WORKFORCE PRODUCTIVITY
OPTIMISE YOUR WORKFORCE

It’s an issue at the core of every business. How do we drive greater productivity? How can we do more with the same, or less?

In Australia, this topic is being confronted head-on by government and business, in an effort to accelerate economic and industry productivity growth. Australia’s labour productivity growth has halved since the 1970s1. A recent study by Mercer in partnership with the World Economic Forum ranks Australia 96th of the 122 countries in its Pay Related to Productivity score2.

Clearly more is needed to bring our workforce productivity in line with the likes of Singapore (ranked 3rd), the UK (ranked 9th) and US (ranked 10th).

The typical response to increasing pressure on business is to try to ‘do more with less’, but this generally leads to fewer people being asked to take on more work. This short-term thinking ultimately hampers long-term productivity by reducing resources and skills to unsustainable levels.

Understanding and measuring the drivers of workforce productivity are the key to unlocking workforce potential and shifting organisational performance to the next level.

There are four key opportunities for business to optimise workforce productivity to drive top line growth and get the most of their workforce.

1. **Understand and analyse productivity drivers** in your organisation by gaining insight into what workforce inputs and investments drive business performance and creating a plan for a high performing future.

2. **Design an organisation geared for productive growth** by examining the business model, processes and technology, and designing an organisation structure that maximises the use of workforce capability.

3. **Develop leaders who drive productivity** as the key to transforming and sustaining a culture and environment that obtains the best out of their staff.

4. **Measure and motivate your workforce** through effective performance and talent management that rewards, promotes and develops those people that enable productive growth.

REFERENCES:

1. Labour Productivity Growth, Conference Board Total Economy Database and Treasury

Sustained productivity growth involves understanding what drives business performance and making considered workforce investment choices.

### Workforce Productivity Drivers

The right hand side of the framework lists the outcomes that an organisation needs to achieve, typically reflected in the business strategy and plans. You can pinpoint the outputs that drive success in your organisation. Many organisations stop there and struggle to make the connection from their outputs to anything else. This framework helps to look at what workforce inputs and processes or moderators are directly connected to business outcomes.

Each of these workforce inputs can be measured – for example, the ratio of subordinates to supervisors can be tracked, and work values and job profiles of roles can be measured to see which roles have direct accountability for business outcomes. The key areas to consider are:

- **Workforce structure**: having an organisation design that supports an efficient business or service delivery model and roles that have clear lines of accountability for business outcomes. The span of control or level of supervision can also affect productivity levels.

- **Capabilities and sourcing**: acquiring and developing talent with the skills and the right level of experience that will equip them for effective delivery. Should we build or buy our talent? Should we utilise local talent or look at offshored and outsourced arrangements?

- **Cost and capacity**: implementing the optimal resourcing structure and employment arrangements. For example, how much of the workforce should be contingent?

- **Leadership**: effective leadership is the key to driving a productive and effective workforce culture, inspiring and motivating discretionary effort and effectively deploying and utilising workforce resources.

How competitively do we need to reward each segment of our workforce? How should we leverage performance and productivity based incentives?

- **Process Efficiency**: the key to driving a productive and effective workforce culture.

- **Utilisation**: reflecting the right level of experience that will equip them for effective delivery.

- **Systems**: how competitive do we need to reward each segment of our workforce?

- **Engagement & Culture**: how many years development does it take for a manager to consistently meet performance targets?

- **Production**: what is the optimal span of control for an effective team?

- **Sales**: what capabilities do our best performing sales people possess?

- **Services**: and what are the key moderators of workforce effort – such as capacity, performance and employee engagement and motivation.

Ultimately, advanced analytics techniques can be used to look at trends and patterns to uncover the key drivers of workforce productivity that are specific to your organisation or industry.
DESIGN AN ORGANISATION GEARED FOR PRODUCTIVE GROWTH

An efficient and productive organisation is one that has examined and designed a business model that has streamlined processes, enabling technology and systems, and a structure that maximises the use of workforce capability.

