Articles & Commentaries

p-Watch — Australia

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Improving Profitability Through People and Organizational Excellence

Recently, two definitions of productivity have been brought to my attention: that of Dr. Ram Ramsey (Senior Fellow of the World Confederation of Productivity Sciences); and that contained in the 2007 Malcolm Baldrige National Quality Criteria for Business Excellence. Dr. Ramsey's reads:

> **"Productivity is the optimized utilization and management of all available resources, investigation into the best known resources, the generation of new resources, through creative thinking, innovation technology, and research and development. It combines the best use of all areas of knowledge, improvement techniques, methods, and approaches for the production and distribution of quality goods and services at minimum unit cost in an ethical and legal manner with due regard for the total environment."**

The second definition, contained in the 2007 Malcolm Baldrige National Quality Criteria for Business Excellence, is:

> **"The term productivity refers to measures of the efficiency of resource use. Although the term is often applied to single factors such as workforce (labor productivity), machines, materials, energy, and capital, the productivity concept applies as well to the total resources used in producing outputs. The use of an aggregate measure of overall productivity allows a determination of whether the net effect of overall changes in a process—possibly involving resources tradeoffs—is beneficial."**

It has been said that productivity and quality are opposite sides of the same coin. Management understands the term productivity, but quality is more easily understood by the workforce and customers. It is not possible to achieve one without the other. Most of the business excellence frameworks have their roots in productivity, but the output is quality. Quality needs to be more strictly defined because it can be an emotional word like "love," "hate," or "fear." But we recognize quality when we see it and we recognize poor quality when it is absent. In the customer-driven excellence model, “Performance and quality are judged by an organization’s customers.”

On reviewing the various business excellence frameworks from a people perspective, the drive to achieve profitability cannot have the expected results without the constant engagement of the workforce and stakeholders in the enterprise. The two key drivers in successful organizations, according to the business excellence frameworks and most leading top management educators, are leadership and customer focus. These are the “push” and “pull,” respectively, of productivity. High-performing organizations exhibit certain characteristics, which are all delivered through or by the people in them. Fundamental to those characteristics is outstanding leadership, resulting in:

- A powerful sense of shared vision throughout the organization, made manifest daily particularly by management at all levels;
- A strong, unswerving focus on strategy that turns the vision into reality when the vision connects with the workforce;
- Clear, challenging goals for all of the types that stretch people or even “freak them out,” since the gap between goals and current performance offers a powerful learning opportunity;
- Team-based work to develop trust through participation;
- Meaningful measurement of performance, emphasizing the work valued most;
- A culture of commitment and performance among everyone from senior managers to the workers who deal with customers; and
- Good communication, involving straight talk throughout the organization and with stakeholders.

The other common key business excellence criteria reflect that people in high-performing enterprises all seek to deliver results by doing their best for the organization and/or the work teams in which they operate every step of the way. Strategic planning for business excellence can only be effective and relevant if it embraces all the main stakeholders. Vital participants who are not included or are overlooked can quickly become disengaged and unmotivated when they realize that top management has failed to take into account the thinking of front-line employees in forward planning. Beyond the planning stage, strategic deployment should involve a variety of teams. Therefore, considering all aspects of strength, weakness, opportunity, and threat (SWOT) analysis before deployment will minimize oversights, mistakes, and the need for redoing work.

All organizations exist to serve a customer. Customers are real people, not account numbers or enterprise names. Because of this, customer buying decisions are very often made for emotional reasons. It is therefore most important to understand customers, their level of satisfaction, and their opinions of an enterprise, as well as their opinions of its competitors, if the enterprise is to grow and improve its market share. SWOT analysis can also play a role in understanding customers.

It would be easy to think that the measurement and analysis of productivity and quality data simply depend on a series of numbers, as in accounting. However, data collection and analysis are performed by people, not simply by IT or finance departments. Interpretations of information and making of decisions based on those interpretations are done by individuals. Thus, data collection and analysis are important tools to inform managers involved in the strategic planning process of what occurs at the customer interface. Many organizations are automating their data collection. If done correctly, this results in more people being able to access data more quickly for faster, better- informed decision making and customer responsiveness. Data must be relevant and deployed to the end users to enable such responsiveness.

It is interesting to note that 2007 Malcolm Baldrige National Quality Criteria for Business Excellence mentioned the “workforce” as the first factor. Excellent organizations seek to engage, manage, and develop their most important resource. They should also be seeking to align their people with the mission, strategy, and action plans. Sometimes I am astounded to learn that an organization has a high labor turnover rate. In high-performing organizations, preventing employee turnover is a focus of top management. Opinion surveys or climate surveys can be a way to uncover pockets of low morale, seek out the root causes, and devise improvement plans. Many high-performing organizations are moving to automate the administrative part of workforce management, thus freeing up managers. Why? So that managers can spend more time with their people.

All key criteria for business excellence have a common thread: a focus on process management. Focusing attention on process management goes a long way toward eliminating the people “blame game.” Finger pointing or blaming others inevitably occurs when management does not see itself as part of the problem. Former US President Bill Clinton said in an interview: “I did not appreciate the power of process until after I left office.” In high-performing organizations, process outputs should: at least meet, if not exceed customer requirements (quality); be produced efficiently (profitability); be competitively superior (competitiveness); and the process cycle time be reduced (productivity).

People work in the system, while managers work on the system to improve it. There is an undisputable interdependency at work: people need people in all organizations. The better they work together (alignment) for the customer, the more successful (profitable) the organization will become.

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