



MAKING PRODUCTIVITY STRATEGIC

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The Productivity Institute & University of Manchester

Seminar for Help to Grow
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THE PRODUCTIVITY INSTITUTE AT A GLANCE

ESTABLISHED
1ST SEPT
2020

200 INDIVIDUALS
INVOLVED
IN OUR
PRODUCTIVITY FORUMS

10 INSTITUTIONAL
PARTNERS

5 YEAR
GRANT

9 PRODUCTIVITY
FORUMS

170+ PAPERS &
REPORTS
PUBLISHED

36,000+
DOWNLOADS OF
RESEARCH PAPERS

140+
AFFILIATED RESEARCHERS



Human capital



Organisational capital



Knowledge capital



Geography and place



Macroeconomic trends and policy



Institutions and governance



Measurement and methods

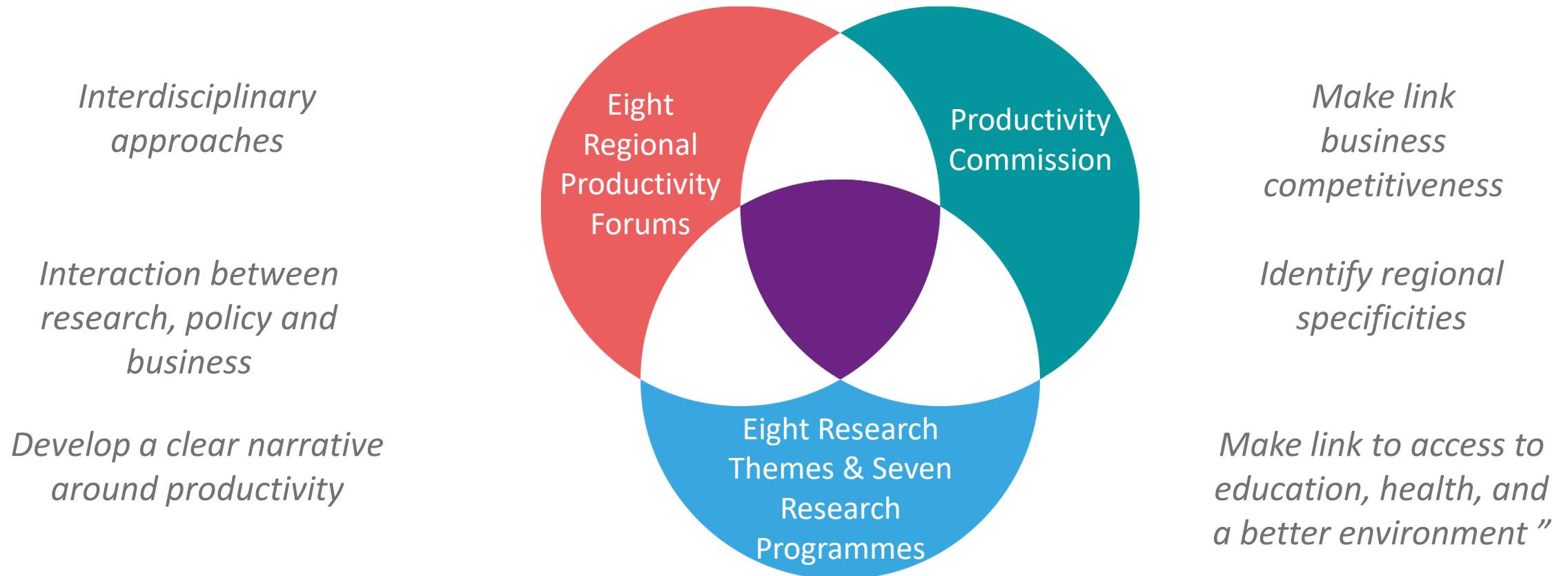


Social, environmental and
technological transitions



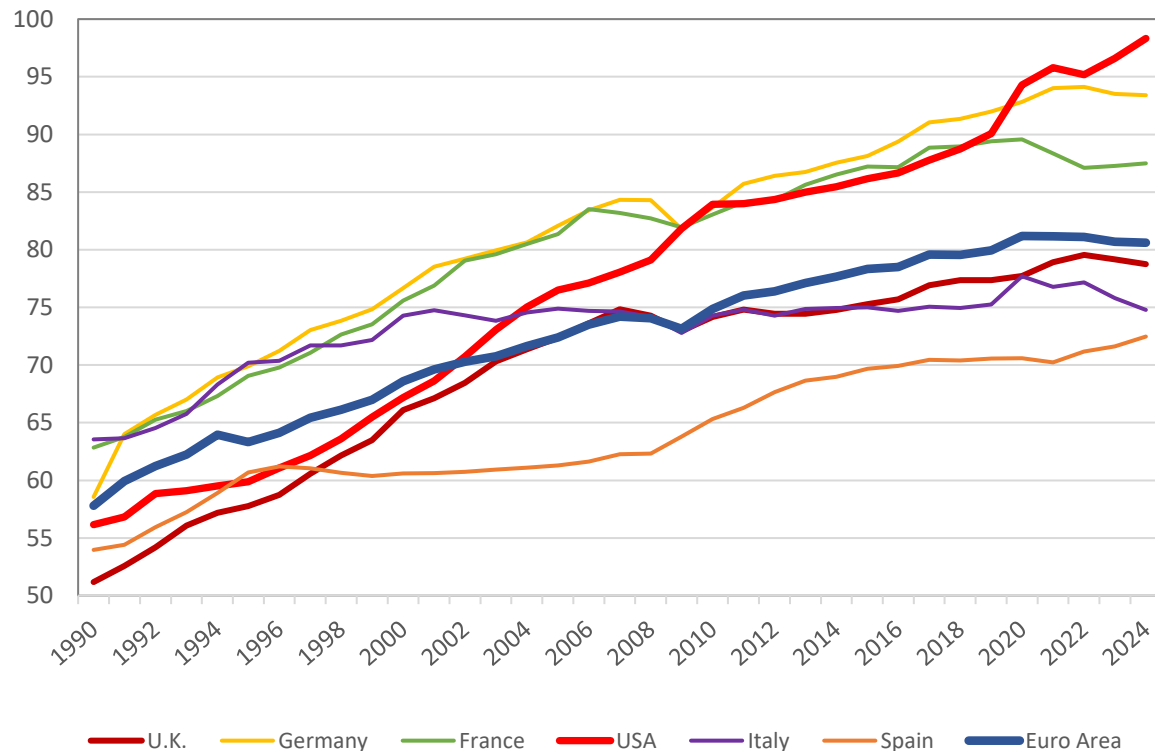
TPI'S MISSION AND HOW WE ARE ACHIEVING THIS

*Lay the foundations for an era of **sustained and inclusive productivity growth** and help **policy makers and business leaders** across the UK understand how to **improve productivity** and **raise living standards***



WEAK PRODUCTIVITY HAS AFFECTED MANY ECONOMIES – UK IN PARTICULAR

GDP per hour (in 2024 US\$, PPP converted), 1990-2024



Source: The Conference Board, 2025

Slow productivity growth affects dynamic process of innovation, slows structural change and weakens competitiveness

Low productivity levels affect resilience to absorb shocks and create vulnerabilities, and create low performance traps especially at a place-based levels



STRATEGIC PRODUCTIVITY: AGENDA



**What is
productivity?**
*Concepts and
measures*



**What drives
productivity?**
*The sources of
business
productivity*



**Making
productivity
strategic**
*Managing
productivity*

WHAT IS PRODUCTIVITY?



