Help! Our productivity growth is going down! Five tips to boost your productivity

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Belgium is the fourth most productive country in the world. Only Norway (and its oil), Luxembourg (and its banks) and Ireland (as a tax haven) are doing better. Results to be proud of, if it weren't for the fact that productivity growth has been sputtering in recent years. That's why we will provide you with a series of tips to improve your productivity. This is part one.

Productivity is the ratio of output compared to input and economists have several methods to measure it. Labour productivity is the easiest to measure and is the added value created per person (FTE). Innovation is at the heart of the productivity growth that forms the basis for long-term prosperity growth.

In the Western world, annual productivity growth has fallen from around 2 percent to around 1 percent since 2000. In Belgium, the slowdown in productivity growth is even more pronounced and for several years the productivity has even contracted. The reason for this overall decline remains a mystery despite many studies. Many industry experts claim that we are going through a fourth industrial revolution (Industry 4.0), but this is not (yet) noticeable in the productivity figures. Robert Solow, Nobel Prize winner for economics for his work on productivity growth, put it earlier as follows: "*You can see the computer age everywhere, but in the productivity statistics*."

Study about Belgian productivity

In a recent study on the productivity of Belgian companies, the National Bank of Belgium published a number of remarkable findings about our economy:

- The share of innovation in productivity growth is declining. In the past, most of the productivity growth came from business innovation. Today, half of the productivity growth comes from a reallocation of resources between companies: the most productive companies are growing and attracting employees from the ones that are lagging behind. This shift in resources increases the share of the most productive companies in the economy, thus maintaining a certain level of productivity.
- The productivity growth of the Belgian economy is largely due to the top 10 percent of companies. The best-performing manufacturing companies recorded a productivity growth of approximately 3.5 percent, while the other manufacturing companies only reported a productivity growth of 0.5 percent. The productivity gap between underperforming companies and the top companies is steadily growing. The back of the pack does not really succeed in keeping up with the front runners.
- Eleven percent of the companies in the top group are subsidiaries of foreign companies. This small group of subsidiaries is responsible for 80 percent of the productivity growth. This seems to indicate that only large international companies will be able to reap the benefits of technological innovation.

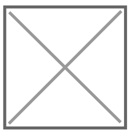
The front runners are still growing relatively fast, but this requires more and more research and development efforts. A study of Stanford University and MIT shows that the productivity of research has been declining sharply for many years. A telling example is Moore's law which says that the number of transistors in a chip doubles every two years. This law has been in force for 50 years now, but it now takes 18 times as many researchers as in the early 1970s to maintain this rate of growth. On average, R&D productivity in all the fields studied is halved every 13 years. At this rate, one must therefore double one's research resources every 13 years to generate the same growth.

Solutions in low-hanging fruit

The National Bank's findings are worrying and indicate that Belgium could lose its leading position in the long run. The study shows that closing the gap between the front runners and the other companies can generate a lot of extra wealth. The large differences in productivity between companies indicate that there is still some low-hanging fruit to be picked.

In order to support Belgian companies with their productivity improvements, we collected a number of tips that we will publish in the coming weeks. These tips deliberately focus not on implementing advanced technologies, but on things that can be done with little effort.

Tip 1: Calculate your labour productivity


(Source picture: Pexels)

Improvement starts with measuring and knowing. You can easily calculate the productivity of your company. Labour productivity is the ratio of added value to the number of staff. The added value is the difference between the turnover and the purchased goods and services. For example, a company with a turnover of €10 million, which purchases €6 million in goods and services and employs 50 people, has a labour productivity of €80,000 per person, i.e. (10 million - 6 million)/50 = €80,000. Note: labour costs are not included in the calculation of labour productivity.

Once you have calculated this value, you can easily benchmark yourself. In 2017, the median of labour productivity for the Flemish production companies in the technology industry with more than 10 employees amounted to €76,000/employee. The top 10 companies achieved a labour productivity of at least €137,000/employee.

Are you interested in the results of your direct competitors? In the National Bank's Central Balance Sheet Office, you can easily search the necessary financial data of other companies with which to benchmark yourself. Is your labour productivity higher than €140,000/employee? Then you are one of the top companies and you may be eligible to become a Factory of the Future. Are you below this figure? Read more here!

Tip 2: Invest in training

(Source picture: Unsplash)

The importance of training should not be underestimated. Recently, contact with a planner revealed that he was unaware that Excel also has a search function. As a result, he would search his planning list field by field in order to be able to answer specific questions about the delivery time. For example, we found that many office workers are unable to make a pivot table or macro.

A study by KU Leuven indicates that the employees of companies that provide the necessary training are about 20 percent more productive. This makes training one of the biggest levers to boost productivity. So start by mapping out the training needs in your company. (And yes, all Excel users who don't know how to set up macros can probably do with some training.)

Tip 3: Use two screens

(Source picture: Unsplash)

Employees who need to process a lot of data can increase their productivity by 5-10 percent by using two screens. Dividing programs between the two screens makes it easier to process data from one source (e.g. e-mails, Excel) in a second system (e.g. ERP). By using two screens, you can also reduce the number of data entry errors by a third.

Tip 4: Eliminate pallet trucks

Pallet trucks are a popular means of transport, but they often get lost, which means a lot of unnecessary time is lost. There are two solutions for this: give your means of transport fixed parking spaces, or even better, eliminate the use of pallet trucks all together. You can usually do this by using alternative means of transport, such as roller conveyors or by mounting wheels under the material bins.

Tip 5: Do not launch production orders on the shop floor for which parts are still missing

(Source picture: Unsplash)

If not all components are available to start production, this can lead to an unnecessary loss of time. Employees search fruitlessly for the missing components and supervisors waste time finding out where the components have gone. This can easily be solved by not releasing orders until all components are available. In some cases, we saw productivity increases of up to 15 percent.

In each of the following sections, we will present five simple tips to boost productivity in the office and in production. Do you have any tips? Let us know so that we can share them and become more productive together!

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

*In production companies, a great deal of time is lost in planning, replanning and following up on orders. POLCA is a production control system that makes it much easier to plan and monitor production. On **5 June 2019** Sirris organises a **Masterclass on POLCA** with the founder, Rajan Suri.*

Authors

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