

# Making Productivity Work

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It is a grand notion, one worthy of any government that intends making Sri Lanka competitive in the world market. 1996 has been declared the 'Year of Productivity' and a concentrated drive has been launched nationwide.

But, what's in it for the corporate entities, the main actors in the whole scenario? The only 'P' most of them have been familiar with upto now, apart from the obvious marketing mix is 'Profitability'. The national Committee on Productivity has its job cut out to establish that a symbiotic relationship exists between productivity and profitability. A relationship that once established, will no doubt spawn a new generation of productivity oriented organizations in the country.

While the country is committed to export-led growth, the national productivity drive is not the 'quick-fix' mechanism the country is looking for on its way to an economic miracle. Japan, South Korea, Taiwan and Singapore were all well on their way to achieving full industrialization when their productivity drives were launched. But even the most jaded cynic would agree that the productivity programme is being introduced at a timely moment. An impetus like this could help the country tighten its collective seat belt in a very bleak scenario. Productivity gains can control rising costs across the board, so that a company can maintain cost-effectiveness in production and price their goods competitively, or as the productivity theorists phrase it get the required output with the minimum required input.'

## **The Asian Productivity Challenge**

This is where a true understanding of management principles helps in implementation. All the economic wallahs predict that Asia is where it is going to 'happen' in the next decade. If predictions hold good by the turn of the century, the region will be responsible for one-third of the world's industrial output. The Chinese influence is expected to create a new economic boom just as the Japanese did two decades ago. This time around the boom is going to be more dramatic, simply because the Newly Industrialized Countries (NIC's) in the region will be flexing their economic muscle alongside one of the largest nations in the world with an ambitious, hard-nosed corporate and industrial sector that can hold

its own anywhere in the world.

The demographics are certainly right, the NIC's have more than 65% of their population between 15 and 65 years. In the developing countries the percentages are equally high, between 59% and 66%. The new middle-class that is being created in these countries is urban, savvy and sophisticated. Taiwan, Singapore, the Philippines and South Korea have shifted their focus. away from labour-intensive to high-tech industries and are set to meet the information age head on. By all accounts the future is here and it has profound implications for countries such as Sri Lanka which are only on the periphery of this great renaissance, but nevertheless forced to contend with these economic giants for their share of world trade.

*The World Executive Digest* in its report on 'Asia's New Productivity Challenge' asserts that the "key to long-term productivity growth is how swiftly companies adjust to new technologies and how well workers adapt to new demands'. Sri Lanka's labour productivity is low, but its labour force is among the most adaptable and literate in the South Asian region, comparing favourably with countries such as India, Pakistan and Bangladesh and providing that important comparative advantage to attract Foreign Direct Investment (FDI) into the country. While FDI has fallen from Rs. 9.2 billion in 1994 to Rs. 8 billion in 1995, the government has enhanced its range of incentives to companies moving into the country. Of particular significance is the fact that incentives have been granted to companies investing in advanced technology.

Technology transfer is one way of ensuring Sri Lanka keeps pace with advances in other countries. Innovative and new technology adopted by the NIC's is considered one of the prime reasons for Asia's rapid productivity growth. Still Sri Lanka's base is labour intensive and while the shift to high-tech is inevitable, the transition will be gradual and long term.

### **Human Resources Development**

In the interim, the practical alternative is to work on enhancing Sri Lanka's human resource base through management methods. 'Worker ethics' and 'employee empowerment' are significant terms in this context. Productivity begins with the individual and the catalysis will be the worker, but the management must make the conditions for change, say management gurus. In this context, the

significant barrier is the often autocratic and hierarchical management structure in Sri Lanka, which restricts worker participation in decision making. Inflexible chains of command are more the norm than the exception. Think of the memos passed through Heads of Division and then Heads of Departments before they reach their final destination the Chief Executive Officer (CEO), or the faxes that have to be routed through the Administration Department and several attendant Managers for the all too important signatures before it is despatched. Not just bureaucratic, but unproductive!

