

Improving National Productivity

A Guide to Concentrating Issues and Initiatives within a National Productivity Organisation



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Executive Summary

This guide explores issues surrounding the establishment of an organisation to act as a catalyst or facilitator to improve national productivity. Such initiatives usually arise from a government recognising that building and enhancing productive capacity is the only long-term means of improving and sustaining national wealth.

This guide addresses the role of a national productivity organisation (in terms of what it might set out to do, and how it might achieve it) and discusses its structure, governance and funding.

It cannot be prescriptive since the exact nature of a national productivity organisation must be determined by local need at a particular time. However, the issues of concern are themselves common across national and regional boundaries and are discussed in generic terms.

This paper has been kept deliberately brief. If readers wish to explore these issues further, they may contact the author.

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Introduction

Improving productivity is something to which all nations aspire. Politics may address issues of the re-allocation of national wealth, of sharing out the national 'cake' more equitably. However, it is only by improving productivity that the size of that cake increases. Thus, governments often exhort their organisations to become more competitive, more productive. This is particularly important in a global economy where one's competitors may be on the other side of the globe and where 'standing still' in terms of productive capacity inevitably leads to an organisation – or a country - being overtaken.

Government's sometime go further by moving from exhortation to action in terms of establishing national productivity 'movements' or 'initiatives'. These vary from those that are only an extension of the exhortation ("mission and messages") to initiatives that have real substance behind them. Implementation of such an initiative is often in the hands of a government department or agency but a number of nations go to the next stage of establishing a national productivity organisation to co-ordinate discussion and activity around the initiative.

One advantage of establishing a specific body (such as a national productivity organisation) is that it provides a clear, single focus for productivity issues; it also demonstrates a longer-term commitment to improving productivity.

This guide examines the role of such national productivity organisations and explores issues around their creation and management.

It is not possible to prescribe the role or structure for a national productivity organisation (NPO). The appropriate role and structure for a particular NPO will depend on a number of factors which will differ from region to region and country to country. This paper therefore raises and addresses a number of issues relating to the formation of such an organisation; these issues should form an agenda for discussion and debate which in turn should inform decisions relating to the specific role and nature and role of a particular national productivity organisation.

NPOs – often called National Productivity Centres or National Productivity

Institutes - exist in many countries and they have a variety of roles and structures. There are, therefore, lessons to be learnt from examining the nature of these existing NPOs. For example, it is possible to identify common themes relating to

the activities in which NPOs engage. However, it is wise to remember that not only will the precise nature of an NPO be determined by its particular national context, it will also change over time, particularly as the current economic and political status of the host country changes.

The broad headings covered within this paper are:

- Aims
- Role
- Competitors
- Methods and Approaches
- Structure
- Status and Governance
- Funding
- Management
- Reporting
- Change Over Time
- Available Help & Advice
- Quality Assurance

Together, these headings cover WHY an NPO might be necessary, WHAT it might achieve and HOW it might operate.

Within this paper, these headings are addressed in sequence, though, in practice, they inter-relate and overlap.

Though this paper makes reference to national productivity organisations, clearly regional and sub-regional organisations share the same set of issues; almost all of the content of the paper is therefore applicable to them.

Aims

Many NPOs will have a mission and/or a vision statement which summarises the core reason for their existence. Such statements may be useful in promoting the basic ‘message’ but a more considered and detailed expression of aims is useful.

The basic aims of any NPO are to promote the importance of the concept of productivity and, by doing so, raise national productivity. However, since the term ‘productivity’ is subject to a wide variety of “definitions” and interpretations, these

basic aims need themselves to be further examined. For example, many NPOs engage in a range of activities related to 'other topics' such as innovation, quality of working life, competitiveness, etc. These may be regarded as complementary to productivity, as underpinning productivity, or as results of it.

Most countries that establish NPOs see them fundamentally as a means of improving the competitiveness and economic strength of the nation. However, it must be remembered that raising productivity is a marathon, not a sprint: though an NPO may well have short-term effects (and almost certainly should have to maintain credibility), its success is more likely to be judged in the longer term.

Any basic or core aims might be qualified by, for example, prioritising particular industrial sectors – especially where these are identified as being key to economic development.