Managing productivity

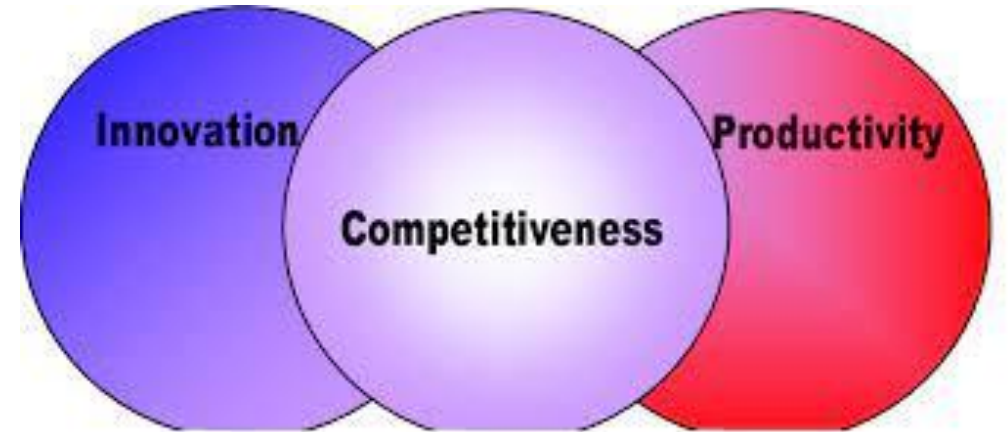
WHAT IS PRODUCTIVITY ABOUT?

Perceptions of productivity (positive and negative)

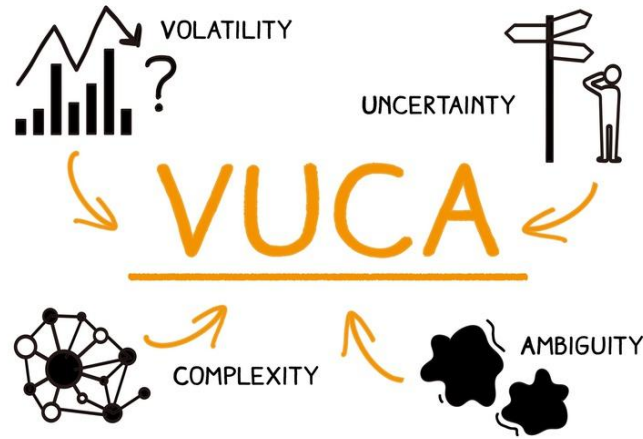


WHY PRODUCTIVITY MATTERS

- Drives long-term growth
- Creates resources to invest
- Makes firms grow faster
- Create jobs that fetch higher wages
- Make people more innovative
- Make people healthier and more engaged
- Creates better outcomes for others: people, firms and places



PRODUCTIVITY IS AN IMPORTANT BUT NOT ALWAYS POPULAR DRIVER OF BUSINESS SUCCESS



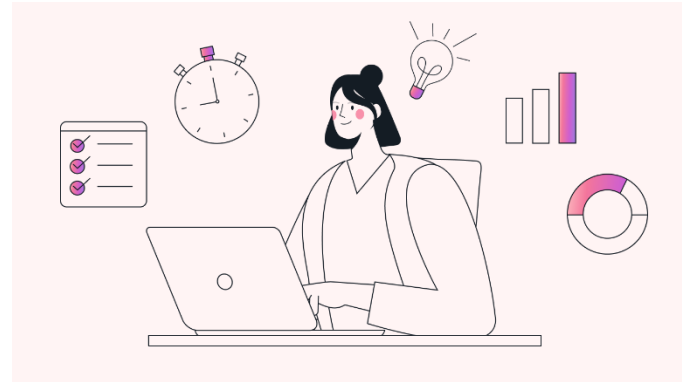
- Doing more with less
- Budget cuts and efficiency drives
 - More “sweat”
 - The end of my job
- The end of the environment
 - Stress and burnouts



PRODUCTIVITY, EFFICIENCY OR BOTH?

