

## SUBMISSION

### "THE WAY FORWARD"

#### OVERVIEW.

The benefits to the Nation, derived from increasing productivity are well documented, the reality of global competition is ever present and threatening and the natural reaction is to want to close our borders to this foreign trade and mount defensive systems such as subsidies and government assisted packages for industries. To achieve national benefits, the reverse is true. But to meet this competition we have to be smarter and encourage the development of smarter people. The Productivity Commission has outlined and detailed those benefits in their review of National Competition Reforms.

In that Review it is noted that all of the objectives had not been reached to date but perhaps if some of the methods as suggested by this submission were applied to the Infrastructure participants, that stage may be finally reached.

It is not sufficient to stop there. For a Nation to remain competitive, the search for productivity must be continuous. One has only to look at Terms of Trade and the Current Account Deficit to realize that Australia needs to get its export house in order quickly or it is heading for real trouble. Our main export income arises from minerals and from Coal in particular. With the signing of the Kyoto Protocol by most of the major nations and the price of coal being subject to market forces, downward pressure is placed on the price of that commodity and acts as a retardant in future export volumes.

Australian exports are reflective of a quarry based economy and these resources are finite. It would only require a drop of \$5 per tonne in the pricing of coals generally to produce a disaster. If we are not trade balanced at the moment we will be in very serious trouble should that occur. There are many options available to us and if we work collectively instead of adopting adversarial positions, evasive action can be taken and new opportunities created.

For a Nation to be able to compete efficiently in a global economy, all of the industries within that nation must be competitive and all of the enterprises that make up those industries must also be competitive. Government must also contribute to those efficiencies and remove any impediments to export trade.

Export trade is vital to the nation's economy but in addition to this we should also encourage and develop all types of external earnings which may come from engineering consultancies, financial management, security services, project management, education for foreign students either by study in Australia or by establishing campus attached to learning institutes within Australia in foreign countries, establishing businesses in foreign countries and having the profits repatriated to Australia, the licencing of manufacture or use of patents developed in Australia and heaps of other avenues for developing the flow of earnings into Australia, based on Australian Capital.

This submission looks at introducing a new dimension to the "Science of Productivity" - to endeavour to put the HOW in the equation to provide the way forward.

#### UNDERSTANDING PRODUCTIVITY.

If one was to ask an economist - "What is Productivity"? He would probably reply that productivity is measured as a variation in the value of output produced by a unit of labour or capital. If we were to ask the same question of employees in industry, they would probably reply that it was used as an excuse for creating job redundancies. Accountants would take a different view in that it varies the amount of nett profit on the bottom line. All of these answers and many more, reflect the views and comments of most people that productivity is about dollars. In this submission I argue that productivity is not about dollars. It is about brainpower and that means it is about people.

Real Productivity occurs as a result of mental activity involving groups of people thinking about a common problem. In this we find "competitiveness" and "productivity" are mutual companions. In the U.S.A. it is common practice within companies to divide their employees into teams, in fact Boeing Aircraft Corporation have 6,000 teams who continuously examine ways of doing things better, looking for better designs, better products, better methods, reducing waste and trying to hold their competitive position in a global market. The big danger in having teams or groups of people working in competition against each other is that a lot of very useful information is with-held until that group can find the rest of the answer and some times this never happens but could have happened if information flowed freely from the meetings of the teams.

Another large company, I.B.M. have larger numbers in their teams and carry out the same tasks as those at Boeing but in their quest for a competitive edge they look at the prestige value of company titles as the Manager for such and such Territory or things similar including "the spouse factor" where the wife is offered inducements such as holidays if the husband achieves his set objectives and more if he exceeds them. The same thing carries through where this man was not a team player or this man was not a good team member. Much of this type of pressure was credited for the evolution of the American Economy from a third world country 150 years ago to be the economic powerhouse of the world to-day. But attitudes have changed among workers in America and many are seeing this type of manipulation for what it is. American companies are outsourcing a lot of their work to low cost countries, particularly in the field of information technology.

Factories are being set up with American capital while the plants that made the original products are being shut down in the American states. The same thing is beginning to happen in Australia and if the problems of productivity are not solved, the situation can only get worse. The morale of workers in America has begun to decline and this may well account for the slippage in productivity being experienced by the American economy.

