

MAKING PRODUCTIVITY PART OF BUSINESS STRATEGY

The Pivotal Role of Productivity

by
Andrew M Pearson



MAKING PRODUCTIVITY PART OF BUSINESS STRATEGY

The pivotal role of productivity in strategy

Productivity is popular currency now alright. People are talking about it as an alternative methodology to underpin success in changing times. Few though have grasped its pivotal role in business strategy.

Only the other day I read of Reckitt and Benckiser's intense focus on productivity through a programme called 'Extrim'.

Productivity is ongoing. It is about getting the most from your human resources. It's about not under-spending or over-spending, but having just the right amount of people, working hard, to achieve and even surpass sales targets.

Productivity methodology protects and helps grow 'revenue', due to focus on continual service improvement and customer delight. Price is currently an important factor for buyers but is it the only important factor? Absolutely not! It's now what customers expect so it isn't a very persuasive tool, is it?

Customers expect better service and gratitude in return for spend and you must not lose sight of this. However, in some cases an INCREASE in labour spend might make all the difference. So for 'big ticket' items, more service should lead to better conversion and this is a way of protecting share when orders are down and conversion needs to increase.

Irrespective of the domain you trade in and the micro-macro environmental storms that you weather - you need a continual productivity focus. WHY you ask? Simply to protect revenue... and even possibly increase it when conditions are favourable and they suit your core proposition.

This productivity focus includes regular gap analysis and review, and then generation of multiple labour models that enable a firm to quickly adapt to varying 'storms' that deluge the domain you operate in, helping to ensure staffing levels will always be just right and are firmly focused on maximising sales opportunities.

In some cases it's possible to increase sales whilst reducing labour costs, and this is a very compelling reason for adopting a productivity methodology regardless of the economic cycle stage.

So if productivity is about getting the most from the right amount of people, working hard to achieve and even surpass sales targets what can you do to do

this? Well take a look at this little list and let me know if you've thought of any of these possibilities – let alone apply them in your business.

Reducing sales cycles and increasing conversion

Let's start with sales. You'd be surprised when I say that one major mobile network operator discovered that its customer facing staff was actually spending just 26% of its time with customers!

That wasn't too bad when you consider that the average is around 20%!!! Just think what an understanding of how much time your sales people actually spend on sales work - and how much isn't! Combine this with an appreciation of your competitors' sales cycle times and think what you might achieve - potentially triple the amount (and quality) of customer contact work and conversion!

The imperative for productivity methodology is therefore crucial.

Establishing labour standards to budget better

A key step in productivity methodology is to review each process in the business so you can fine-tune it and take out unnecessary spend. You can do this by mapping and costing each element of a task so that you can produce labour models, showing the workload and budget necessary to give better service.

Ramp this up to cover every major process and you get a 'whole business perspective'. What you achieve is the knowledge and therefore the satisfaction that everyone will do exactly what they are supposed to be do without adding time and cost to the simplest of tasks.

Tesco is an obvious champion of a productivity methodology; their models enable them to get service right at the checkouts and this has been actively promoted as a differentiator, via their ("one in front") ad campaigns.

A large Co-op is an example of a convenience store retailer that didn't have labour models in place, and then when productivity measurement was performed and models introduced it was able to increase sales and reduce costs at the same time.

There is another reason why this sort of productivity data is important. Let's say that you have a labour model, complete with workload data, together with other criteria such as capacity, budget and so forth, to achieve a given level of sales, you'll have a clear picture of labour needs whatever's happening to demand in your market. In other words you'll have a system that will help you adapt to changes in demand brought about for whatever reason and eliminate labour budget.

Exploit solutions in customer engagement

Now let's turn to customer service. It seems that in tough times customers' intolerance to poor customer service sharpens. Buyers with hard pressed budgets - and even those with more - expect to be treated well. Both categories expect an experience that matches their demands for value, diligence, gratitude and appreciation during the transaction.

In contrast to other initiatives, i.e. short term discounts that offer short-lived business advantages, customer engagement-high service quality is a much more long-lasting asset to operate with.

But you ask "What constitutes effective customer engagement?" And "How do you identify what potential improvements should be made and how can you achieve?" And these are all good questions.

