# Perceptions of Productivity

Metals New Zealand Industry Conference
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Wellington

Competenz
SKILLS FOR INDUSTRY

## About Us

Industry partnerships
- Engineering
- Manufacturing
- Baking
- Food and Beverage

Aligns training with industry's needs

Up-skilling around 12,000 people in our key industry sectors per year

## Perceptions of Productivity

The productivity challenge

The Survey

The Results

- People and Processes
- Who do you turn to?
- The right change can create growth
- Small change gives big gain

Meeting the Challenge

## New Zealand's productivity challenge

"The key to increased productivity is a committed leader – someone focused on both the ideas and the detail."

## New Zealand's Productivity Challenge

- Kiwis work long hours but produce less than their European and Australian counterparts
- Effective development and utilisation of workplace skills is vital
- So what exactly is productivity?
  - Why is this important?
  - The current perceptions of productivity

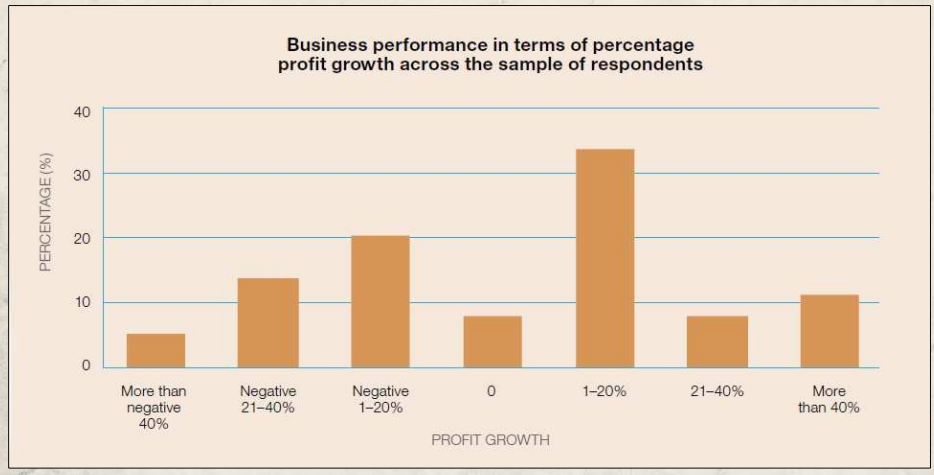
## Productivity

- Goods and services produced from each hour of work
- The ratio of inputs to outputs
- It's about doing things right and about doing the right things
- It is the key to living better

## The Survey

- July 2010
- 200 medium sized businesses (20-50 employees)
- Industry sectors
  - 53% manufacturing
  - 30% engineering
  - 17% food
- Nationwide respondents
- Those with decision making authority on how the business spends money (owner / CEO)

## Business performance over the previous two years of the companies surveyed



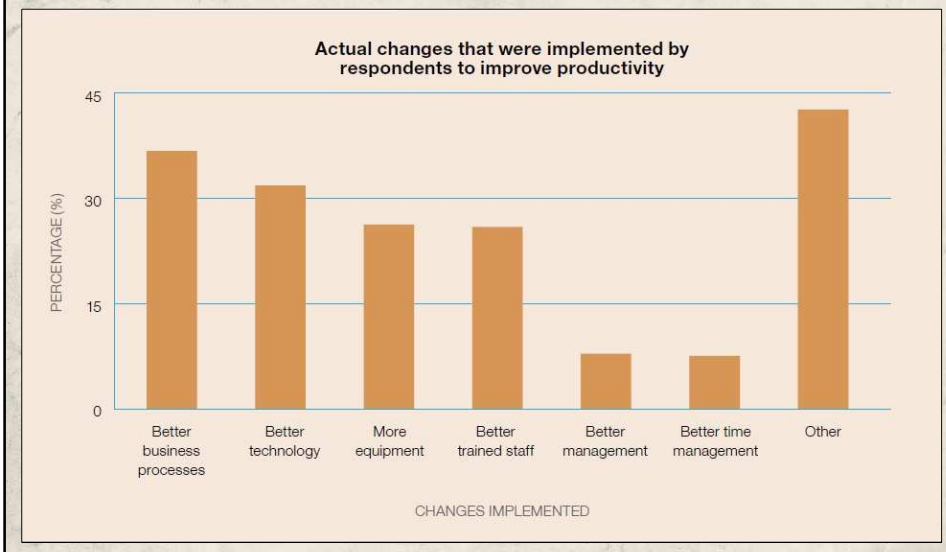
## The Results

"Speed of change – the thinking of owners, managers and leaders – is critical to increasing productivity"