Role

"Role" is perhaps a misnomer; "roles" being probably more appropriate. All NPOs fulfil a number of inter-linked roles. In broad terms, these are, for example:

- capacity building (ensuring that the nation, and the organisations within it, have the appropriate capacity to improve productivity).
- catalysing (stirring, motivating and exhorting individuals and organisations to act in the interest of higher productivity).
- co-ordinating (bringing together various stakeholder groups that could or should have an input into the raising of productivity).

To fulfill these roles, an NPO will have to:

a) Support government

An NPO should be a 'critical friend' of government ensuring that it fulfils its major role of providing a supportive environment, in terms of the macroeconomic and regulatory infrastructure. The importance of this role cannot be over-stressed; a national productivity strategy cannot thrive in a restrictive environment.

b) Support enterprises

The NPO should help create capacity and ability for innovation and productivity improvement within enterprises. This is particularly important for small and medium-sized enterprises, which will not have their own dedicated professionals.

Within these broad headings – and underpinning the kinds of aims identified above – NPOs will engage in a variety of activities. Obviously, not all NPOs will engage in all of activities listed below – at any one time, there will be particular priorities for the nation which will guide the particular activities to be undertaken.

The kind of activities undertaken by an NPO include:

- promoting productivity improvement;
- awareness raising;
- training in productivity approaches, methodologies, methods and techniques;
- research into productivity issues;
- providing consultancy services;
- measuring and benchmarking;
- education for recognised qualifications;
- conferences, seminars and workshops;
- encouraging sustainable development;
- producing publications;
- recognising achievement, through the award of prizes;
- acting as a resource for the networking of organisations and individuals.

These activities may be organised and presented in a variety of ways. They will also attempt to meet the needs of a range of stakeholders and clients – governments, enterprises, employer organisations, employee organisations, etc.

Competitors

What really matters is that what the organisation does adds up to something (a set of information and a set of activities) that no-one else offers, or something that no-one else offers as cost-effectively. Only when this occurs is the long-term viability of an NPO assured. Ironically (but perhaps re-assuringly) this means that any self-respecting NPO should be continually addressing its own productivity.

Many NPOs are monopolies. They are subsidised by government and they provide a set of services prescribed (in whole or in part) by the government. However, for many this is a temporary situation. Certainly, many consultancy organisations will

offer a range of services that compete directly with those of a NPO. Unless the NPO can demonstrate credibility and competitiveness, it will not compete with a commercially-focused consultancy organisation.

Where a NPO has an advantage is in its core role – that of shaping national, rather than organisational, productivity. Perhaps the only true core role for a NPO is in diagnosing and addressing the infrastructural barriers that exist to higher national productivity. Diagnosis is key; it must precede action and intervention. The subsequent action and intervention may best be carried out by other organisations, though most NPOs will want to play their part in ‘the cure’ as well as the diagnosis.

Methods and Approaches

Again, there is a variety of approaches to supporting government and enterprises in the pursuit of higher productivity. The following is a set of common approaches/activities pursued by NPOs.

Productivity campaigns

A productivity strategy is often best articulated through a ‘campaign’. This can be more easily marketed, especially if it is a national campaign, endorsed or organised by government. Such a campaign should include:

- a comprehensive vision statement so that it is clear as to why the campaign exists and why it is important;
- clear, measurable, outcome-related goals and objectives (and preferably intermediate ‘milestones’);
- key factors in ensuring or inhibiting success (including identification of the information, knowledge, skills, technology, capital and other resources required to meet performance goals);
- an implementation plan of how the inhibitors are to be addressed and the goals and objectives are to be achieved;
- a monitoring, measurement and review regime to identify progress towards goals and objectives.

It is important to keep information flowing about the campaign – and, of course, especially about successes.

Standardisation of terms

A common approach is to start by agreeing a set of common terms so that all stakeholders understand what is meant when 'official' documents use words such as innovation, competitiveness, and productivity through to those describing specific techniques.

Though this could be considered very basic or even 'pedantic', it is useful for all key stakeholders to share a common language – so that information shared is most effective. A standardisation of terms ensures that all interpret information in the same way.

