

Technology is improving; productivity isn't

BECAUSE I AM AN ECONOMIST, I HAVE been studying the evolution of labor productivity over the years. And I was very surprised to realize that despite all the major innovations in every business, in every industry, there is a constant decline in productivity improvement. We should expect productivity to grow much faster than in the past because of all these innovations – but what happens is the opposite.

There must be a hole where the productivity potential embedded in all these innovations is disappearing. I have been leading the Boston Consulting Group (BCG) Institute for Organization, based in Washington, DC. So I asked a team there to find the hole, make a root-cause analysis.

This is important. Our standards of living depend on our productivity improvement. When

WHY?

productivity grows 3 percent per annum, you double the standards of living every generation. When productivity grows one percent per annum, it takes three generations to double the standards of living, and many people will be less well off than their parents. They will have less access to education, to healthcare, to everything.

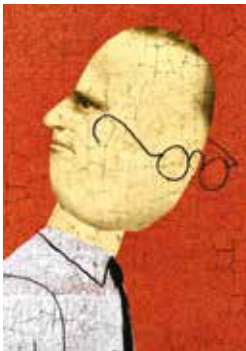
There's something else that companies need to produce, something as important as productivity. When you go home, your wife, your husband, your children, what do they ask you? "Mom, have you been productive today?" No. They ask, "Did you have a good day?"

Companies need to produce something called, "Satisfaction at work." If we don't accept that, we are lying to ourselves. We spend 50 percent of our

In an excerpt from a recent speech, Boston Consulting Group's **YVES MORIEUX** says that corporate "complicatedness" has destroyed both employee satisfaction and productivity



“We do celebrations, awards, the Employee of the Year. We send leaders to training to develop their leadership styles, to better motivate their teams. What’s the result? Counter-productive”



life at work or thinking about work. Is it misery or something we enjoy?

This is the other trend we have been studying at my Institute: the evolution of the way people feel at work. And here again there is a crisis. In Europe, depending on the countries and industries involved, less than one fourth of the workers are engaged.

Do you know how polling institutes define engagement? If I am unengaged, I do the minimum I have to do not to be fired. When I am engaged, I do more – this is “walking the extra mile.”

In the US, the Conference Board has noticed a downward trend in satisfaction at work since 1987.

This is surprising because we have never taken care of the human factor as much as today. We do celebrations, awards, the Employee of the Year. We send leaders to training to develop their leadership styles, to better motivate their teams. What’s the result? Counterproductive.

So while one team was studying productivity, I asked another team to make a root-cause analysis of what is happening in the workplace. Most interesting is that the deeper these two teams got into their root-cause analysis, the more they converged to a common root cause. To summarize this root cause, I would say that to really improve productivity, to protect our standards of living, you will need to combine two kinds of innovation.

One has to do with information and communication technologies. IT people have produced many innovations. But this has not been combined with innovating in the way we work, in the way we manage work.

The way we have tried to organize work, perform work, manage work, is to create new functions and processes to respond to new performance requirements. As performance requirements become more complex and numerous – low cost, high quality, innovative products, delivered fast – companies keep the same approach and they end up with a multiplication of structures, processes, committees, reporting lines. We have tried to deal with the new complexity of business by becoming more complicated.

We have added internal complicatedness. Based on BCG analysis, managers spend 40 percent of their time writing reports because they have to report on more and more metrics and KPIs. They spend 30 percent of their time in meetings because they have to coordinate with more and more functions. So how much is left to be with their teams? At most 30 percent.

Therefore the teams are poorly managed.

They don’t work on the right priorities, the right problems, the right targets. They don’t receive the right guidance, guidelines, coaching, recognition. Based on our analyses, these teams have to do, undo and redo. They spend between 60 and 80 percent of their time wasting their time, but working harder and harder, longer and longer, on less value-adding activities. They lose direction. They disengage. They are miserable.

This is what is killing productivity and engagement. There is more and more work on work and less and less work.

What will make a difference is what I call “the nervous system,” the way the parts work together. Collaboration will be increasingly important in your business.

To see the power of collaboration in action, take a look at a relay race, the world championship final in the women’s 4x100 in 2003.

There are eight teams, with the usual suspects like Jamaica and the US. The fastest team is the US team. An average team among the finalists is France. Based on their best individual performances in 2003, the US runners should arrive 6.4 meters ahead of the French team.

Yet the French team won. They won because of the miracle of cooperation, in this case the passing of the baton. The French runners carrying the baton were slower on average but their baton pass was faster.

Because cooperation multiplies energy. It multiplies intelligence at work. This is why it is so important to deal with a more complex business world. We need to create ways of working that better leverage human intelligence. Cooperation is the key.

And when we don’t cooperate as much as we should, we arrive just too late. When we don’t cooperate, we need more of everything, more teams, more time, more delays, more resources, more systems, more equipment. Cooperation can mean tensions, confrontation, friction, even conflict because we don’t spontaneously agree – which is normal. If we only rely on good interpersonal feelings, we will not cooperate. We will avoid the tough trade-offs that would strain the relationship. We will not achieve synergies.