To work our way into understanding productivity we have to firstly understand people, We have to understand the way they think, what they want from their job, what motivates them to come to work, how they like to be treated, how they react to failure, how they react to success, the effects of disciplinary action, pressure, family commitments etc. One girl was asked in a W.D. Scott & Co. survey, how did she think productivity could be improved in her section of the office? She replied that there would be a dramatic improvement in the whole office if the Boss would say "Good Morning" upon arrival instead of storming in and slamming the door. There are many excellent books written on Behavioural Science and indicating the way to work with people, to lead them to an objective rather than drive them. In all of this, the ATTITUDE of the employee is more important than the plant, the technology or the capital involved in the enterprise.

Why are we discussing this? Because we are looking for good ideas to drive the enterprise forward. It is acknowledged that it only takes one good idea to achieve a competitive advantage but to maintain competitive over time requires a steady stream of ideas and

suggestions, innovations of methods and equipment, business tactics, development of customer satisfaction etc., and for those who have ventured down this path, it is the employees who have delivered.

Management does not have a Mortgage on the ability to produce good ideas and suggestions to drive the business. Each employee has a brain and the ability to use it. This is an extremely powerful source of productivity because they are at the frontline of the business, they know the real problems before they become an embarrassment to Management. They probably have the answers to fix it, they just need the encouragement to be able to speak freely and to know that their suggestions count.

Wherever I go and talk to employees, the answers are always the same - "Why should I suggest anything - nobody listens". Managers always say that employees can approach them at any time the door is always open. There is an old saying - 'Behind every open door there is often a closed mind'.

A couple of years ago, one of Australia's larger companies was having production problems and hired a Consultant at great expense to look at the problem, which he was able to solve in a short space of time and the Australian Financial Review took up the story. The Reporter asked the Consultant how he was able to achieve this remarkable result in such a short space of time. His reply was to the effect that he went into the factory and discussed the problem with the employees, they came up with suggestions that he thought could do the job, made recommendations to Management, the ideas were put into practice - problem solved.

I was asked some years ago to look at a problem with a small factory which was facing closure because of lack of profits. I worked with the employees, 25 in number, to find out if the business could be turned around. At first I was confronted with suspicion as the productivity bloke who was sent there to have everyone work harder and to create dismissals. It took about 3 weeks to gain their confidence, during which time we looked at work methods, work flows, materials handling and some small alterations to factory lay-out and when they saw that I was genuine in accepting their suggestions and ideas as part of the solution they became more involved and the more involved they became, the better the progress. At the start of the exercise we had arranged a weekly progress score for work done for Monday to Friday to be compiled and placed on the notice board each Monday morning before 8a.m. By the 4th week there were groups of people waiting for the numbers to come up. Every week showed an

increase and there was genuine jubilation each time that occurred. The attitude of those employees had changed and productivity had worked. After about 4 months the weekly score was about 600% above the original starting point and plateaued at that level. it was generally agreed that the factory output was about as good as we were going to get. The business went on to be a serious exporter and was very successful. When I left the job, the employees gave me a very nice gift and an appreciation signed by all of the employees I could never have achieved that level of success without their input and there were still only 25 employees when I left.

#### HOW DO WE HARNESS THE BRAINPOWER OF EMPLOYEES.

This source of power is huge and remains an untapped resource in our search for productivity. How do we harness it into an effective mechanism of productivity? When approached with this potential, some employers have indicated that they do have meetings on a Friday after workover a few beers and ask employees if they have any ideas for business development but while some good ideas have come from it, they have not resolved into outstanding success.

Recently the C.E.O. of a major Australian Bank said that they had recognized the value of employee input, had sought their ideas and these had added \$900 million to the profit line but more importantly, the planned job cuts didn't occur and in fact additional staff were recruited.

A small Australian Bank advised that they had selected a small task force from employees to look at ways to improve the performance of the bank within nominated areas and were more than happy with the results to date.