Conferences & Seminars

This is an obvious measure. Conferences and seminars are useful awarenessraising and first-level dissemination devices. If part of a national strategy, there may be an element of 'direction' (in some societies) or subsidy to ensure maximum participation. However, it is important to ensure that the content and tone of the event is aimed at its target audience – and is not simply, for example, allowing government ministers or officers to issue propaganda or simple exhortation.

Technical Publications

Technical publications are a means of sharing advanced and current thinking on innovation and productivity issues. They help maintain an active 'ideas forum'.

Research & policy evaluation

Since government policy is crucial in terms of providing the 'supportive environment', the NPO should keep a watching brief on policy issues (at home and abroad) and maintain a dialogue with government. This may be directly, where the NPO is an active partner with government in the national strategy, or indirectly via lobbying and other forms of influence.

Case Study reports

Case Studies are a useful means of disseminating 'real life' experience. Although it is important to read and understand theory and methodology, it is a case study which often 'brings home the message'. This is particularly true if the NPO can create a number of case studies which cover a range of industry sectors,

geographical locations and sizes of organisation involved – so that any organisation can learn from the experience of their peers. Though they are rare (since organisations do not wish to publicise their failures), case studies of failed approaches are often more useful than those of successful ones – as long as the organisation makes a real attempt at identifying the reasons for the failure.

Study tours

Study tours are a useful means of seeing ‘the outside world’ and learning from best practices elsewhere. Many individuals learn significantly more from ‘seeing and talking’ than simply by reading of others’ experiences. Study tours are often best organised on a sectoral basis (so that manufacturing organisations learn from other manufacturing organisations). They can be organised on a ‘near world’ basis (where the tour looks at good practice internally in country itself or in a near, and similar, neighbour) or on a ‘far world’ basis (where, for example, a developing country attempts to identify good practice in a significantly more developed country, so that it can attempt to ‘leapfrog’ intermediate development stages.)

Guidance and Consultancy

Many organisations (especially smaller ones) are unable – or unwilling - to invest in dedicated productivity improvement resources. In such cases, they may prefer to use outside help – in the form of simple guidance or significant consultancy programmes. An NPO may either maintain its own consultancy organisation or act as a broker for external consultants. They may also help by maintaining categorised registers – of consultants who specialise in particular techniques, industries or technologies.

Training programmes

There are numerous methodologies, tools and techniques available to promote and encourage innovation, and to help measure and improve productivity. Training should concentrate on the basic, underlying approaches (of idea generation, of critical analysis & review, and of process quantification) and use the various approaches and techniques as illustrators of this basic approach, each of which may be more appropriate in a given industry, a given situation or a given organisation. Training may extend to the accreditation or ‘validation’ of individuals as competent innovation and productivity support professionals.

Education

Education can be considered as a 'higher level' of training in which the programme of study is categorised to fit within the national educational framework and a 'recognised' qualification is granted to those successfully completing the programme.

Where no appropriate qualification exists within the national framework, an international qualification may be adopted.

Measurement

Measurement is important. Without it, it is difficult to know 'the current state of play' or to measure progress towards agreed goals. The nature of measurement will depend on the purpose to which it is put – but some form of 'national competitiveness index' or 'national productivity measure' is useful in motivating government to fulfil their role (and in genuinely determining the competitiveness of the nation). Measurement within the enterprise fulfils the same role. It measures progress (via measurement on a consistent basis over time), helps in motivation and is a useful basis of 'celebration and reward'.

Benchmarking

Benchmarking is a subdivision of measurement (indeed measurement is a key precursor of benchmarking) which assumes we have some similar measures from appropriate comparators – nations or enterprises. This allows the country or the enterprise to place itself in an appropriate 'league table' to measure current status on a national or international basis. Benchmarking on a consistent basis over time also helps in showing ongoing progress (but remember that the benchmarked nations or organisations are not necessarily standing still).

There are external agencies who measure or who will measure as part of some partnership agreement. For example, the World Competitiveness Yearbook, published by the IMD in Switzerland, ranks and comments on the competitiveness of 59 nations. Using such external measures/benchmarks to raise awareness and motivate can be a useful tactic.

Offering Grants & Funding

A NPO might fund studies, research projects and even (pilot) productivity improvement programmes in individual commercial companies. One common approach is to release funds to part match funds provided by the organisation seeking a grant – to ensure the organisation's commitment. If funds are released against a clear project plan, pre-planning is also ensured.