Communication is only confrontational when it comes down to Management-Staff dialogue. In other situations the Management manages, while junior staff do the routine work and 'ne' er the twain shall meet'. This autocratic culture has to change

### **Great ideas are not always spawned by Management**

if productivity efficiency is to become a reality within the organization. Arbitrary change to the company structure is a short term solution to the problem. Productivity enhancement has to be a long-term strategy, part of the mission of the company and communicated as such to the employees. Lowering wages is another 'quick-fix' solution that companies resort to in an attempt to enhance their productivity. The Japanese, one of the most productive people in the world with 2,200 labour hours per year, have proved conclusively that higher wages can be sustained and can actually be a spur to productivity growth within an organization. In fact the more productive countries like Japan, Singapore and the US. have a higher wage rate per worker.

### **The Fallacies connected with Productivity**

Indiscriminate cost-cutting that results in lower quality standards is another simple and facile management method to increase productivity which is myopic in the short-term and suicidal in the long term. The focus has to be on increasing overall efficiency or working smarter to meet the required target if a company intends to stay ahead. The popular notion that productivity gains are reflected in increasing output while reducing inputs is another theory that falls by the wayside in the real world. It is one that is a classic in a seller's market, or a command economy, but one which just does not hold good in the competitive market place where the consumer is the ultimate arbiter.

The word productivity is often misunderstood or ascribed only to manufacturing industries where productivity increases can be measured in tangible terms, but productivity is not some esoteric management principle confined to a sector, an area, or a level of management, it can start even at the domestic level says Sunil Wijesinha of the National Committee on Productivity. "It is a way of life that can start with school children and progress to a corporate or national level. It is not a process that one can carry out single-handedly in the workplace. It is a participatory exercise that demands an understanding and commitment from every member of the staff down-line. Conditions for change must be catalyzed at the highest level but implemented at every stage. The entire operation of the company must be geared for productivity improvement as part of the company mission, just as much as quality drives are part of the fundamental corporate rationale. Whether it is Administration, Accounts or Maintenance, they all have a contribution to make to productivity. It is not something that is confined to the front-line Service personnel or Factory workers."

### **The Power of Empowerment**

"Productivity improvements in one area create the need for others to keep in step...", says Godofredo L Rodriguez, winner of the Award for Productivity Excellence for Leadership in the Private Sector from the Philippines Productivity Movement Inc., and the Asian Productivity Organization Society of the Philippines in 1992. "... the supply chain is supported throughout by functions such as information systems, industrial engineering and human resources development. Thus everyone in the organization is responsible for either directly improving productivity along the supply chain. or in a supportive role."

Rigid and top-heavy corporate structures don't lend themselves too well to foster this type of commitment from staff. Singapore's productivity drive which was launched as far back as 1981 recognized this factor as a major deterrent to growth and emphasized employee contribution as fundamental to the exercise. The *power* of teamwork can only be unleashed if the management is willing to *empower*. Lanka Walltile Ltd., (LWL) runners-up in the National Institute of Business Management (NIBM) Awards for Productivity in 1993 and winners of a Merit Award in 1994 have established small group activities and quality circles as part of their effort to enhance productivity. Staff are encouraged to participate in decision-making and the staff and management meet regularly to discuss problems encountered in the daily work. routine. Profits were a minimal Rs. 8.4

million in 1989 when the company was restructured. The then General Manager, Prasanna de Silva says "Restructuring the organization paid dividends. I strongly believe teamwork is the key to a company's success. Leadership may be important but ultimately if there is no team spirit, progress is impossible." Lanka Walltile recorded the highest ever turnover in its history in 1994.

Central Industries Ltd., placed among the top ten manufacturers last year in the Productivity Awards is another company that has paid attention to participatory management in its productivity drive. "The contribution made by all levels of staff from the maintenance team to information technology staff to enhance productivity is significant," says the CEO Dr Kamal Weerapperuma. What is even more significant is that the staff undertake to train their colleagues and disseminate information through seminars on a voluntary basis.

Both these companies ensure that human resources development is given high priority and staff are sent for productivity training programmes at the NIBM and other institutions. LWL also sends its staff to the National University of Singapore and for Asian Productivity Organization/Asian Organization for Technology and Science (APO/ AOTS) sponsored programmes in Japan.