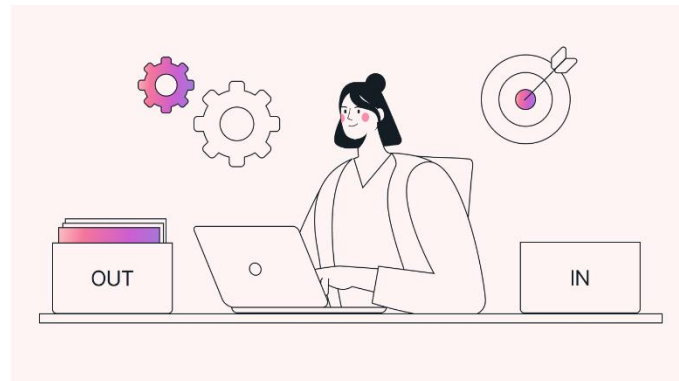
Efficiency

- Task & efficiency oriented
- Monetary (sales/cost) or piece rate (quantity/unit)
- Focus on “doing more with less” (e.g. less time or fewer resources)

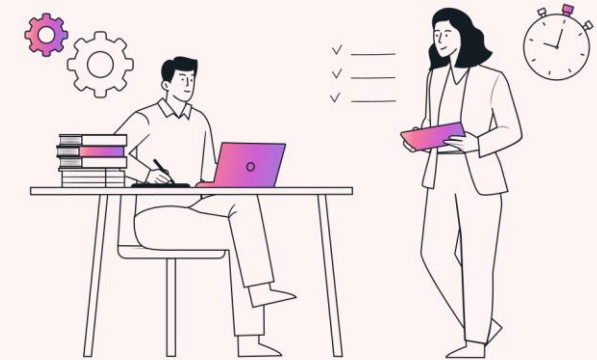


Productivity

- Business & effectiveness oriented
- “Real” measure (firm output/input)
- Focus on how “creating better outcomes” by better combining limited resources



Efficiency and Productivity: You Need Both to Drive Success



SOME QUOTES FROM FOCUS GROUPS AND INTERVIEWS ON BUSINESS PRODUCTIVITY

Productivity is often just another way to squeeze more juice out of the lemon. Workers may just assume their workloads will increase, or they will be required to “do more with less”

The only place where it gets used frequently is when you're talking about call centres and call centre systems because productivity is an ongoing KPI in terms of call and customer chat performance

We don't have a consistent usage and definition of 'productivity' yet – it is interchangeably used with performance or impact

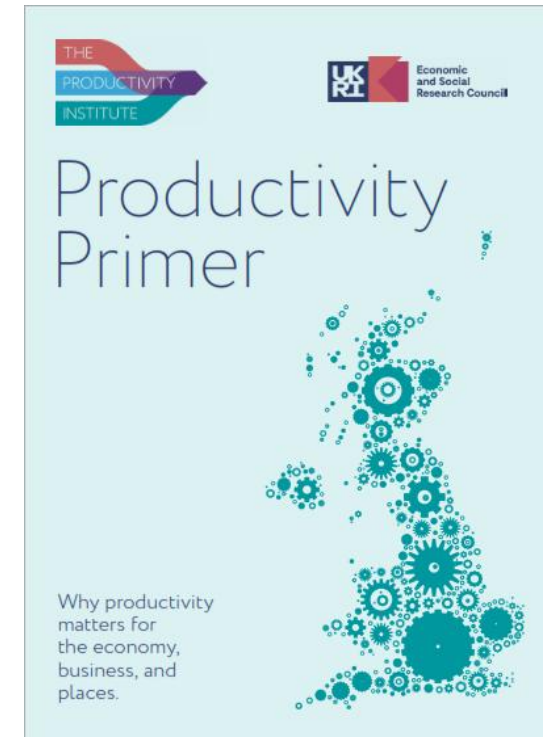
I don't think we have enough understanding about the people side of productivity to make an impact ourselves or to influence other leaders across the business

For me, the difference between productivity and efficiency is knowing the value of something versus knowing the cost of something. I think there's always that danger, as an accountant, to look too much at the cost of something, rather than kind of the overall value. Because it's easier to manage or measure.

WHAT DOES PRODUCTIVITY MEAN FOR A BUSINESS?