So what does it take to foster cooperation so that you can use all these resources to really add value as opposed to compensate for lack of cooperation? The fourth French runner, Christine Arron, told me, “Something that really made a difference to me was the third runner, the way she passed me the baton.”

And she showed me the race in slow motion. And the third French runner is passing the baton at the right time, at the right speed, at the right height, to the correct hand. And before she was doing all of that, the third runner shouted loud so that the fourth runner could clearly hear her coming and could effectively anticipate.

Not everything can be measured. When I pass the baton in the right hand, right speed, right time, when I shout to the next runner so that she can hear me coming and she can better anticipate, this performance cannot be measured. And if you reward me on my measurable performance I will put my energy into what can get measured: my individual speed, my legs – not into my arms or my throat – and the baton will fall or slow down.

So let's be careful with KPIs, with metrics. There are things we need to measure but we must not rely solely on them to evaluate performance. We need to reward people for their measurable performance and also for how they cooperate with others.

This can only be observed. This is why management is increasingly important. Where there is no measurement, we need judgment. Judgment based on what? Observation.

This is why the rules I have created to improve leadership, cooperation, engagement, and to deal with more complexity without getting more complicated, start by understanding what people do. Understand that moment of truth, when they pass the baton to each other.

Let's talk about integrators. The integrator in a hotel is the receptionist because the receptionist deals with customers, back office, housekeeping, room service, maintenance. In the past, hotel receptionists had no power. Back office functions would not collaborate. When housekeeping saw there was a problem when they were cleaning the room, the bulb is not working, there is water dripping in the bathroom, they would not call maintenance. Because this would have been at the expense of their productivity. So who would discover the problem then? Customers at night.

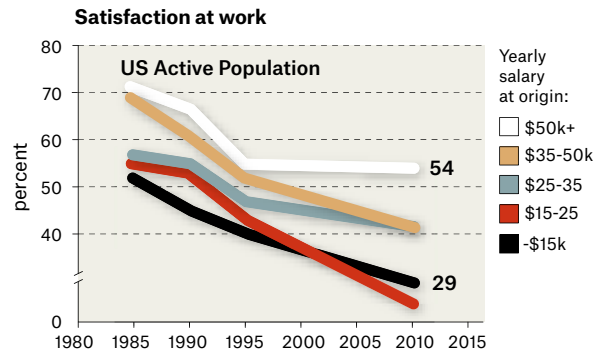
And whom do they call? Not maintenance. Look for the maintenance phone number in the hotel directory: it's not there. So they call the receptionist and the poor receptionist would come to kick the heater to make it work or perhaps suggest to the customer, "Let me take you to another room." So these receptionists were keeping rooms empty on purpose to serve unhappy customers. Or they were giving rebates. All this was at the expense of

CHARTS: PETER HOEY

TWO RELATED TRENDS

Research by BCG Institute of Organization found that falling productivity and engagement shared a common cause: "the trap of traditional strategic alignment." Outdated, complicated approaches lower both motivation and performance.

1 WORK CRISIS

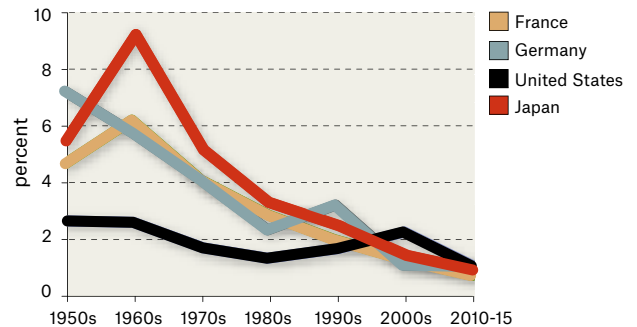


Across the board, US workers are less satisfied than they were a generation ago. Salary has some bearing on satisfaction, but seemingly only to slow the rate of decline.