However, not all results have been good. It would appear that if a business is in trouble, it is easy to have properly constructed meetings with good employee participation, good ideas generated and a feeling of all hands to the pumps. However, as business increases, profits increase and the urgency for new ideas decreases, the meetings begin to fragment on the basis of being too busy and tend to fall by the wayside. The fact that they are almost always successful in producing results at the outset, tends to indicate that the idea is well worth following. Perhaps if a facilitator was used to look after a group of companies or businesses, having their meetings at different times, perhaps some in the mornings, others at lunchtime and after work. The businesses assisted by that person would not

be in competition with each other as any advancement by one group using similar ideas to another may be perceived to be a breach of confidentiality. Perhaps having Awards Nights within Industries and the participation of Local Dignitaries may assist but this is an area that requires a lot of work to make it keep happening.

In my work I refer to these employee groups as Productivity Groups.

One way that interest may be sustained would be to have some meetings deal with community interests or even national interest with Awards being presented at State and National level for the best ideas brought forward by these groups.

As you can see, most of my work done in this area is with businesses in trouble but I believe that all business, even successful ones can improve if they can follow the slogan - "There is always a better way." At these meetings I have found that it helps to have written suggestions as this keeps the ideas compact and while one idea generates discussion for the advancement of additional suggestions and the original idea may become lost in the discussion, it is still valuable to have ideas and suggestions in writing. If meetings are limited to 30 minutes duration, there is less opportunity to digress from the task in hand. In most cases of urgency, it has been the employees who have produced the solutions required to rectify the situation. After that we have to convert them to business builders. In many cases the businesses that have required assistance have employee numbers less than 10.

#### INFORMATION FLOWS.

Businesses seem to be more successful when there is an equal flow of information upwards as there are instructions downwards. With good information flowing upwards there is less need for crisis to crisis management. This problem is highlighted in Government owned businesses and some areas of the Public Service where the C.E.O. comes from either an Academic or Professional background. This tends to introduce an elitist element into the management function and a resulting autocratic culture in the organization.

In terms of the National Competition Policy, to establish the objectives sought by the Commission in this area, it will be necessary to break into that culture and establish an information channel from the bottom up. Once the employees at the lower level have been brought on side, understand the benefits being sought, it will happen, but not easily.

## RESEARCH.

Research and Productivity are inseparable, particularly in Industrial Research. Monies spent on research become confused between specific health research and its industrial counterpart which has always been the Cinderella in this area in its quest for funds. It is always confusing to the Public when the subject is raised largely because of a misunderstanding as to what is required of industrial research. Research delivers better products, new innovations, better designs, new inventions, better processes and more job opportunities.

Just imagine if a cheap and efficient method could be found for the removal of greenhouse gases from coal burning chimneys. This would add a new dimension to Australia's coal exports for years to come.

Perhaps we could take a fresh look at our methods of funding industrial research. Since most successful results would bring benefits to the Stock Exchange, perhaps a levy of .001% on daily turnover be placed in a fund to provide monies for industrial research. To bring our funding in this area to match the per capita expenditure on research in top O.E.C.D. countries would require an increase of something like 800%.

Better funding and job placements would reduce the brain drain of Researchers having to move to other countries for a job. It is acknowledged that a lot of work is being done in this area and some assistance from Government is available through tax measures, but it should also be accepted that a whole lot more needs to be done.

Could we look at setting up a central control system for all research which would act as a co-ordinator for all projects and provide for the exchange of information between Researchers working on similar projects, with legislation in place to protect the intellectual property rights of the individuals and organizations involved. This would remove a lot of re-invention of the wheel. In some instances it may bring immediate success, where one group has been working on a problem and has become stuck and another group working from a different direction has the dovetailing information to make the project successful.

## CASUAL JOBS

While the Commission has noted this problem, it bears further examination, particularly in the light of the fact that it represents an ever-increasing percentage of new jobs created. Even in the situations where people have been designated as permanent casuals, they are still grouped with casual labour jobs in the eyes of Lenders of money for the purchase of homes and invariably when they can get approval for a home loan it carries a higher rate of interest and charges. Perhaps that job classification needs to be re-defined so that those people are not disadvantaged and the Lenders advised accordingly, to enable them to amend their policies.

Another problem that occurs within the casual job sector is the lack of vocational training available to these people when jobs are only of short duration. This results in these people having a basic knowledge of a lot of lower based skills, without being able to weld those skills into a qualification and move to a higher income to benefit their families and the community. They become part of the working poor.