Source: US Bureau of Labor Statistics (https://youtu.be/y_kX5KKCJoU?si=k6QeMf5gmhBjoYQ6)

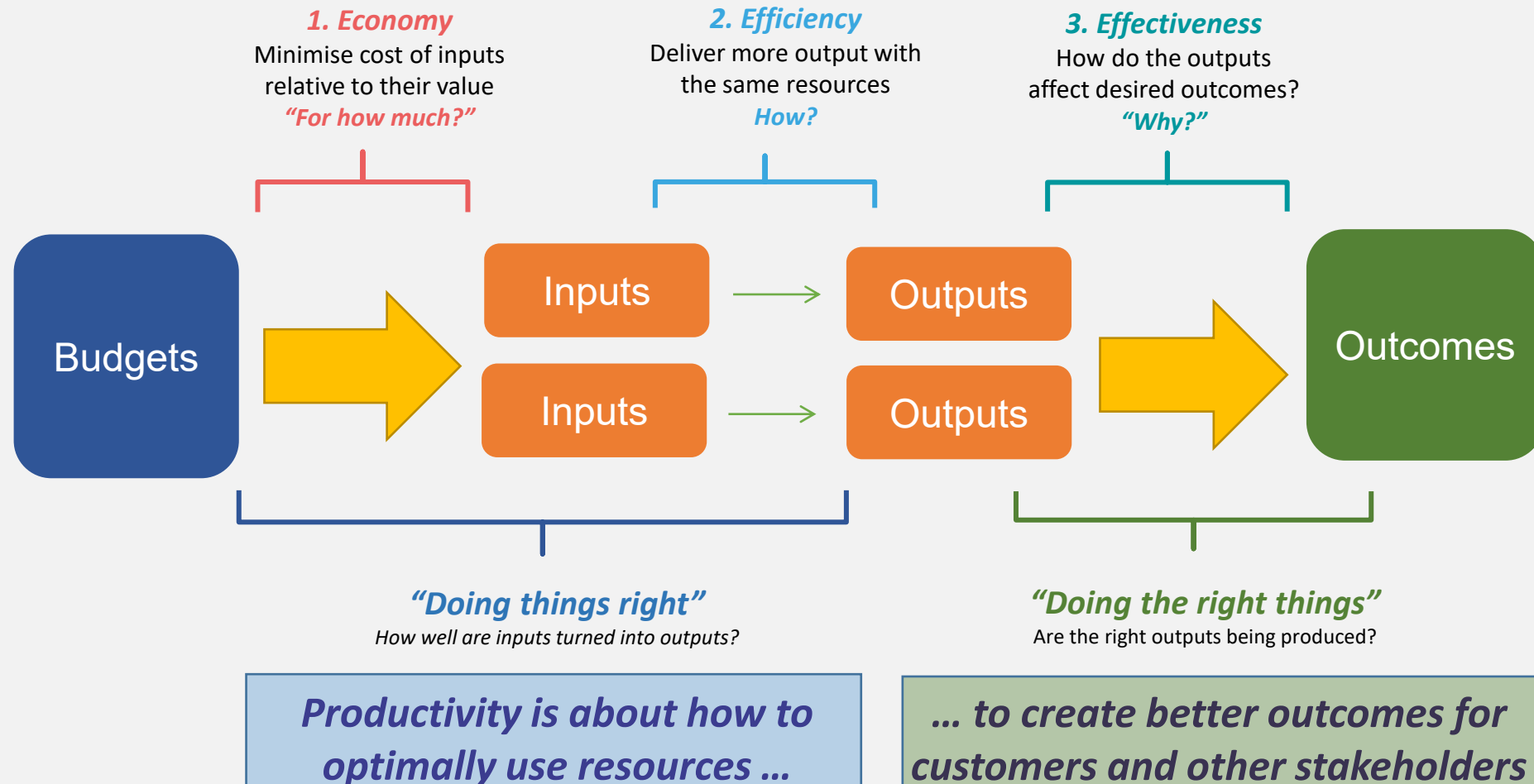


Note: see examples in appendix from TPI
Productivity Primer
(<https://www.productivity.ac.uk/research/productivity-primer/>)





PRODUCTIVITY CAN BE DONE AT EVERY LEVEL OF THE DELIVERY CHAIN



TAKEAWAY 1

**YOU NEED A
PRODUCTIVITY
NARRATIVE**

***WHAT?
WHY?
HOW?***



WHAT DRIVES PRODUCTIVITY?



