focus on activities and projects that really don't deliver “more productivity”.

Let us reinforce this question with following statement – if the reader has in place plans and activities happening that will improve productivity **across the whole business by 30%** then please stop now as you understand.

Firstly there are some key definitions to consider –

Productivity – more from less or more from current investment (people and plant). In business processes it is the balance between increased efficiency and effective outcome; delivering a better outcome more efficiently.

The whole business – productivity is not just faster machines or working harder. Productivity is delivering better customer outcomes more efficiently and effectively – it is all the business activities from management, sales, customer service, planning, supply, processing, warehousing and delivering, and new product development – the total value creating and delivery chain. In Healthcare it is the whole patient journey. In Horticulture it is farm to fork.

30% - this should be the target of any improvement activity as measured across the four critical performance improvement drivers of an enterprise – Quality, People, Sales, Cost. You will note the order of these – Quality and People are the enablers for increased Sales and reduced Cost.

The motivation for change

There is no such thing as “low hanging fruit” – this is an illusion that continually shows up in the end of year financial report. The statement usually means “show me some quick and easy stuff on which we don't have to spend much money or time that will change our performance”.

The reality is that if you want to change performance you will have to start doing things differently because the things you are doing now do not suit the new business environment. This is a different way of thinking and requires management to understand what the misalignments to the new environment are and why the organisation is misaligned.

This understanding will enable management to identify the causes of this misalignment and the causes of the amount of waste in people's time and effort that is limiting its ability to adapt and improve performance. And it goes much deeper than another re-organisation or merger / acquisition that do not address the fundamental issues and causes – in fact they usually consolidate the misalignment and waste or make the situation worse.

So the motivation for change is realising the need to change.

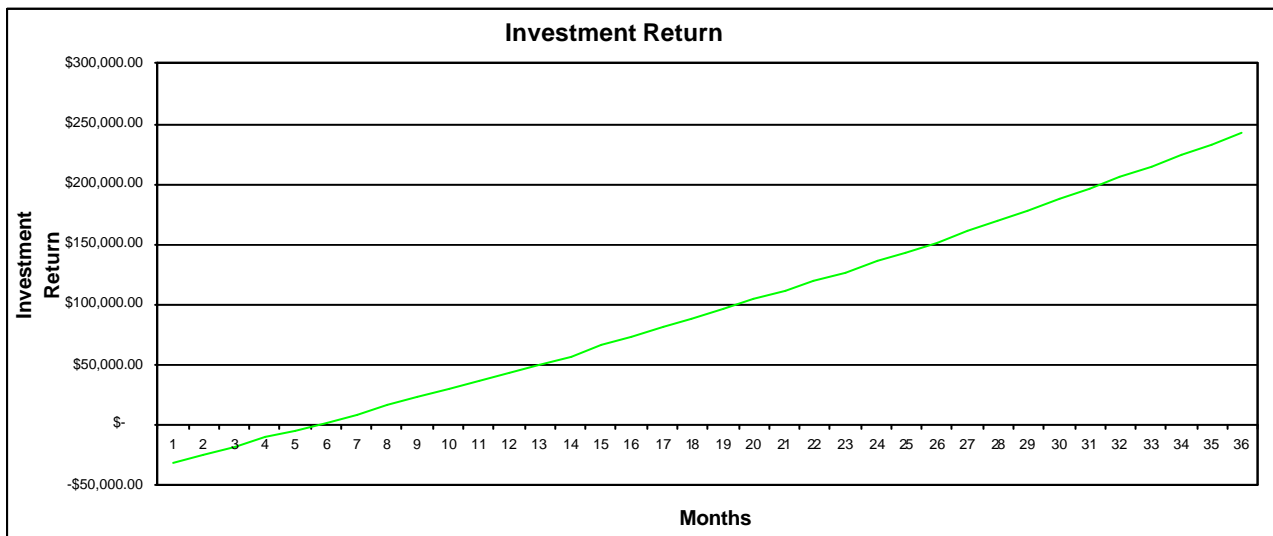
Examples of improvement – in Australia

1. There is a major whitegoods company that increased its sales by 20% without increasing its operations staff numbers and at the same time improved their customer service call resolution times by 12 % and reduced average call wait times by 31%
2. There is a manufacturer who achieved 30 percent reduction in production time, improved delivery times for the company’s main product range; and productivity in the painting process has doubled. As well as this they achieved service level improvements of 36 percent, cost reduction of five percent, sales growth of seven percent and a return on total assets improvement of 33 percent.
3. A leading vineyard and wine maker markedly reduced time, waste and effort in many of their key processes and therefore freed up valuable time for key people. The example of one of their process improvement outcomes (order receiving to pick list) is:

	Average Process time (mins)	Delay Time (mins)	Transport Time (mins)	Delay Frequency (steps)	Transport Frequency (steps)	Geographic Locations
Current State	56	45.3	8.5	4	38	3
Future State	39	34.4	3.0	2	20	2
Reduced by	30%	24%	64%	50%	47%	

4. Another service organisation set about targeting several pilot processes for improvement to prove the value of thinking and acting differently.

Across four processes in one department involving job processing, supervision and invoicing return on investment for the consulting and training fees and costs was 4.6 months and projected savings over three years was \$251,146.



Facing up to the reality of the current state

In these examples the management or owners were prepared to engage with the key people in their organisation in looking at the reality of their current whole-of-business delivery of value to their customers – the reality of the current state.

It is too easy to assume you know what the problems and answers are. The reality is that it is the key people in the business that interfaces or work where value is created and delivered who know what the problems and issues are, and what needs to be fixed.

The starting point is to see and understand the big picture of your value stream and understand:

- Where the business is missing the customer expectations and perceptions
- What is stopping or delaying the efficient flow of information and product through the value chain
- Just how much waste there is in the key business processes
- What causes the waste and re-work people need to do
- The extent of the improvement opportunities
- What and where to focus the improvement activity
- The constraints and barriers to achieving the identified opportunity

The key to success is starting the improvement program based on reality and fact – not assumptions and guesses – and with the engagement and commitment of the key people in the organisation.

Above all it is the alignment of all to the key business goal of eliminating the waste and non-value adding activity in the organisation's value chain. The elimination of non-value adding activity and process waste will result in increased productivity across the business of a magnitude not recognised in traditional management thinking.

The four critical performance improvement drivers of an enterprise are Quality, People, Sales and Cost. By focussing the improvement activity by engaging people across the organisation in the elimination of waste will enable all to recognise the potential and understand how to achieve significant performance improvement.

If you would like to discuss how your organisation and stakeholders can understand and achieve their performance potential please contact Andrew Stewart on 0418 998 319 or [mail to: andrew@intelog.com.au](mailto:andrew@intelog.com.au)