Perhaps employers who continue to employ true casual labour could be asked to contribute to a finance pool which could then be used to correct the situation as above and thereby increase our productivity in this area.

## HOW DO WE MOVE FORWARD?

If we were to re-establish a Department of Productivity at Federal level, it should be realized that this would be a significant cost and that we avoid the mistakes made in the formation of the original Department. At that time, it appeared as though very few people connected with the Department understood productivity even remotely. There were few guidelines, little or no direction and the Department wandered aimlessly for most of its life. When it was made an attachment to other Departments, it just collapsed and died. It was extremely difficult to connect with the Department at the Regional level. One good thing did come from it - The interfirm comparison of performance. This enabled like businesses to compare costs and profitability while maintaining confidentiality. This should be revived as it proved to be a very useful tool to those businesses that took part.

Whether it would be more practical to expand the Productivity Commission to include a section dedicated to the promotion of all things productive, beginning with our export businesses and working



outwards step by step and using the expertise of other Departments such as Trade and perhaps even thinking about linkages through States. It should not be the matter of making it happen, it should happen effectively. If this promotion was built around the Productivity Commission, this section would have to change from a review culture to one of being engaged very actively in the promotion establishment and monitoring of productivity. We should carefully consider a structure along these lines, but definitely do not attach these people and concepts to an unrelated Department to become a tag - along experiment. Productivity is far too valuable to be treated in that manner.

#### IMPORT REPLACEMENT.

Each Christmas period brings a flood of imports, mainly from European countries to the detriment of our trade balance. I have looked at the problem and find that the products imported are duplicated products already available in Australia. I spoke and wrote to several Victorian producers of biscuits, sweets, chocolates etc., and they all had a basic explanation. They lacked market clout to deal with the major supermarkets and to fund a worthwhile advertising campaign. Price was not the problem.

Could we look at the establishment of a central warehousing / packaging operation under a separate trade / marketing banner which by way of capital as explained in "Productivity of Capital".

could purchase the base products from these manufacturers - funded

This marketing group could also handle product developed from an expanded economic zone, also detailed later.

#### SINGLE DESK SELLING.

I don't pretend to know of any of the complexities that may arise from this activity save to bring some new thoughts to this problem. While there are probably some valid thoughts for the way that commodities are being sold under the guidance of single desk selling, we find that most of the trade deals made by this method are arranged with long term Purchasers, tenders, or on the open market using a computer screen with the operator only requiring a yes or no to an advertised purchasing offer. Where commodity based industries are in trouble with sales / price such as the Sugar Industry at the present time, it may be possible to arrange better deals by way of barter or extended credit financed by way of "Productivity Capital". When bartering,

if the higher satisfactory price was used, it would not alter the Terms of Trade, but the higher cash flow generated would flow through to the producers in that industry to support viability.

#### EXTENDED ECONOMIC ZONE.

If we were to look at the creation of an economic zone that extended eastward perhaps to Samoa and then westward to include The Phillipines and Indonesia and all islands within that area, We would have a huge market measured in numbers of people. The trick would be to lift the income per capita in that zone to a stage where those people had disposable income. Such a plan could be financed and administered from Australia and this would open up a huge opportunity for the development of industries within this country. Some of the industries that this opportunity presents are not even in existence.

Professor Hernando De Soto explains how this could be achieved in his book "The Mystery of Capital". The nett result would be a large self generating market that would be to Australia's advantage and at the same time help to reduce world poverty. Such a scheme could possibly attract assistance from the United Nations and the International Monetary Fund.

#### PRODUCTIVITY OF CAPITAL.

There is a very large source of funding available to Australian thinking and that is the accumulated Superannuation Funds. These funds are currently growing at the rate of approximately \$56 million per day. Fund Managers are hard pressed to find a suitable investment niche for this money as it has caused overweight in the Australian and some foreign Stock Exchanges, Property Trusts and other investment avenues.

While it is true to say that these funds are invested in trust on behalf of Superannuants, it is also fair to say that at the time of lodgement with the Super Funds there is a foregone tax element in those funds which would normally have passed to the Taxation Department as tax on profits earned by the business. In that context there is a national stake in those funds based on benefits distributed to the Nation by way of Government Expenditure. Those funds could be profitably employed through a Government Agency to the benefit of both the Superannuants and the Nation.