Awards and Prizes

Awards and prizes are useful motivators, and serve as the basis for the celebration of commitment, effort and – hopefully – progress. They are also very useful in gaining publicity for the NPO itself. NPOs are ideally placed to act as the independent arbiters to ensure 'fairness' and consistency in judging and selection.

Website/portal

Many of the above can be promoted via a website. However, this is of more value when it acts as a gateway or portal to wider resources, useful links, etc.

Structure

The structure of an NPO will follow its role and the way it chooses to discharge it. For example, an NPO may well be:

- a small organisation that co-ordinates the activities of other related and complementary organisations
- a small organisation whose main role is to offer policy advice to government
- a large organisation that directly carries out a number of the activities listed above under Methods and Approaches.

A large NPO may have a central and a devolved or dispersed function. A number of NPOs have sub-organisations serving the needs of particular industrial sectors or the needs of particular regions. Thus, an NPO may well have "branch" offices throughout the country. Similarly, an NPO may organise itself according to functional specialism. In practice, many NPOs are organised on some combination of these in a loose form of matrix structure – though there is always a specific hierarchy to cover the day to day management of staff and resources.

An alternative approach is to maintain a small, central organisation but to work in partnership with other agencies and commercial organisation to deliver some of the services referred to above.

Status and Governance

The legal and regulatory status of an NPO will be determined, in part, by the particular context of the nation and possible by the wishes of any major sponsor (such as the government).

Many NPOs are collectively “owned” by their key stakeholders who exercise a degree of management and/or control through the establishment of a steering group or board of trustees which oversees activities. Such NPOs are often nonprofit, non-governmental organisations, though some may be private or semiprivate organisations.

However there may choices to be made. For example, there may be financial advantages (advantages in the taxation regime, or access to funds only available to charitable organisations) to adopting a charitable/not-for-profit status if this is possible. Equally, there may be advantages in adopting the status of a commercial organisation (commercial freedom, a limiting of liability of the board of trustees). Many NPOs have some form of mixed or hybrid status in which some activities are the responsibility of one ‘part’ of the organisation (which has a particular status), whereas others are the responsibility of a separate and distinct part of the organisation (with a quite separate status).

For example, it may be that services such as promotion, information-sharing and education can be best provided by a body with charitable status; whereas activities such as training and fee-earning information services are best provided by a body with commercial status.

Again, it is impossible to prescribe an appropriate governance structure for an NPO. The governance is often dependent on the way in which the NPO comes into being – which is often at the instigation of a government agency. In such cases, that agency often wishes to have a primary role in (and even control of) the governance of the NPO.

However, most of the successful NPOs (which maintain success over the longer term) are independent of government (though they almost certainly have strong links to government).

Where a board of trustees is established to oversee the work of a NPO, ideally:

- The board is representative of all stakeholders
- There are clear accountability and audit lines
- No particular group or faction can dominate the discussions within the board
- Members/Trustees have no conflict of interests, or where they do are able to declare them
- Appointment or election processes to the board are clear and transparent
- Terms of office balance the need for 'refreshment' with the need for continuity
- Members/Trustees are provided with appropriate induction and training opportunities
- There are clear processes for resolving difficult issues and disputes
- The agenda for the board provides clear separation of longer-term, strategic issues and any short-term operational pressures

Funding

Clearly the activities of an NPO require funding. The main sources of funding for NPOs are:

- grants or donations from central government or other (usually external) agencies, such as regional, non-governmental or charitable organisations. These are often the main source of funding in the early years of existence of an NPO
- subscriptions from participating companies: these may be 'membership fees' but are often linked to the delivery of specific services
- trading income from services such as training and consultancy
- sponsorship – of the NPO itself – or of specific services, publications or events.

It is important that funding streams are secured to provide:

- for core, infrastructural costs and for activity/project costs
- a degree of stability over time.

Thus, a healthy NPO (able to survive in the longer-term) needs to move away from over-reliance on grants and donations to a portfolio of stable funding from other sources.

