



## Germany's productivity center in 2005

Germany's Rationalisierungs und Innovationszentrum der Deutschen Wirtschaft (RKW) is Europe's oldest national productivity center. National productivity centers were set up under US pressure in Western Europe immediately following the Second World War to administer aid under the Marshall Plan. That the RKW has survived while all its erstwhile counterparts in Europe have either been scrapped or significantly modified in their nature is due to two decisions taken then. First, it was recast, rather than created. The original RKW was set up after the First World War to transfer modern business practices from the USA to Germany's *Mittelstand*, the small to medium manufacturing companies on which the country's prosperity (and employment) still depends. In its first decade it became a well-respected professional body. That mission has been maintained until today.

Second, after deep soul-searching, the trade unions gave their unequivocal backing to the organization. Thus, since 1948, joint governance has permeated the RKW from its top council and management to its advisory committees, each guiding and monitoring its main areas of activities. Smooth labor-management cooperation (rather than confrontation) has been one of the key reasons behind Germany's remarkable post-1950 industrial performance. Not that this means that the "two sides of industry" always see eye to eye on every individual activity in the RKW's program or elsewhere in business; but although conflict never can (nor should) be avoided in the quest for productivity, the parties involved agree that viable solutions require reaching compromises in the pursuit of consensus. Today, however, this belief in partnership and consensus is increasingly questioned within German society on both economic and ethical grounds.

However, the RKW remains fervent in its commitment to partnership. The importance of trade union involvement was underlined in an independent evaluation of the RKW completed in 2005.



The report wants still more emphasis to be attached in the future to the RKW's "platform role," i.e., its function as a neutral meeting point for trade unions and employers together with government and professional bodies to discuss emerging productivity issues dispassionately. The RKW must remain a neutral professional organization working within a nonprofit framework, albeit having to earn an ever greater proportion of its income.

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Although the RKW's initials have remained the same since 1921 (thereby maintaining its image of "effectiveness with efficiency"), it has changed its name more than once. Most recently the English translation of its name has become the Council for Productivity and Innovation. This change was in reaction in particular to the feeling that "productivity" was associated in the minds of many with job losses, whereas innovation has a much more employment-friendly connotation. Today the RKW estimates that its actions help

create 70,000 jobs annually and save another 6,000-significant numbers in a country suffering from 11% unemployment.

Irrespective of its name changes, the program of the RKW has continued steadfastly to focus on three core domains: implementing better business and management practices; introducing new technologies together with appropriate forms of work organization (the one is impossible without the other); and enhancing and making better use of the nation's total manpower resources ("qualifications" and "skills" are key words). Being a populous (82 million inhabitants) and export-oriented economy that is heavily dependent on *Mittelstand* manufacturing in particular, German business needs to be a world leader in all three RKW domains.

To meet differing needs by industry and region, provincial productivity centers were established early on. Each is legally an independent body, but still a part of the national network. They won the backing not only of their provincial governments but also of local companies that set up membership networks. Today these networks embrace some 5,000 companies. The bulk of the activities of these centers is the provision of (state-subsidized) training and business consulting services to the *Mittelstand*, and their image of neutrality, professionalism, and nonprofit nature guarantee their acceptance by smaller firms. Currently, the main topics of these activities are, in addition to the classical areas of management (general management, costing, process optimization, marketing, and human resources development), corporate start-ups and survival, successor planning, and health issues. Mental health, particularly stress, burn-out, and the pressures from excessively flexible workplaces, have become important negative factors for productivity which are increasingly being addressed.

The centers also directly help both federal and provincial governments to implement support campaigns for industry, ranging from the spe-

cific, such as introducing preventive maintenance, to the general, including raising quality consciousness and workforce skills. This national network of provincial centers was a very effective tool in the early days of integrating the former German Democratic Republic into the single Germany.

From its reincarnation immediately after World War II, the RKW has been Europe oriented. In its early years, cooperation with other national centers was through the European Productivity Agency. This provided many opportunities for sending study missions to the USA. What was learned then is still being used now in European and World Bank projects to train eastern Europeans in modern management and productivity approaches on study missions to Germany. But most cooperation nowadays has a focus that was nonexistent 50 years ago: the funds and programs of the European Union. These have enabled joint activities to be developed with neighboring countries in such areas as new forms of work organization, flexible working time, stress management, and women in the workforce.

Two trends have of late impacted the RKW's total structure: public funds have become increasingly scarce and earmarked for actions rather than organizations (only around one-half of the national center's budget is nowadays

covered by federal government grants; the remainder is accounted for by contracts with individual organizations); and competition in the training and consulting market has increased with the burgeoning of providers, both private and semipublic. This has led to some provincial centers having to merge and for overall staffing to be reduced (it is currently around 80, and declining, at the national center with a similar number in the provincial centers). To achieve greater national streamlining, plans have been drafted and received government approval to bring the RKW closer to, and probably merge with, the national institute for research on the *Mittelstand* and another long-standing body providing productivity services to public administration. The days of Europe's remaining independent national productivity center thus appear to be numbered. 🌀

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