

Articles & Commentaries

p-Watch — Australia



by Richard Barton, former Managing Director of Business Improvement Advisory Services. Previously he was the Business Process and Quality Management Executive for IBM in Australia & New Zealand. He was also General Manager with the Australian Quality Council. He has had a long and close association with the APO. Mr. Barton writes this column regularly for the *APO News*.

The APO's mission is "to contribute to the socioeconomic development of Asia and the Pacific through enhancing productivity." Articulating socioeconomic outcomes can be a challenge. A recent study of an industry support program in Australia by a leading technology university used a series of evaluation models to measure the outcomes of the program in the small business sector. The table below lists the relevant generic business processes to illustrate the possible socioeconomic outcomes. The table is useful in understanding what to look for when seeking to evaluate the benefits of socioeconomic development, whether at the macro or enterprise level.

The social benefits of healthy, growing, and more efficient enterprises are sometimes elusive. This table sheds more light on the important aspects of productivity improvement.

By improving real income, we can expect to see more sustainable businesses and therefore fewer business failures. In Australia, about 50% of new small businesses fail in the first two years of operation, with resulting loss of capital and jobs, and unnecessary costs to the government (community). With sound businesses, we can expect to see improved living standards and better government services.

Business process	Social benefit	Economic benefit
Real income	<ul style="list-style-type: none"> • Sustainable businesses • Improved living standards • Improved government services 	<ul style="list-style-type: none"> • Increased profitability • Increased wages • More government revenue
Export	Better opportunities	Increased outward trade
Import	Replacement or substitution	Reduced inbound trade
Production	Better choice of goods/services	More goods/services
Environment	<ul style="list-style-type: none"> • Cleaner • Better community health 	Less pollution
Pricing	Higher consumption	<ul style="list-style-type: none"> • Reduction in input cost • Lower consumer product prices
Employment	Improved self-esteem, consumption, and family/community relationships	<ul style="list-style-type: none"> • Increased employment • More training and skills
Investment	New and/or better opportunities	Better investment opportunities

Improvement in traded goods and services (exports) ensures that the national brand ("made in Australia") becomes better known and respected. Export income provides real income opportunities for the economy. Import reduction or import replacement reduces the national trade deficit and also reduces the cost of debt funded by government and enterprises. This leads to healthier, more sustainable economic performance.

In service industries, particularly tourism and hospitality, customer expectations are rising as more people travel globally. The five-star service quality standard is an internationally known and expected benchmark. Income generated through in-bound tourism is generally regarded as export income because the revenue source is from external economies.

The adoption of contemporary production methods drives efficiency. Improved production methods lead to efficiency, higher job satisfaction, and safer workplaces. This does not mean always seeking to replace older equipment, but looking for ways to improve production line efficiency and improved maintenance of existing machinery and methods, enabling the process and operations to perform better. It is not unusual to find factories using older equipment which outperform newer ones because the management in the older ones works with the people in the process to improve total processes.

Environmental protection is now a global issue, not just for governments but for all citizens of the world who recognize their corporate and social responsibility. This will mean a cleaner environment in every way. Pollution of all types leads to a deterioration in community health and resulting costs to government services and business through the ill health of workers. Workforce welfare is enhanced through better, safer, cleaner production methods, and safer workplaces.

Lower or more competitive prices have an interesting positive effect on improved consumption of goods and services. Lower prices mean that there is more disposable income available for additional consumption. Improving employment opportunities results in higher self-esteem and better morale of the workforce. The general community health and wellbeing also improves. A happier, healthier, and wealthier workforce tends to have more disposable income so that consumption improves, and as morale improves so do family relationships and the quality of life for all.

As wealth is generated in business and the workforce, new and better work opportunities open up. Business investment is enhanced, and the growth engine responds. The economic benefits of a healthy, growing economy or enterprise are more readily identifiable, but they are linked to the social benefits, since one enables the other. By increasing real income through increased profit to the company, we see increased wages paid to employees and increased government revenue from taxes and charges, which in turn benefit the national economy and well-being of enterprises.

Export growth provides income not just for the company producing the goods and services, but also for associated supply and service organizations such as transportation companies. Import replacement by locally produced, more competitively priced, quality products and services occurs when the customer becomes aware that purchasing locally produced products helps build the economy. However, the discerning customer will recognize and buy quality local products if they represent true value.

Improved, more efficient production methods and quality of service provision means better productivity outcomes in cost, quality, and timeliness. Improved environmental outcomes through Green Productivity/environmentally friendly methods and practices are a long-term quality-of-life benefit. This is not just a social requirement but rapidly becoming an economic imperative.

An appropriate pricing policy can reduce input costs for business, leading to reductions in the cost of locally made consumer goods and services. Public-sector services should understand their key role here in reducing costs to assist businesses to become more competitive. Employment openings are naturally increased as business expands and develops. This leads to the need for a more skilled and educated workforce. Investment opportunities are improved as businesses seek to grow organically or expand through acquisitions or mergers.

Using such a socioeconomic process framework allows for the application of key performance indicators and applies measurements to the outcomes. We can gauge the effectiveness of an enterprise and its contribution to the economy no matter how large or small it is. In future columns this year, I will discuss some of the other key productivity factors important in developing and growing SMEs in particular, such as sales and marketing.



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