



Improving People Productivity – Your Most Important Asset

Improving productivity requires a strategic and systematic approach to achieve significant and long-lasting results. Productivity first requires effectiveness (doing the right things) in strategic management, operating and innovative work and then efficiency (doing the right things well).

Effective performance management systems enable ongoing productivity improvement by reconfiguring and redirecting the employee mix (i.e., roles, competencies and responsibilities) to address changing organizational needs.

Definition

Productivity can be defined as the balance of all factors of production that will deliver the greatest output for the smallest effort. Traditional worker productivity measurements are based on an 18th Century principle that manual labor is the only productive resource. In the United States, we're going through a transition that is replacing manual labor (skilled or unskilled) with knowledge workers — managers, technicians and professionals. Knowledge workers now constitute over 61% of our workforce, they consume a larger portion of the payroll and their productivity is more difficult to measure.

When people make or move things, they perform one task at a time and can be told what to do, how to do it and how fast to do it. In contrast, the expertise of knowledge workers isn't as uniform and can't be managed as easily. We therefore need a new concept of productivity that considers all of the efforts (activities) that go into output, and expresses them in relation to their results.

Measurement

Unless an organization can identify and measure the various types of activities (investments) within its business, the company will be ineffective in improving its performance.

There are three categories of work in all organizations — *Top-Management Work*, *Operating Work* and *Innovative Work*. The successful firm is effective and efficient in all three categories.

Top-Management Work: Creating strategy, vision and values. Top Management Work encompasses the challenge of balancing the needs of today against the needs of tomorrow, and effectively allocating people and money to achieve optimal results.

Operating Work: Managing existing and known work; building, creating or delivering the product or service; exploiting the product/service's potential; taking care of problems.

Innovative Work: Creating market-focused value. Innovative Work can be, but does not necessarily have to be, science or technology-focused.

(continued)

Where to begin?

How are we allocating people and money to obtain key results?

Top-Management Work

Strategic management is the art and science of formulating, implementing and evaluating the cross-functional decisions that enable an organization to achieve its objectives. It requires integrating management, marketing, production, operations, and support functions to achieve organizational success. It also includes building and maintaining the human organizational structure and external activities necessary to establish and reinforce key relationships with customers, suppliers and other outside institutions.

Management's primary challenge is to balance and convert objectives into concrete strategies, and concentrate resources on them to achieve the best possible results. Today's decisions will make the business of tomorrow. Strategy formulation is ongoing, and management must continually ask,

“What is our business, what should it be and what will it be?”

The quality of strategic management will determine the overall effectiveness of the firm over the long term.

An analysis of key activities is needed in any business that has been going for some time — particularly in businesses that have been going well. In such businesses, this analysis will invariably identify activities that, once important, have lost most of their meaning yet continue to receive major focus. The organizational structure no longer makes sense: instead, it presents significant barriers to change and improved performance.

Quickly growing organizations are also strong candidates for this type of analysis. Rapid growth is both a disorganized and a disorganizing process.

Operating Work

Operating Work comprises approximately 85-90% of the employee investment. Typically, the first priority for the ongoing business is to optimize what already exists or is being established — i.e., better and more.

The greatest opportunities for increasing productivity are found in knowledge work itself, particularly in management. Knowledge is man's most productive resource if properly applied, but it is also the most expensive and totally unproductive resource when misapplied. The knowledge worker is, of necessity, a high-cost worker. There is nothing less productive than the idle time of expensive capital equipment or the wasted time of highly paid and able people.

There are three categories of Operating Work: *Value-Added*, *Support* and *Ancillary*.

Value-Added: Activities that produce measurable results which can be related, directly or indirectly, to the performance of the entire enterprise. Revenue-producing activities are the most common examples of activities in this category.

Support: Essential activities that do not by themselves produce results, but instead contribute to the results of the organization through their support of other business components. Support work typically includes areas such as legal, finance, information technology and purchasing.

Improving People Productivity – Your Most Important Asset

Page 3

Ancillary: These activities have no direct or indirect relationship to the results of the business. Janitorial, security, medical, food service, government record keeping, pension/retirement fund management are examples of ancillary departments.

