Help! Our productivity growth is going down! Another four tips to boost your productivity (part 20)

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Belgium is the fourth most productive country in the world, but our productivity growth has been sputtering. In this series we present some practical tips each time to boost productivity in the office and on the shop floor.

In the first part of this series we discussed the productivity of Belgian companies. Productivity growth in our country has almost come to a standstill in recent years. In times of high inflation, a failing productivity growth is particularly painful for businesses, as wage indexation cannot be adequately compensated by productivity gains.

In order to support Belgian companies with their productivity improvements, we collect a number of tips that we will publish at regular intervals. Since a lot of low-hanging fruit is still available in most companies, these tips do not focus on implementing advanced technologies, but on improvements that can be implemented by everyone.

Tip 83: Do NOT give your best employees a promotion

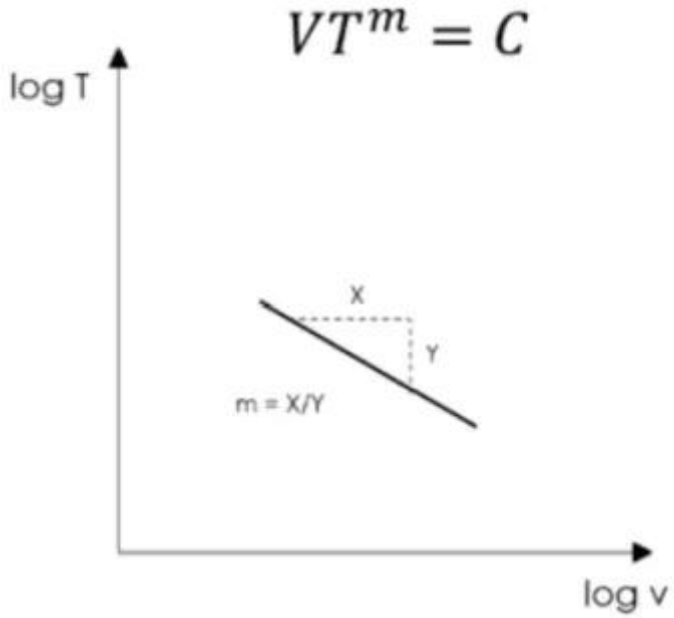


Promoting the best employees to a management position is commonly applied as a reward for their performance. Yet, the best employees are not always the best managers, because of the variety of tasks and corresponding skills it requires. In 1969, Canadian psychologist Laurence Peter formulated this observation in an elegant way: "In a hierarchy, each employee tends to rise to his level of incompetence."

Comprehensive research studied the effect of the so-called 'Peter Principle' based on the performance of promoted salespeople at 131 companies. The Peter Principle appears to be alive and well. The best salespeople are three times more likely to be promoted than average salespeople. Unfortunately, the best salespeople turned out not to be the best managers. After the best salesperson is promoted to manager, the sales of their subordinates decrease, while sales increase in companies that promote the person with the best management skills. A strong difference in sales figures is seen in results of the two promotion strategies, amounting to no less than 30 per cent.

We can safely say that a remuneration strategy based on systematically promoting the best employees is counterproductive. The fact that pay scales are usually strongly linked to management grades and not to actual skills makes employees want to climb the ladder, even though a management position does not necessarily fit their profile. This problem can be avoided by developing an appropriate remuneration policy, for example, by placing the best employees in the same pay scales as their managers. By assigning flattering job titles ('senior'), you can also explicitly acknowledge their contribution and satisfy their status needs. Want to find out more? This podcast explains the research in this area very clearly.

Tip 84: Ever used an optimisation formula?



Business operations require all kinds of considerations to be made. Just think of determining the lot size (considering set-up costs vs inventory costs), the safety stock (considering delivery reliability vs inventory costs), or the cutting speed of a lathe (considering machine costs vs tool costs). For many of these considerations, formulas have been around for a long time, while, strangely enough, only a small minority of companies make use of this knowledge. Such formulas have their limitations, but using a formula is generally better than the alternative: a wild guess. For the optimisation of all kinds of machining processes, you will find formulas at model-based machining you can find a formula for the economic lot size here and for the safety stock you can find here the formula.