## Key Findings

- Respondents were asked about what they thought would increase productivity in their business
- #1 response was "better trained staff"
- 86% have made changes to improve productivity in the last 2 years
- But, "better trained staff" was only ranked 4th in what was actually implemented.
- Processes were the #1 change

# Key Findings



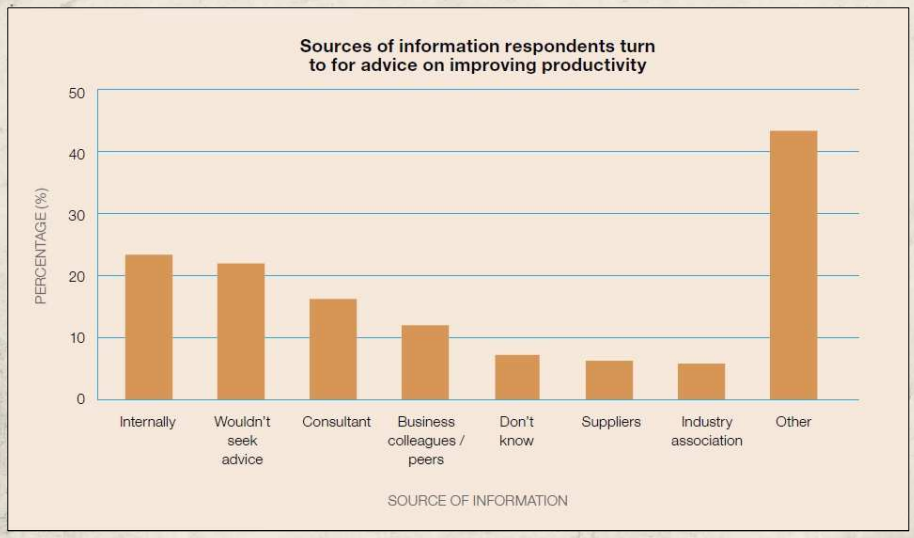

# Key Findings

- 73% of companies expect returns in their investment within one year
  - 39% within 3 months
  - 18% immediately
  - Is this why companies end up changing processes instead of training people?
- This short time mind-set is problematic
  - Local and international research has consistently shown that best practise is a combination of ‘quick wins’ **and** ‘future gains’

## Who do you turn to?

- High proportion of New Zealand businesses do not know where to turn to for help
- 22% would not even ask for advice or help
- Confusing array of consultants, gurus and agencies
- Message here for the Productivity Commission

## Key Findings



## The right change can create growth

"Low growth companies often think they can't afford to pay for advice. We say be open to taking advice. Know when to ask for help and have an open mind."

## Summary of the number of changes implemented to improve productivity by respondents in the high growth and high decline group

| Number of changes to business to increase productivity | High growth group | High decline group |
|---|---|---|
| No changes | 11% | 27% |
| One change | 20% | 22% |
| Two changes | 37% | 22% |
| Three changes | 17% | 17% |
| Four changes | 6% | 3% |
| Five or more changes | 9% | 9% |

## The right change can create growth

- High growth firms favour investment in people
- Declining firms favour investment in processes (but don't do it)
- Paradoxically high growth firms end up 23% more likely to have improved business processes (people led)
- They are also more likely to improve other aspects of productivity
  - Technology
  - Equipment
  - Time management

