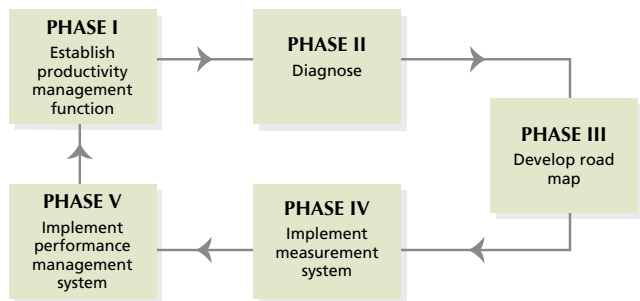




Integrated management of productivity activities

Productivity plays a critical role in driving competitiveness and sustaining business growth for all organizations, regardless of size. Productivity can be effectively raised only if it is managed in a holistic manner. SPRING Singapore has developed an Integrated Management of Productivity Activities (IMPACT) framework to guide companies in managing their productivity systematically. The framework includes key productivity levers to address as companies embark on productivity initiatives. Figure 1 shows the five phases under the IMPACT framework. Some of the actions can take place simultaneously.



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Figure 1. IMPACT framework.

Phase I: establish a productivity management function

A dedicated organizational structure must be set up to facilitate the productivity improvement effort. The structure may take the form of a productivity management unit, headed by a productivity manager who reports directly to senior management, or a cross-functional team comprising productivity coordinators from various departments. After establishing the structure, the next step is to set productivity goals that are in line and integrated with the company's long-term strategic plan.

Good management of productivity requires commitment from top management. That commitment can be expressed through direct communication with employees on the company's productivity goals and strategies, as well as allocation of resources for productivity improvement. Employees must have a clear understanding of productivity concepts, how the company's productivity goals will benefit them, and how they can contribute to the achievement of the goals.

Phase II: diagnose

For any productivity intervention to be effective, a company needs a thorough understanding of its current performance. This can be done through a productivity diagnosis to assess the company's "state of health," pinpoint its strengths and weaknesses, and recommend areas for improvement. The IMPACT assessment tool developed by SPRING Singapore is an example of a simple diagnostic tool that allows a company to evaluate its productivity performance.

There are two parts to the IMPACT assessment. Part I assesses the effectiveness of the company's productivity management function based on the five phases

under the IMPACT framework and key productivity levers. Part II uses 10 common productivity indicators to gauge the company's productivity performance. The indicators include labor productivity (value added per employee), sales per employee, value added-to-sales ratio, and labor cost competitiveness (value added per unit of labor cost). The findings from the qualitative and quantitative assessments are considered together to determine the company's strengths and weaknesses and identify areas for improvement.

Phase III: develop a road map

After the diagnosis is completed, the company develops a road map or action plan based on the findings. The road map identifies specific actions, key performance indicators and targets, timelines, and units or individuals responsible for carrying out the actions.

Phase IV: implement a measurement system

Productivity improvement initiatives should be complemented by a sound measurement system. Productivity measures can be used to set targets, monitor performance, evaluate effectiveness of plans, and link effort and reward for employees. The company should adopt an integrated approach to productivity measurement. Key management indicators related to productivity and profitability should be identified at the company level and cascaded down to activity or operational indicators at the departmental and individual levels.

Phase V: implement a performance management system

Performance management covers two main areas: 1) activities to monitor performance; and 2) activities to reinforce performance and motivate employees. A company's performance can be monitored in terms of the productivity level measured by the various productivity ratios, or the change in productivity level over time. A comparison of the company's performance can be done over time to track performance or against external entities to gauge the company's relative standing vis-à-vis its competitors and best-in-class performers.

To sustain the productivity drive, the company must establish schemes to reinforce performance and motivate employees. These schemes should recognize and reward employees for the achievement of productivity targets. Productivity incentive schemes can be used to shape employees' behavior and align their objectives with those of the company.

The IMPACT framework helps companies to improve their productivity in the long run. An integrated approach to the management of productivity activities will stand the company in good stead against competition. More information on the IMPACT framework and the IMPACT assessment tool can be found in *A Guide on Integrated Management of Productivity Activities (IMPACT)*. The guide is available on the Productivity@Work (www.enterpriseone.gov.sg) website developed by SPRING Singapore.

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