*The sources of business
productivity*

THE KEY DRIVERS OF PRODUCTIVITY



<https://youtu.be/U6ZIE6xFBms>

FIVE AREAS OF PRIORITY FOR STRATEGIC PRODUCTIVITY

- Finance for Investment
- Strategic Cost Management
- Valuing Intangible Assets

- Customer relationships
- Data Analytics
- Collaboration and Communication



- R&D and Technical Change
- Digital Transformation
- Knowledge Diffusion

- Worker Skills and Training
- Engagement and Well-Being
- Agility and Adaptability

- Inclusive Leadership
- Managing Outcomes
- Flexible Teams

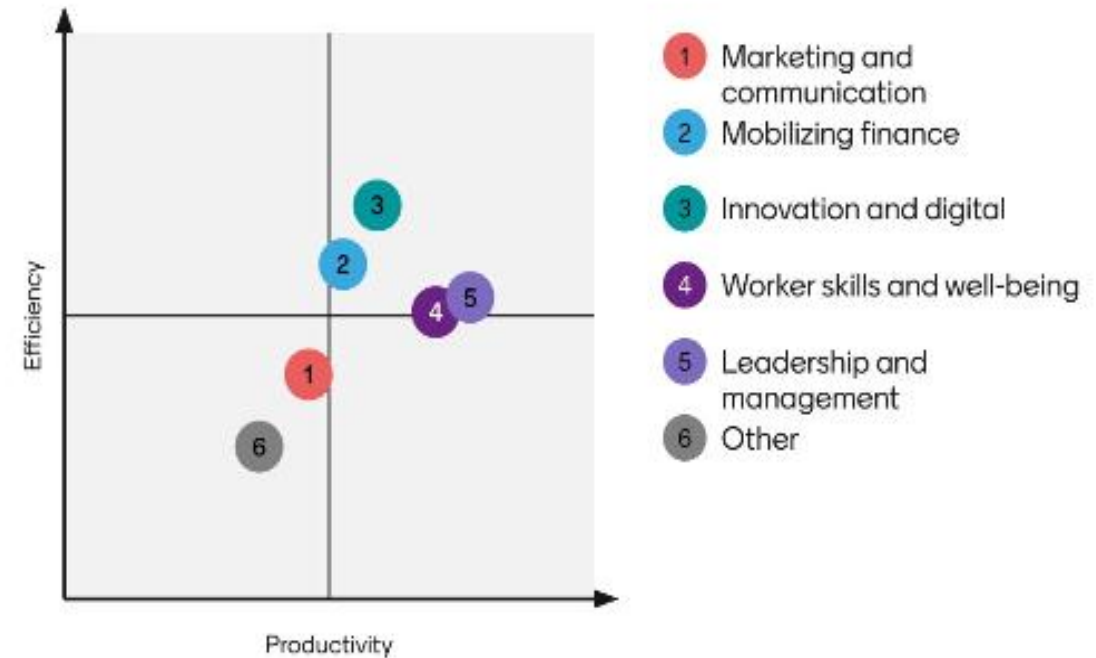
Source: The Productivity Institute

RANKING OF KEY PRODUCTIVITY DRIVERS

Rank the strategic productivity drivers by importance to your organisation



Place the key drivers against their impact on productivity and efficiency



Examples from Mentimeter poll

TAKEAWAY 2

THERE IS NO SILVER BULLET TO PRODUCTIVITY IMPROVEMENT

***The art of
productivity is to find
the optimal mix***















MAKING PRODUCTIVITY STRATEGIC



Managing productivity

A BIG GAP BETWEEN LEVEL OF CONFIDENCE AND INTENDED ACTION ON A SERIES OF PRODUCTIVITY ACTIVITIES

Confidence	The gap	Action
 62%	16%	 46%
 55%	11%	 44%
 66%	24%	 42%
 56%	18%	 38%
 56%	18%	 37%
 54%	24%	 30%