## Summary of the types of changes implemented to improve productivity

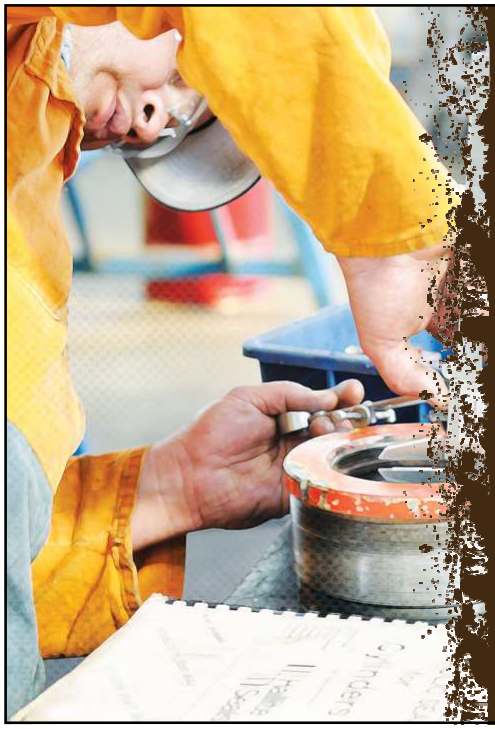
| Types of changes to business to increase productivity | High growth group | High decline group |
|---|---|---|
| Better business processes | 54% | 31% |
| Better technology | 43% | 28% |
| Better trained staff | 26% | 25% |
| More equipment | 23% | 19% |
| Better time management | 11% | 6% |
| Adding value to products / services | 6% | 17% |
| Other | 51% | 36% |

## Small change gives big gain

"Signing people into training is the easy part. Supporting, encouraging and mentoring those people through their training to reach their full potential is the hard part."

## Small change gives big gain

- The one constant that can assist businesses is people
- 62% strongly agree that skills training will improve performance and productivity
- Training people improves their
  - ability to do their job
  - sense of achievement
  - self confidence
- These silent benefits are often the most important

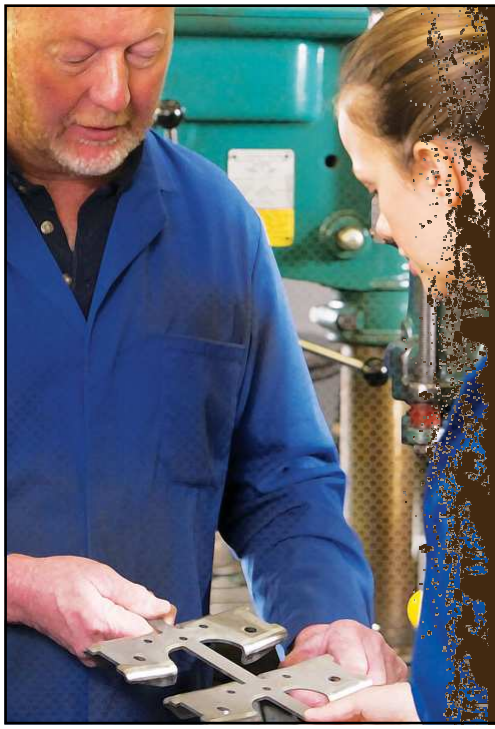


## Meeting the Challenge

There is a growing demand for external support and advice as businesses struggle to remain competitive

There is no one accepted way to improve productivity

Respondents used a combination of up skilling people and improving processes

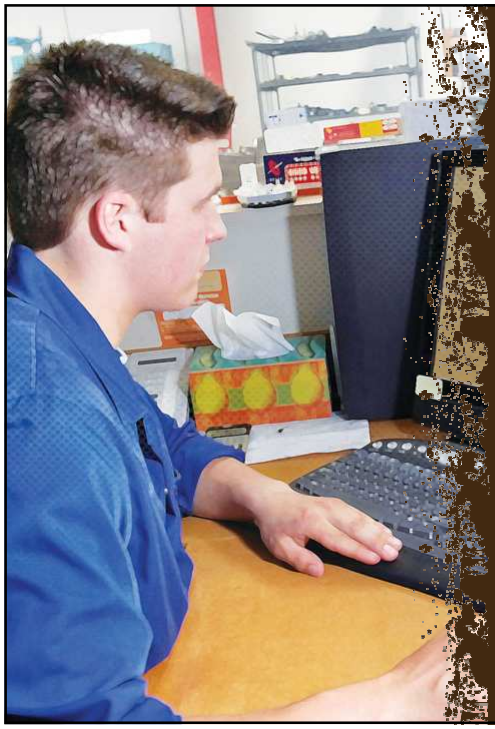


## Meeting the Challenge

While investment in processes is important, investment in people is paramount for the long term health of a business

Investing in people is not easy and requires a clearly thought out, long term training strategy

With continued emphasis on operational efficiencies, investments in people are a better driver of more productivity improvements



## Conclusion

Organisations of all sizes can benefit from training their employees

Training your people drives after productivity changes

The ITO system can help, but it has constraints that need to be removed

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