That Government Agency could act as a Development Bank to fund

the creation of the Economic Zone as described above and to develop internal lending for businesses to develop import replacements, by funding co-operative enterprises, equipment that would enhance productivity in industry that was not available through the normal banking channels at a nominal rate of interest. With the proposed expanded economic zone lifted to a higher per capita earning capacity, many products not currently being manufactured in Australia would probably become viable.

These funds could be used in the same way as a Confirming House where extended credit may improve the opportunity for exports and where such financing of that type of trade is not normally available through the normal bank finance facilities.

#### SUMMARY.

In this submission, I have not tried to bring specific answers nor have I tried to exhaust the number of possibilities available to further the advancement of productivity in Australia. There are many more avenues to explore, many more brains to be used in that exploration, much more education to the nation to show the benefits that can flow from productivity, to establish a learning culture based on this fact at higher schools, universities and within the community at large. To obtain books relative to this subject and have them distributed at Libraries throughout the country, to overcome the scarcity of information on productivity.

Dollars are not the driving force in productivity, brainpower is. Dollars are the result. I can only hope that these thoughts are sufficient to offer stimulation to all people involved in the study of productivity and to offer their thoughts accordingly.

## PRINCIPLES OF PRODUCTIVITY IMPROVEMENT

(not in order of priority)

1. Productivity is not an exact science so there are no boundaries to creative thought.
2. Productivity principles can be applied across all activities not just to Business or Industries.
3. There is always a better way.
4. Seeking Productivity Improvement is a continuing and on-going task without limitations,
5. Productivity Improvement should be sought systematically.
6. The Attitude of Employees to Productivity Improvement is more important than either technology or capital in achieving a successful conclusion.
7. Business should use all of the Brainpower available to it; Management does not have a Mortgage on new and better ideas, intelligence, knowledge and enthusiasm.
8. It takes only one good idea to produce a competitive advantage. 9. Since Brainpower produces thought, people should be educated not only to seek knowledge, but should be also taught to think and develop the power of thinking.
- 10 A group of people acting as a team will produce far more and better ideas than the same number of people acting as Individuals.
- 11 Productivity Improvement produces a higher standard of living for all peoples in the Country not just for those in the benefited Firm.
- 12 Research and Development is the very heart of Productivity Improvement.
- 13 Since Productivity Improvement increases Competitive Advantage, a Country whose Governments and Industries strive for Productivity Improvement must achieve a Competitive Advantage for that Country.
- 14 Governments need to recognise the benefits of Productivity and do all in their power to promote it.
- 15 The top ideas in Productivity Improvement to-day can easily be obsolete to-morrow.
- 16 Design Schools produce better design skills and these are essential to Productivity Improvement.
- 17 Productivity Improvement creates more jobs.
- 18 The rewards for Productivity Improvement need to be recognized.

## WHO BENEFITS FROM PRODUCTIVITY IMPROVEMENT PROGRAMMES?

### EMPLOYEES.

The programme promotes more jobs.

Better Job Security.

Better working conditions.

More job promotion opportunities.

Having a say in matters that affect them.

Better relationships through teamwork. More

training opportunities. Development of a

wider range of skills. Better job

satisfaction. Develop a pride in their

work. Enables them to pursue long term

goals.

### EMPLOYERS.

Make more profits.

Develop more and better products.

Give better service.

Increase Sales (both domestic and export)

Better workforce relationships. Attract a

more thoughtful workforce. The business is

easier to manage.

Can adopt better long term business strategies

### GOVERNMENT.

(state)

More economic activity means more revenues from infrastructure.

Training is not being paid for by Government.

More funds are available for those in need.

Governments are seen to be performing well in a global economy.

(federal)

More profits mean tax revenue increases.