**be the
business**



WHY IS PRODUCTIVITY DIFFICULT FOR LEADERS

What are the biggest barriers to improving management practices (pick up to three)



13 Most leaders think their business is already well managed



1 The benefits of improving management practices are not compelling



25 The benefits of improving management practices are hard to measure



12 The benefits of improving management practices take too long to materialise



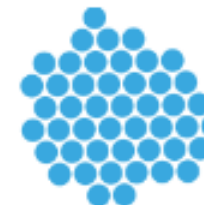
12 Improving management practices is too expensive



2 Improving management practices is too risky



13 Improving practices involves too much disruption



47 There is too little time to think about or implement improvements



33 Employees are too resistant to change



15 The quality of the advice on what or how to improve is too low



14 The advice on what or how to improve is not tailored for my business



25 Leaders are not confident in their own skills to improve management practices

WHY IS PRODUCTIVITY DIFFICULT FOR LEADERS

-
- Leaders often don't realise they have a problem – too busy “fire fighting”
 - They need “thinking time”
 - Leaders don't always appreciate the options open to them, nor pick the best
 - The need to develop a culture of “continuous innovation”
 - Leaders often don't like to “rock the boat” – preferring “steady as you go”
 - They need to develop agility in the organisation
 - Leaders are uncertain for the future so afraid to take risk
 - They need to develop resiliency in the organisation
 - Managing productivity is made even more complex by its measurement challenges
 - They need a measurement approach based on “must haves”
 - Leaders in different functions have different perspectives on productivity
 - They need to join up the conversation in the boardroom

TAKEAWAY 3

THERE IS NO SINGLE SHOOTER TO FIRE THE PRODUCTIVITY BULLETS

***Productivity is a
highly collaborative
effort***

ORGANISATIONAL FUNCTIONS



(CFO/CHRO/
CMO/CIO/
COO/CTO)

OPERATIONAL
PRODUCTIVITY
FOCUS



(CFO/CHRO/
CMO/CIO/
COO/CTO)

EMPLOYEE FOCUS



(CFO/CHRO/
CMO/CIO/
COO/CTO)