Tip 85: Set challenging goals



In the 1970s, the management of a logging company was at a loss. The truck drivers had the habit of trying not to overload their trucks to avoid fines. In practice, this meant that at times the trucks were only 60 per cent loaded. The management had earlier unsuccessfully urged the truck drivers to ‘do their best’. To solve this problem, the management called in the help from a university. The researchers suggested that instead of asking drivers to do their best, they should give them a specific target. After consultation with the trade unions, it was agreed that achievement of the target would not be rewarded in any way, except with verbal praise, and that no one would be criticised for failing to meet the target. The union believed that setting a target without any consequences would have no impact and agreed to a 94 per cent loading target. To the amazement of many, the load factor had already risen to 80 per cent after one month, then dropped to 70 per cent the next month. Interviews with the drivers showed that they wanted to test whether the management would effectively not reprimand them for not meeting the target. The supervisors faithfully followed their instructions and refrained from criticism. From the third month, the load factor shot up to more than 90 per cent, and would remain at this level for many years.

This study at the logging company was the start of a long series of experiments. Since then, hundreds of studies have shown that setting a challenging goal leads to better performance than easy or vague goals such as 'do your best'. As long as the person is committed to the goal, has the necessary skills and has no conflicting goals, there also appears to be a linear relationship between the difficulty of the goal and the performance achieved. In addition, it is important to give employees regular feedback on their current performance so that they can see the progress that is being made, which motivates them. The study also shows that it does not really matter if the goal is imposed on them, or if they arrived at the goal through participation, as long as they are committed to the goal. However, setting goals in a coordinated way can increase the commitment to the goal. In some cases, the employees themselves propose a more difficult goal than the supervisor has in mind. The impact of target setting on productivity should not be underestimated and is typically 10-25 per cent.

The well-known 'SMART' acronym provides a good guide to developing objectives. Good objectives are Specific, not vague; Measurable, which improves feedback; Achievable, supported

by a plan; Relevant, which increases engagement; and Time-bound, to avoid procrastination.

Setting targets does not always work. If employees perceive the objectives as threatening (e.g. fear of job loss or reprimand), or if employees are structurally overburdened, objective setting loses its power. Sometimes specific, challenging goals do not lead to an improvement in performance, because the focus is on the performance goal, rather than on developing the skills needed to achieve the goal. In this case, it is better to set learning goals that define the skills to be developed. In this case, a salesperson no longer focuses narrowly on achieving a turnover figure, but rather on the skills needed to achieve this (e.g. thinking of three ways to increase the success rate of quotations).

Tip 86: Create a culture of continuous improvement

Many managers dream of creative workers who fill the suggestion box with suggestions for improvement every day. The reality is often that only a small proportion of the employees are occasionally involved in improvements, leaving much potential for improvement unused. If you want this to change, you have to consider four elements. First, the management itself must continuously communicate about ongoing improvements. For example, Barco publishes a guide of the improvements made by employees every year, in order to foster a culture of continuous improvement. Second, managers must set an example and make improvements themselves. Third, the management must show to all concerned that they are sincerely interested in the improvements that have been made. This can be done through so-called 'gemba walks', in which managers on the shop floor look for improvements. Fourth, the time between the formulation of an improvement idea and its implementation should be kept very short. A good way is to simply test each suggestion immediately, if necessary in a simplified or simulated form. We have already seen companies testing a new layout with cardboard boxes.

Finally

Do you have any tips to share? Let us know so we can share them and become more productive together. The best tipster of the week will get a nice gift!

You can find an overview of the other parts of this series with tips here.

Shortening lead times makes it possible to grow as a company and to reduce lots of indirect costs. The quick response manufacturing (QRM) production strategy makes this possible for companies in a high-mix, low-volume environment. From 8 November (Ghent) and 17 November (Diepenbeek) we organise a next QRM training cycle.

(Source images: Dreamstime)

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