Key organisation design considerations for a productive workforce include:

- Understanding business demand patterns to inform resource allocation decisions, rather than using historical headcount figures – where should the organisation invest more resources to drive growth, and where does the organisation need to pare back?
- Creating a formal structure that has enough layers to provide for delegation, but does not over-crowd the structure with too many levels
- Ensuring an optimal distance between organisational levels so there is reduced overlap in management responsibility and to minimise opportunities for micro-management
- Reducing duplication in activity – creating centralisation and service hubs where the skill set requirements are similar and process efficiencies can be made
- Building synergies within teams where collaboration leads to more productive effort or greater value add
- Clear lines of accountability and responsibility to ensure focused effort, which can be measured
- Dedicated roles at mid-level that examine effective work practices, systems and productivity and that also identify opportunities for innovation and continuous improvement to drive continued and sustained growth
- Ensuring people are engaged at the right level of work complexity for their capability – being too stretched or too bored can lead to disengagement, turnover, decreased productivity and time wastage
- Creating optimal levels of supervision – more autonomous work units and more routine work will need less supervision
- Building flexibility in the structure to allow for future growth, technological advancement and automation, and to provide access to contingent or outsourced resources in peak demand times.

DEVELOP LEADERS WHO DRIVE PRODUCTIVITY

Leadership and management capability are vital to a positive and productive workforce. Organisations should be in the business of attracting and growing leaders than can inspire, motivate and develop the workforce towards greater outcomes.

Leaders and managers in the business influence those around them on a daily basis and are essential for building productivity workforce capability and maximising resource utilisation. Existing and potential future leaders should be assessed, developed and measured against these competencies to propel the organisation to greater heights.

Leadership Competencies for Driving Productivity

<table>
<thead>
<tr>
<th>Creates strategy</th>
<th>Drives innovation</th>
<th>Drives results</th>
<th>Collaborates with others</th>
<th>Inspires</th>
<th>Drives performance</th>
<th>Optimises talent</th>
</tr>
</thead>
</table>

This starts with articulating the expected leadership behaviours that will drive productivity and workforce effectiveness. From Mercer’s essential leadership competencies, the most vital of these for achieving enhanced business results are below.
MEASURE AND MOTIVATE YOUR WORKFORCE

Successful workforce management involves creating the right measures of individual and team performance and productivity, recognising and rewarding those behaviours and outcomes.

- **Performance measures**: create the right mix of quantitative and behavioural measures that communicate to employees what’s important and what they should strive for.
- **Reward**: ensure reward spend is optimal and incentivises the behaviours that have a sustainable impact on profits.
- **Analyse the workforce**: examine workforce data by segment to uncover behavioural trends – Which teams are high performing? What are the conditions for low turnover? What workforce investments have a positive relationship with business results?
- **Talent management**: must be strongly aligned to rewarding, promoting and developing those people that enable productive growth.
- **Utilise technology**: with technology now available to organisations without restrictive investments of the past, tracking and measuring performance has become more accessible than ever.

Mercer offers a clear process for working with organisations to transform workforce productivity and accelerate business results.

**Workforce Productivity Optimisation Process**

**1. Case for Productivity Change**
- Business Strategy
  - Business context
  - Objectives
  - Business outcomes
- Understand Business Segments
  - Inputs
  - Process drivers
  - Output measures (KPIs)
- Establish Baseline
  - Current baseline inputs, processes and outputs
- Identify Productivity Gaps
  - Hypotheses of drivers and improvement opportunities
- Define Targets
  - Target KPIs
  - Pace of productivity improvement

**2. Productivity Transformation**
- Define Productivity Improvements
  - Service delivery / operating model
  - Systems, processes, technology
- Workforce Design to Support Targets
  - Workforce structure
  - Capabilities & sourcing
  - Cost & capacity
  - Leadership
- Change Plan
  - Change impact analysis
  - Transition plan
  - Communication
- Implementation
  - Deploy solutions
  - Set up ongoing productivity measurement
- Ongoing Review and Evaluation
  - Review against target KPIs
  - Test hypotheses and conduct driver analysis
  - Evaluate effectiveness

Shifting productivity requires a clear vision and a transformation to the way the workforce is structured, measured, managed and rewarded. Effective organisations approach productivity through a multi-pronged and evidence-based approach – beginning with identifying and understanding what actually drives workforce productivity in their organisation.

FOR MORE INFORMATION ON WORKFORCE PRODUCTIVITY

At Mercer, we partner with clients to uncover the hidden barriers in the way of optimal workforce performance.


Or contact one of our workforce productivity specialists:

Ephraim Spehrer-Patrick 02 8864 6463
ephraim.spehrer@mercer.com

Olivia Tsen 03 9623 5223
olivia.tsen@mercer.com