Innovative Work

Innovative organizations recognize that innovation is the creation of market-focused value. A study of the characteristics of an organization's product or service life cycle(s) can quickly reveal how innovative that organization has been, particularly when benchmarked against the industry average.

Innovative organizations spend neither time nor resources defending yesterday, but instead explore new and different ways of expanding their market offerings. The ruling assumption for the innovative strategy is that whatever exists is already aging. Systematic abandonment of yesterday can free up resources, especially the scarcest one of all — capable people — for work on the new. Unwillingness to abandon yesterday may be an organization's biggest obstacle to innovation and creating and ensuring its future.

Misallocation of Work /Activity

In all three operating work categories, activities are typically not optimized because work is fragmented, reactive and often at cross-purposes. An organizational chart may depict the focus and structure of an organization, but a time activity allocation will present a totally different and surprising view of the business.

Over time, an organization's markets change, its functions grow, and its technological investments increase. Organizational staffing levels also grow, yet in many instances, these new employee levels produce only non-value added activity — what the customer is unwilling to pay for.

Many activities are performed by the wrong employee, take too much effort and/or time to perform, or shouldn't be performed in the first place. This is true for every category of work: Top Management, Operating and Innovative.

We can categorize various activities (tasks) as follows:

Revenue-Producing Activity: Management's challenge is always to do more with less. By improving productivity and redirecting newly available (existing) capacity, the business can grow its top line with the same or reduced costs. This improvement requires a) effective management practices and processes to define the right things and b) a consistent and accurate measurement of employee performance (efficiency) in doing right things.

Essential Activity: Activities that need to be done to keep the business moving forward. These activities need to be simplified, automated or performed by someone else in the organization to reduce their drag on resources that could otherwise be directed toward performing value-added activities.

Nonessential Activity: Activities that shouldn't be performed at all. Examples include working on irrelevant issues, misallocation of knowledge workers, tasks that have lost their usefulness but continue to be done because of tradition, and all types of rework.

Attacking a firm's misallocation of low-value resources and transforming them into high-value resources — where they can generate the most money with the least expensive assets and effort — is the most expedient way to improve productivity.

(continued)

Performance Management Systems

Productivity initiatives frequently fail to meet business goals such as increased customer satisfaction, enhanced customer service, growth in revenue, cost improvements, reduced overhead, and new strategic or management initiatives.

This failure does not imply that the new and improved thought processes and technology were flawed; rather, it demonstrates that unless an organization can effectively manage its existing capacity, it remains chained to the practices, processes and activities of yesterday. After the initial management enthusiasm wears off, workers are pulled back to their continuing day-to-day jobs and performance measurements. Unless new capacity is freed up to absorb new activities, the system will ultimately break down.

Effective management processes measure business performance through objective evaluation tools. Motivated employees become involved in job design, develop new skills, and are challenged with their new roles and assignments. Once the business model improvement strategies are implemented, the surplus of resources is transitioned, redirected, measured and managed by the performance management system. Thus, an effective and repeatable process can support the business evolution.

Conclusion

Productivity is the lasting source of competitive advantage. By measuring and managing productivity performance in the office, in the factory and in the field, organizations can leverage their investments and increase shareholder value. Many organizations lack the tools and techniques to measure, reconfigure and manage their most important asset — people. As the intensity of knowledge work increases, those firms that become adept at improving productivity will be the market leaders of tomorrow.



Performance

Associates International, LLC



Stephen Blaney
Principal

Enabling change, speed and results.

1010 Murray Hill Avenue
Pittsburgh, PA 15217

Phone: 412.362.9708

Web: www.paiusa.com

Email: sblaney@paiusa.com

The principals of Performance Associates International helped to formulate and apply many of industry's most effective productivity and quality tools in their roles as senior consultants with the renowned Westinghouse Productivity and Quality Center (WPQC), one of the first such think tanks in the world. Today, PAI's portfolio spans a wide range of industries and businesses worldwide — from Fortune 500 companies to small non-profit organizations.

PAI has direct departmental knowledge and project experience in working across an entire organization, including: Accounting, Advertising, Engineering, Facilities, Human Resources, Information Technology, Legal, Manufacturing, Marketing, Public Relations, Purchasing, Quality Assurance, Research & Development, Sales, Shipping & Receiving.