Many things combine to create good customer engagement. It depends on individual and procedure issues that raise pose points concerning improvements, namely:

- Are customers being satisfied? Are queries satisfied knowledgeably and quickly?
- How is time being spent? Are people productive and efficient in terms of task times and in areas that add value to the customer experience?
- What percentage of the labour budget do non-value adding tasks absorb? A very important aspect as this, as I've shown you, can free-up labour to concentrate on more productive customer-facing tasks
- How long do activities take, by process? For example sales cycle times for a product type? Where process efficiencies can be made?
- How does the business compare with its competitors? A business could be performing very well against its own customer engagement performance metrics and yet failing in comparison with its competitors.

What capacity does the business have to act on our service initiatives?

Identifying and exploiting 'quick wins'

Finally, knowledge on how time is spent in the business, will give you opportunities to achieve some really compelling short-term 'wins'. For example, if 20% of time is actually spent not working, typically between 7 to 9% of this can be taken out (if staff contracts allow) for cost savings, or you can reallocate it to more value-adding tasks to increase sales from better conversion, stock replenishment and so forth.

Gains from effective outside advice and support!

While productivity methodology is really advantageous, such improvements come from a methodical and systematic approach. This is something that could be done by specialist performance improvement companies. What you would expect would be a thorough review of current performance and help to roll out new more productive ways of working.

One large food and drinks operation seeking operational improvements and savings used an external productivity consultancy identified a productivity improvement of some 27%. All the delivery processes and customer interface activities were measured; working practices examined and revised new methods implemented. The results of this assignment were achieved within three months and impacted directly on the Company's performance and their ability to win new business.

If you decide to recruit outside, make sure your chosen partner has the necessary experience. This is vital as you need trained eyes to view issues and recommend improvements to processes. Also make sure your prospective experts have a track record in delivering solutions that show a return on investment on each productivity initiative.

The character of productivity methodology

Typically such productivity methodology provides a combination of:

1. Streamlined processes and accurate standard minute values
2. Effective software to quickly model workloads and shift plans considering the process and measurement data obtained from (1).
3. Specialist productivity knowledge and practical operations experience (experience is essential as you need trained eyes to view issues and recommend improvements to processes)
4. Retailer's unique guidance to reflect their environment, proposition, and culture

Typically this 'productivity model' translates £GBP budgets into a labour hours currency, that gets spent through a store-specific model to optimise service, maximise revenue, drive down costs, and retain customers.

Results from the productivity methodology – the impact of a productivity methodology in place is huge for all the business stakeholders, in particular the Financial and Operations Directors – can you imagine how helpful it is to achieve the results below in changing times;

- Less labour spend for the same productivity

- Less labour spend for more productivity
- More labour spend for more productivity
- Same labour spend for more productivity

The stage for productivity offers a platform for ingenuity far removed from the accountant's scalpel. Those retailers that envision the strategic and tactical merits of output and yield will always ensure that they are **THE BEST THAT THEY CAN BE** regardless of any dance of external disorder!

Using the baton of productivity and a fair measure of agility, a retailer will always achieve a balance between its business and customer service objectives. Anyone can get into the budget and cut labour, but this only leads to a carnival of future troubles and a maze of lost service and sales opportunities.

About the author

Andrew M Pearson NDA, Dip M, MBA is widely considered to be a leading expert in the fields of strategy, marketing and operations management. He tutors at Oxford Business School and is also a visiting lecturer at Warwick University.

In addition to UK business school experience he has led and presented seminars and workshops at business forums throughout the world. He has extensive experience as a business coach, consultant and management speaker and has worked with managers and management students in the UK, Europe, China and Libya. He focuses on issues of strategy development, planning and implementation.

His publications include; *How to Invent New Business* and *How to Manage a Business that Works Without You*. A third volume, entitled *The Strategic Manifesto*, will follow in 2010.

Andrew set up his first business aged 25 and steered it to market leadership and a turnover of £11m in 6 years. Since then, he's held senior management and professorial posts at a number of UK firms, including four years with Cargill, during which he founded pioneering strategies for business development in Eastern Europe. Clients include:

- Andersons Consulting,
- A P Moller - Maersk,
- BALI (SE),
- Centaur Grain,
- Channel Express Ltd,
- Dart Plc,
- Everglade Windows Ltd,
- Fowler Welch Ltd,
- Hartley's Nurseries,
- LEAF,
- Mack International Ltd,
- Palmstead Nurseries,
- Velcourt Ltd.