Implementing a Productivity Programme

Raises two Questions…

What is Productivity?

&

What is Implementation?
What is Productivity?

Prime Minister Helen Clark, in her Statement to Parliament on 1st February last year highlighted the crucial importance to business of lifting labour productivity.

The Prime Minister pointed out that labour productivity, “remains well below OECD medium growth rates”, and that “most of the gap between our GDP per capita and that of the United States is attributed to our lower rate of labour productivity”

Economists (& the Minister of Finance) are talking a lot about productivity as an answer to the balance of payments deficit & a means of avoiding recession

Is this any more than rhetoric?

What is Productivity?

Productivity is simply the relationship between the value of what goes in and what comes out.

Labour Productivity
- Labour Hours verses Output
- Value of Hours verses Value of Output

Machine Productivity
- Value (cost) of machine hours verses value of machine output
What is Productivity?

Productivity is simply the relationship between the value of what goes in and what comes out.
What is Productivity?

Productivity is simply the relationship between the value of what goes in and what comes out.

For a small business, Labour Productivity may be as simple as the ratio of Labour to Sales.

Across a larger business, machine and labour productivity is measured according to a "station" or area. E.g. Tonnes per machine hour, Tonnes per man hour.

What about something like maintenance – how is productivity measured in a maintenance area?
What is Implementation?

Making It Happen

A key aspect of effective and sustainable improvement is effective change.

We are frequently asked:
"It's one thing to change the systems, but how do I get my staff to keep doing things the correct way, or a new way?"
"How do I get my staff to be interested and involved?"
There is an old adage: “Most people do not come to work to do a bad day’s work. They are usually hampered by poor systems, poor communication and poor management practices.”

To effectively improve productivity it is important to enroll people from the beginning:  
- Show them the opportunity
- Involve them in identifying “what’s wrong now”
- Identify their current skills and the desired skills and work out how to close the gap

Importantly, employ practical, understandable, hands-on tools and techniques.

---

**Implementation**

*It requires a systemic approach:*

**The Process**

- **What**
- **How**
- **Why**
- **When**

**Continuous Improvement**

- Accountability
- Empowerment
- Measurement
- Responsibilities
- Contingencies
- Feedback
- Forward Focus
- Pro-activity

**Control Strategy**

- Skills Analysis
- Knowledge
- Training
- Audits
- Information Technology
Forecast Work Volume:

A “forecast”, usually at least 12 months in advance, of volume of work or input for the particular process, and of resource - people, plant & equipment - required to process that volume, according to defined customer requirements.

Plan work schedules

The micro plan breaks the macro plan down according to:

– shorter time intervals
– latest information
– detail resources, rosters, schedules

It allows dynamic responses to current conditions
It communicates expectations according to business standards
In-process measurement

A proactive means of demonstrating the performance of a process as it is taking place.

Facilitates -

- regular measurement of performance according to standards
  - may be hourly, half-daily
- regular review & feedback
- proactive response
- Contingencies

Identify process changes required from in-process measurement.

Formalize the process of empowering staff to respond.

Do this via creating knowledge & accountability.

---

Reporting & Evaluation

Daily / weekly KPI’s

Communicate to team

Link to management scorecard
The Enabling Role of IT

Information Technology is an essential enabler - since it permits companies to change business processes. However … the misuse of technology can block process change altogether by reinforcing old ways of thinking & old behavior patterns.

Traditionally we think deductively - that is, we are good at defining problems, then seeking and evaluating different solutions to it. But applying IT to business reengineering demands inductive thinking - the ability to first recognise a powerful solution and then seek problems it might solve.

“The fundamental error that most companies commit when they look at technology is to view it through the lens of their existing processes. They ask, “How can we use these new technological capabilities to enhance or streamline or improve what we are already doing?” Instead they should be asking, “How can we use technology to do things we are not already doing?”