There are particular issues associated with 'step changes' in expenditure such as an upgrade to the core information technology infrastructure. Often, inadequate levels of funding mean that items such as PCs and servers may be funded out of project expenditure, and it becomes difficult to manage subsequent upgrade costs. This means that upgrade (for example to more modern hardware or more modern operating systems) is often done on a phased (piecemeal?) fashion: this can itself result in higher overall costs.

Management

Obviously, a NPO must be effectively managed – organisationally and financially. This Guide is not the appropriate publication for a discourse on the management of such an organisation: it concentrates on addressing issues that are specific to the kinds of organisation that normally constitute an NPO.

Many NPOs will be 'overseen' by a steering group, a board of trustees or a committee. Clearly such a body cannot manage a NPO. Thus, there will inevitably be an individual with clear responsibility for day-to-day management of the organisation – a chief executive officer or executive director. In the best-run NPOs, there is evidence of strong mutual trust and a clear working partnership between this executive officer and the board (perhaps in the person of the Chair of the Board).

Mutual trust and respect starts by both understanding the role of the other. These roles must be clear in generic terms in the statements relating to governance of the organisation. However, seeking clarity is a continual process: for each project or set of activities, those actions and objectives that are the responsibility of the board, and those that are the responsibility of the executive office must be made clear. There should be a management process that enables a consensus to be reached about what has to be done, the priority of each responsibility and who will be responsible for doing it. This should lead to the executive officer having clear criteria for success, for him/herself and his/her team.

Reporting

Almost certainly the constitution of a NPO will impose specific reporting requirements – especially where the NPO receives government funding. However, reporting should be a continuous process; part of the process, in fact, by which mutual trust is created between the executive officer and the steering group or board. Reporting should preferably include progress against agreed objectives, and should include appropriate measures of activity and performance. Ultimately, of course, this reporting should include benchmarking on national productivity and competitiveness against key competing nations and those nations thought to exemplify aspirational performance.

Change over time

An organisation established for a given purpose at a given time must evolve as the environment changes and as national priorities change. This is especially true of a productivity-related organisation that is expected to facilitate change in other organisations. Thus the best NPOs are constantly evolving – remaining true to their core purpose and mission but recognising that the set of services and activities they provide must change to meet the changing demands of stakeholders, and the changing needs of the nation. An NPO must exhibit an intolerance of inertia!

Available Help & Advice

All organisations need help and advice from others at some time. Obviously, for an NPO, help and advice might be available from the major stakeholders themselves (especially where these include national or local government) – they will be offer to offer information on many of the practical issues relating to organisation, funding, accounting, reporting, etc.

However, it is often advantageous to secure independent advice from a neutral third party or necessary to secure specialist advice from an organisation that understands a particular aspect of 'the business'. Obviously the full range of consultants is available to a NPO – at a price!

One other important source of advice is the peer group – other productivity organisations and NPOs in particular. There are a number of regional and international peer groups available to NPOs that serve to act as networks of expertise and resources (much like the NPO does itself). For example, the World

Confederation of Productivity Science organises the World Network of Productivity Organisations and makes available to members the most important benefit of contact with each other.

Quality Assurance

NPOs survive and prosper in the longer term on the basis of the breadth and quality of the services they provide. Since, for obvious reasons, there is rarely more than one NPO in a particular country, it may be difficult to assess the quality of services in any meaningful and comparative sense. Obviously customer/client satisfaction can – and should - be measured, and the NPO should institute a policy/process of internal reflection on the nature and level of service provided in its various areas of operation. After all, the NPO is promoting continuous improvement to its constituency: it must be prepared to ‘take its own medicine’ and subject itself to serious and structured appraisal.

Sometimes, however, it is necessary to use an external facilitator to help undertake this process – and to use some form of external quality standard or process to help give another perspective. There are a number of international quality standards which might be appropriate., and most countries have a range of national standards (perhaps derived from the international standards) which might carry some particular local credibility. There are usually costs associated with the implementation of such standards but they do serve to offer potential customers/clients some additional credibility and a form of ‘warranty’.

The World Confederation of Productivity Science offers a validation scheme whereby NPOs can seek the designation of ‘approved status’ for a period of three years. The process is designed to be ‘light’ and non-bureaucratic and involves the completion of a self-assessment document (SED) by the NPO followed by a panel visit of WCPS representatives to audit the policies and practices outlined in the SED. Further information is available from the author.

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