Great ideas are not always spawned by Management. Note the overseas restaurant that has waiters wearing pagers so the kitchen can buzz them when the order is ready. They are able to devote more time to the customer. A simple, practical and productive device thought up by an enterprising worker. The ability to recognize that staff dealing with the customer and the day to day routine can contribute in the most practical terms to enhancing productivity is what distinguishes a *productive* manager from a merely *good* one. Singapore Technologies Automotive (STA), a Productivity Award winner in Singapore provides an incentive to staff making productivity improvement suggestions - 1% of the savings resulting from their suggestions. The company's savings are in the region of \$100,000 a year.

Or take the case of a night shift team at a General Mills cereal plant in California, it sets its own schedules and runs and maintains the equipment without any higher management supervision. The American Steel Co. which was ready to go under in 1979 was turned around by the CEO Howard "Pete" Love who transformed the company from a hierarchical culture into a participative one. The planning process significantly involved staff task forces at every level which

identified key areas that were barriers to improving quality and productivity. The rest is history.

## **Meeting the Resistance Hurdle**

One of the problems faced by local industries in implementing productivity measures is internal resistance to change. In one factory the Quality Circle concept had to be abandoned because the Union saw it as a way to undermine their role in the organization. "Management must put in place solutions to overcome anticipated problems rather than act only when they encounter problems..." says Lee Suan Hiang the CEO of Singapore's National Productivity Board (SPB) quoted in the *World Executive Digest*. Mahinda Saranapala, Joint Managing Director of Phoenix Industries Pvt. Ltd., is one man who anticipated these problems and attacked it head on. He says, "Awareness of the concept and rewards of productivity were lacking within the organization. Certainly we at Management level were aware of what we wanted and the benefits we would reap, but to the down-line staff it was just some obtuse management theory that they believed would mean more work or a more regimented system. The truth is, it is working more efficiently and finding ways of streamlining work methods.

To begin with we had to break down these misconceptions at a very fundamental level. We used audio-visual techniques and teaching aids such as a training manual in cartoon form. It was simple to understand and very practical to implement. It dealt with certain measures that every worker could personally take to streamline his/her working area, sorting out tools and implements, tagging them for easy identification, getting rid of the junk, maintaining their tools in an orderly fashion, etc. It progressed to machine. maintenance and output levels, etc., at a later stage in the educational programme. It was a practical awareness programme that was readily understood by all staff."

Ashok Kumar, Manager of the Phoenix Blow Moulding factory says when it came down to actual implementation they did not meet with any resistance. "Productivity measures have actually improved their working conditions. Absenteeism and staff turnover is at an all-time low and we can confidently say that morale is high among the workers."

The results are evident at a glance. The factory is a showpiece of cleanliness and functionalism. 'A place for everything and everything in its place' is a fine art for

the workers and the day begins with a 5 minute routine observation of the Japanese 5 'S'. Sunil Wijesinha remarks that the organization is an excellent example of all-round productivity enhancement. Sometimes, despite high productivity levels, staff welfare measures are woefully inadequate. In the case of this factory, workers are well looked after, the reward of a successful productivity drive.

## **Recognition and Rewards**

On a larger scale, the rewards of successful productivity increases are recognized by NIBM through its National Productivity Awards Scheme launched in 1993. JASTECA is set to recognize organizations this year, successfully implementing the Japanese 5 'S' concept. But equally important to maintain the momentum of change is the recognition of employees who contribute to the productivity gains. The Singaporean Productivity Board (SPB) stresses that it is vital for the continuity of a productivity enhancement drive to share the benefits of savings with the employees of the company.

Fundamental to the whole rationale is that the worker, the human resource base will be the important change agents in the process of instituting productivity programmes at national level. G K Suri, Head of Research and Planning of the Asian Productivity Organization (APO) says "..... Management of change has become a major challenge of the productivity movement." The winning formula for Asian Managers is to learn to manage the productivity of 'knowledge workers', he says - "People who are paid for putting knowledge to work rather than brawn or manual skill."

With increased office automation and the demands of the information age, the country must exploit the full potential of its educated work force which is adaptable to changing trends, to be successful in its productivity drive. It has a long way to go before it becomes competitive in the technological arena and can pit its strength against the NICS, but training and creating a productive human resource base is an achievable reality. The truly visionary companies must put 'people first' in their drive to contribute to the Year of Productivity and beyond.