Source: BCG Institute for Organization analysis

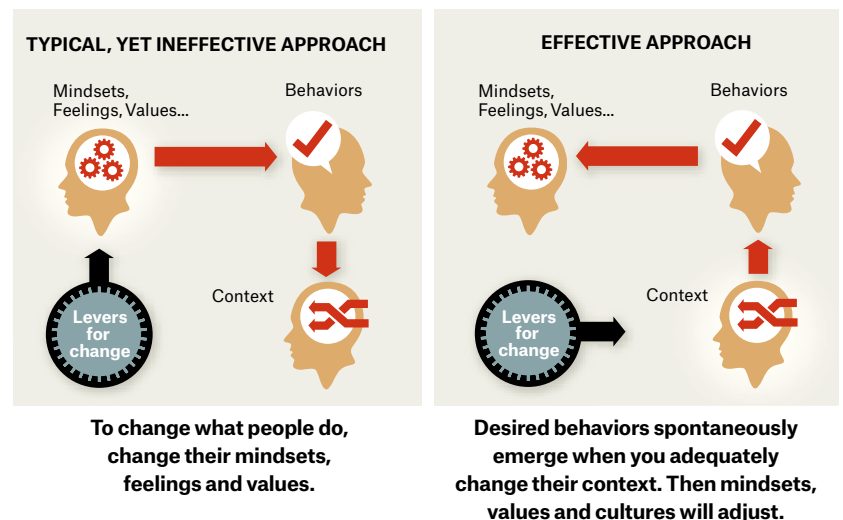
2 PRODUCTIVITY CRISIS

It seems like a paradox: while the world has seen transformational technological advancement over the last half-century, overall productivity in its major economies has plummeted.



Source: BCG Institute for Organization analysis

WHAT DOES IT TAKE TO CHANGE?



Source: Y. Morieux (2011), "Resistance to Change or Error in Change Strategy?"

“At home, when I don’t cooperate with my wife, we need two TVs. When we cooperate we need only one. Where are second TVs creeping into your company?”



YVES MORIEUX

Yves Morieux is Senior Partner and Managing Director in the Washington office of The Boston Consulting Group (BCG), and director of the BCG Institute for Organization. He has been with the company for more than 20 years. Morieux's TED talks have more than 5 million views.

occupancy rate and average price point.

Then a travel and tourism leader decided to reinforce receptionists as integrators, giving them the power and interest to make all these functions cooperate in the interest of the guests. By doing that, this company increased its gross margin by 20 percent in 18 months. They almost tripled their share price in 18 months.

As you grow, who will be your integrators? At BCG, the integrators are the project leaders. They deal with our clients. They deal with our teams, with our partners, with our expertise centers. And these people have power and interest to make important trade-offs between innovativeness of approaches, practicality of approaches, productivity of the teams, growing the teams, developing the teams.

At home, when I don’t cooperate with my wife, we need two TVs. When we cooperate we need only one. Where are second TVs creeping into your company?

Let’s talk about a railway. European. Highly unionized. State owned. Civil servants. Bureaucrats.

They have to become more customer-centric, improve the quality of their services because of cross-border competition and also competition from low cost airlines, from Uber. Twenty percent of their trains were late. Customers were not happy. Employees were less proud of themselves.

Whenever a train was late, the railway would go through a scientific investigation to know who is guilty for the delay. In which station did the delay start? Which of the key units is the root cause? Was it maintenance? Who was the maintenance manager on duty at that time?

And then the senior leaders call the poor manager and the nightmare starts for that guy. “You have delayed a train. Forget your promotion.” They would spend hours in these scientific investigations because nobody would say, “It’s me who delayed the train.” People would hide. “It’s not me. I wasn’t there.”

I can tell you that 100 percent of what people do is driven by the context in which they work. If people do what they do, it is because in their context, it achieves their goals; otherwise people would do something else.

At the railway, we discovered that the real goal of these people was to never be found guilty of a delay. Because if they are found guilty of a delay, they are in a nightmare when a senior leader directly calls them.

Still, there are many unexpected events that can happen in a station and during the ride. To aim for perfect punctuality of each unit is unrealistic. So what is the solution? Is it more sophisticated scheduling systems, more employees in each unit, more time, more trains, (i.e. more resources)?

How about more cooperation? Indeed, with cooperation it would be possible to make sure that a delay in some operations would not translate into late arrivals for trains.

For instance, if a train in maintenance is delayed five minutes, maintenance could tell the station. Then the station people could position passengers or make the train arrive in a faster track. Eventually the boarding of passengers in the station would not take as long and the initial 5-minute delay would be eliminated. Of course, this kind of cooperation was not typically happening because each unit was focusing on its own operations to avoid being found guilty of a delay.

When the senior leaders of the company saw the analysis, they realized that the root cause of delays was the rule that focused on determining who to blame for them. After all, people usually don’t decide to be the root cause for a delay. But when units don’t cooperate to help others, they have decided not to cooperate.

So the senior leaders came up with a new rule: when one unit delays the other units, these will take the blame, as long as the root cause unit was transparent and told the others about its own delay. If after some time the same people are still creating the same root cause problems because they have not done their continuous improvement homework, then they will take the blame. The overall criterion was shifted from a technical one – one must not be the origin of a delay – to an organizational principle: one must cooperate.

A few months later, the punctuality jumped from 80 to 95 percent in all the lines that implemented this approach – without more trains, more time, more people, more systems. The context now rewards cooperation.

If you think about it, these people had been using their intelligence, their adaptability, their skills, their common sense, their energy to work independently from others. Now they are using the same individual intelligence to cooperate, to work as a team. You can see the difference it makes.

KEVIN HELLIKER, Editor-in-Chief of *Brunswick Review*, edited this article from a speech Morieux delivered at a 2017 Brunswick gathering.