- Hammer & Champy
Try to fix the process instead of changing it

Failure to focus on business processes

“Teamwork”, “Empowerment”, et al are consequences of process designs and they can only be achieved in that context

Ignoring everything except process redesign

“Job designs, organisational structures, management systems - everything associated with the process - must be refashioned …”

Typical Implementation Errors

Failure to respect individuals

Being willing to focus on minor results

“The temptation to take the easy path & settle for minor improvements is great”

Quitting too early

Placing prior constraints on the definition of the problem

Trying to make change happen from the bottom up
WHAT DO FRONT LINE MANAGERS NEED TO DO DIFFERENTLY?

• to understand how to translate corporate objectives into specific actions
• to manage work assignment
• to ensure achievement of plans
• to anticipate and avoid problems
• to anticipate and positively manage change

“It is no use walking anywhere to preach unless our walking is our preaching.”

St Francis of Assisi
“If you don’t have time to do it right, you must have time to do it over.”

*Philip Crosby*
TRANSLATING VISION INTO ACTION

VISION
- What We Want to Be
- Drives the Thinking of the Organisation

STRATEGY
- Tangible Milestones
- Measurable
- Broad “How To’s” to Achieve Goals

STRATEGIC PRIORITIES
- Support Strategies
- Clear
- Understood

STRUCTURE
- KPI’s
- Benchmarks
- Standards
- Measurement Systems
- Methods

PEOPLE - CULTURE, ROLES, QUALIFICATIONS, EXPERIENCE, ATTITUDES, PERCEPTIONS

Case Study

Background

- Established in 1960, a family owned company incorporated in 1938. Third and fourth generation family members are actively involved in the company,
- Australia’s largest formply manufacturer.
- Employs one person per 295 cubic metres of log processed, around two and a half times the staffing level of traditional sawmilling.
- The mill has an annual processing quota of 35,000m³
Case Study

The Business Dilemma
This company is regarded in the industry as progressive and innovative, and follows a strong policy of capital reinvestment in its mill and outlets. Management's philosophy is to maintain the leading edge by constantly asking: “Are we getting the best out of what we’ve got? Is there a better way?”

This approach highlights many areas that this company does well, identifies some that need attention and pinpoints any deficiencies.

“We felt our manufacturing processes needed outside scrutiny. We wanted to do things more efficiently and more productively,”
— a common problem in manufacturing.

Case Study

The Business Dilemma
An review operations took place to help implement any necessary changes.
The initial analysis revealed scope for a 15-20 percent improvement in productivity. The opportunities found for improvement included:

- Setting of Key Performance Indicators (KPIs).
- Standardising format for using Production Schedules.
- Sales forecasting to assist production planning.
- Defining and monitoring key responsibilities.
- Formalising inter-departmental communication.
- Regular feedback on performance.
Case Study

Solution

A process improvement project was initiated at the mill. The project team worked with management and staff to implement recommendations for:

- Designing and installing Management Operating Systems for production and maintenance.
- Establishing capacity planning by machine centre.
- Establishing a Corrective Action system for use by all staff.
- Establishing a Sales Forecasting process to flow into production requirements.

Under the ‘systems approach’ daily planning became the foundation of all activity. Daily Operations Reports measured outputs in key areas. Key Performance Indicators were implemented and scrutinised at daily review meetings where action plans were developed to ensure things happened as they should.
Case Study

Key outcomes at the completion of the project included:

- Transparency of management allowing quicker response to market changes.
- Continuous Improvement Process in place.
- Improved internal communication.
- 19-27% productivity gains in machine utilisation.
- 15-20% decrease in overtime.
- 45-50% decrease in breakdown maintenance.

Measured against base levels, some remarkable productivity gains were achieved in machine utilisation:

- Lathe – 25% increase
- Hotpress/spreader – 27% increase
- Dispatch area – 19% increase

Additionally, staff contributions led to many operational improvements including simple, logical changes.