The same benefits as per State)

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**DO PRODUCTIVITY GROUPS DO?**

<sup>i</sup> .+ A Productivity Groups comprise teams of people working within

an Enterprise who meet regularly to seek ways of doing things smarter, to create job improvements, to make their workplaces safer and cleaner, promote ideas that will they create improve the profitability of the Enterprise. By working as teams

harmony within the workforce by assisting their fellow workers wherever possible and if job boredom becomes a direction of the problem they develop team attitudes to the job. Management may

Management does not take an active role in the group but

bring forward the ideas developed within the Groups. does not have to accept the ideas brought forward but can sit in at the meetings without influencing the should be con group unless there is a particular situation where

seek ideas from the group to overcome a problem or to generally

benefit all those within the Enterprise. Group Leaders report to Management on a regular basis and

Management generally

the ideas brought forward by the groups are such a calibre and assistance to the Enterprise that the proposals

sidered carefully. Full records should be kept of all Productivity Group Meetings and Members should be encouraged to bring written

proposals to the meeting, to facilitate proceedings and to present the facts because sometimes all of the points are not raised if the proposal is not in written form.

Each Group should appoint a Group Leader and a Secretary so that the meetings are conducted properly. The meetings should be as brief as required, preferably no longer than 30 minutes and should be held on a weekly basis at the same time each week so that a continuity is established.

Subjects handled by Productivity Groups include but are not limited to:

(1) Looking at an existing process and trying to find a better way of doing it. This is looked at when the present process may have faulty quality control, takes too long, involves heavy lifting, slows down other activities or for some reason the process needs to be reviewed. There are very few processes that cannot be improved. There .is always a

(2) Looking at ways of improving displays of goods for better way.

sale. Looking at increasing the range of products to complement existing product lines. Try and look at ways to increase sales turnover.

(3) Look at ways to keep work areas safe and clean, provide safe walking lanes, avoid leaving hazards for people to fall over, stack goods correctly, mark danger areas where vehicles or overhead cranes traverse, hand out booklets showing correct lifting methods, showing correct materials handling, generally conduct safety audits of all work areas. (4) Look at ways to avoid waste. This involves the development of Procedures to minimise waste as a result of faulty workmanship, faulty Procedures that require modification, waste of time, materials and the Supervisors concentration. In doing this we look to improve jigs, better methods of identifying jigs to reduce re-work or discarding materials. They also seek ways of disposing waste materials at a profit.



(5) Look at ways of increasing Customer numbers and improving Sales by keeping the premises "Customer Friendly." This involves everything from switchboard manners to everyone who answers the phone later, to greeting customers at Reception or the front counter, keeping the premises clean and tidy, stock well displayed and accessible, being helpful to the most difficult Customer. (Productivity Groups become involved in the education of Staff through self education, study at T.A.F.E. Colleges, special on-the-job training sessions, the development of an in-house technical library, attending Seminars, being involved in work related Associations and Institutes, particularly those who have training sessions for their Members. (7) Groups are involved in improving the methods of moving materials into storage, both before and after processing to avoid damage and thus reduce waste. (8) Office work stations and equipment should be examined so that the Operator is comfortable at all times and have all of their requirements located in easy reach without having to strain to reach any items to do with their work. Work stations should be kept clean and tidy to promote efficiency.

(9) All "Systems" should be examined to make sure that they promote the best way of doing things. This means that every procedure listed under "Policy & Procedures" should come under the microscope, particularly those affecting quality and Customers. For example return of goods, return of deposit carrying items in particular, methods of collating job sheets, wages data. All "Policies & Procedures" should be in written form, in a loose leaf folder to enable new

people entering the workforce to familiarise themselves with any Policy or Procedure which would affect their work. If they are given a photocopy of the relevant instruction and the original returned to the file, they will have a written instruction to which to refer which leaves no room for misinterpretation and at the same time reduces the demand on the Supervisor. While "Procedures" may be improved and altered on the recommendation of the Productivity Groups, "Policies" remain the authority of Management.

(10) Good Supervisors and Managers use their Productivity Groups regularly to look at individual problems but keep the Groups intact and examining all issues to do with the Enterprise on an on-going basis.

(11) Groups look at all aspects of work-related costs, such as electricity usage, vehicle costs, transport costs, workers compensation insurance, staffing levels, advertising, purchasing, freight or any other costs as required by Management. The purpose of these tasks is to reduce costs without reducing quality or efficiency.

Productivity Groups are an important Management Tool, giving a competitive advantage to a business when they are used effectively. If all Enterprises within an Industry were to use these Groups, then all Industries within Australia would gain a competitive advantage which would be of particular benefit to the Exporting Industries. For this reason, Productivity should be promoted by all Governments to the benefit of all Australians.