



## Articles & Commentaries



### p-Guru



by S.K. Chan, formerly the Executive Director of the Hong Kong Productivity Council (HKPC) from 1981 to 1996. During his tenure, he was adviser to several governments on productivity and served on the Basic Law Consultative Committee set up by the People's Republic of China and on the IBM Hong Kong/China Advisory Board. Since his retirement he has continued to serve as both APO and UNDP expert. He is also still active in public service in Hong Kong.

### Sustainable Productivity Development

Economic growth and productivity development are intricately linked. They are two sides of the same coin: one cannot have a faster rate of economic growth without productivity improvement.

Just as economic growth needs to be sustained if a real impact is to be made, it is important to ensure that productivity can be improved on a sustainable basis. A representative from an American consultancy company came to see me several years ago and told me that his company could improve the productivity of any company by at least ten per cent within six months upon commissioning a consultancy assignment. I was not impressed because it is easy to achieve short term gains at the expense of long term development. Quick fixes do not provide a true foundation for long term productivity development.

#### ***What Is Productivity?***

There are various definitions of productivity which are centered around the relationship between the input of resources and the output of products and services. Historically, productivity was viewed as a process of optimization but this approach ignores the output side of the productivity equation, i.e. the value added in products and services. It is essential to recognize that productivity involves a twin approach of optimizing the use of resources and enhancing the value of the output. This is an important dimension to productivity. Value can only be defined by the customers and not by the government. Any definition of productivity that does not take account of customers' satisfaction is, in my view, flawed both in theory and in practice. The essence of a business is the creation of value for customers. It is this customers' focus which links productivity to total quality improvement, process re-engineering, private sector development and the operation of a free market.

#### ***Factors Affecting Productivity***

I have grouped factors affecting productivity into a simple matrix. (see Table below)

	Macro	Micro
<b>Hard Infrastructure</b>	a) Basic facilities such airport, road systems, water supplies	a) Production capacity
<b>Soft Infrastructure</b>	a) Free market policies b) Fiscal & monetary policies c) Social economic environment d) Work ethics e) Human resource development	a) Company policies b) Corporate Management c) Organization & Administration d) Corporate culture e) Training & development

The macro factors determine the national environment in which a business is regulated and the quality of resources available. The micro factors refer to the competence of individual organizations in transforming the available resources into value added products and services. It is on a combination of these two factors that the competitiveness of a country depends.

It will be apparent from the above analysis that in order to achieve sustainable productivity development, it is necessary for a national productivity organization to address productivity issues at three levels:

- ▶ At the national level, to ensure that an overall environment conducive to productivity enhancement is created;
- ▶ At the industry level, to devise industry-sector strategies to encourage the advancement of productivity; and
- ▶ At the enterprise level, to provide the necessary assistance for the improvement of company productivity.

### ***A Continuous Process of Evolution***

The external environment is changing and customers' preferences are also undergoing substantial changes over time. To develop a sustainable productivity program, it is necessary to take account of these changes. For example, it has been said that in the 1970s, the emphasis of productivity was on cost reduction; in the 1980s, it was quality; and in the 1990s, speed and flexibility were the key. As we embark on the new millennium, what will be our next productivity challenges? There are various schools of thought. I am inclined to support the views of those who say that innovation and mass customization are the likely future trends. This is in response to the digital and Internet revolution which is now upon us. In Hong Kong, we have changed our productivity strategies at least four times in order to cope with changes in the external environment. We concentrated on the dissemination of industrial engineering techniques and on enhancing productivity awareness in the early 1970s when the manufacturing industry was essentially labor-intensive. We shifted the emphasis to technology transfer in the late 1970s to enable the manufacturing industry to produce more sophisticated products and to diversify their production base when Hong Kong faced increased competition from the other newly industrializing countries. With the relocation of the assembly operations to South China in the 1980s, the new focus, as reflected in the activities of the Hong Kong Productivity Council (HKPC), was on enhancing the value added content in products and services through R&D, product and process development, improved design, brand name marketing, upgraded quality, quick prototyping, improving the speed in time-to-market, and components sourcing and production. In the 1990s, the service industries accounted for over 80% of our GDP. In addition to helping Hong Kong serve as an applied development, design, quality assurance and marketing center for the South China region, HKPC expanded its support to the service

sector.

**“National productivity organizations must renew themselves constantly to keep pace with changes.”**

### ***Conclusion***

National productivity organizations must renew themselves constantly to keep pace with changes. It is largely the external economic and social environment that shapes the productivity movement in each country. But in responding to these changes, the national productivity organization itself plays a part in shaping the larger environment. It is this constant and interactive process of changing, adapting and innovating that leads to sustainable social and economic progress.



[Back to list](#)

---

To top of page