CUSTOMER FOCUS

CROSS FUNCTIONAL
COLLABORATION TO DRIVE
PRODUCTIVITY ACROSS THE
ORGANISATION

LEADERSHIP TEAM



CEO & TEAM

THINK

TALK

COLLABORATE

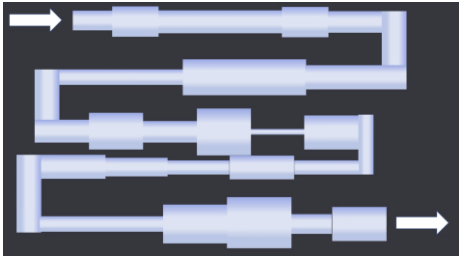
STRATEGISE

PRIORITISE

IMPLEMENT

STRATEGIC PRODUCTIVITY

HOW TO PRIORITISE? FOCUS ON BOTTLENECKS

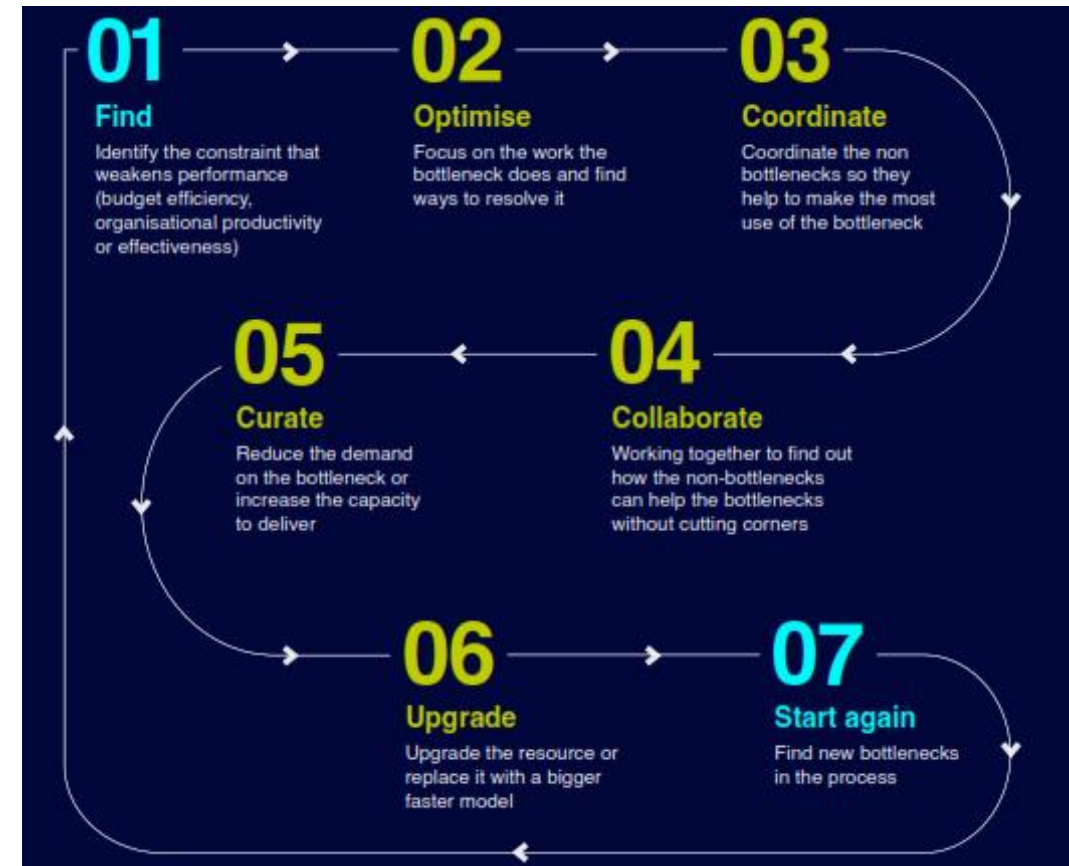


- You cannot change everything at once !
- Focus systematically on the greatest bottleneck in the input – output flow
- Create the analytical space to be systematic and get the support

FOCCCUS is an acronym for the steps you can take to address the constraints and improve the system.

- (F)ind the bottleneck
- (O)ptimise the bottleneck
- (C)ollaborate to focus on bottleneck
- (C)oordinate between bottlenecks and non-bottlenecks
- (C)urate to prioritise work
- (U)pgrade by allocating resources (for example, staff, equipment or training)
- (S)tart again to stress the importance of the continuous process.

Figure 4: FOCCCUS formula to the Theory of Constraints
Source: Clarke Ching, *The Bottleneck Rules*, 2018



Source: Clarke Ching (2018), *The Bottleneck Rules*; Building on Eli Goldratt business novel, called "The Goal" (1984)

Or watch this video:

<https://www.youtube.com/watch?v=H4yYbVP3zjY>



DO NOT CHANGE EVERYTHING AT ONCE

***Productivity is a
process of
continuous
improvement in a
disciplined way***



**“ Things do
not change;
we change. ”**

Henry David Thoreau (Walden)

SUMMARY KEY TAKEAWAYS

1. YOU NEED A PRODUCTIVITY NARRATIVE

- *What? Why? How?*

2. THERE IS NO SILVER BULLET TO PRODUCTIVITY IMPROVEMENT

- *The art of productivity is to find the optimal mix of productivity drivers*

3. THERE IS NO SINGLE SHOOTER TO FIRE THE PRODUCTIVITY BULLETS

- **Productivity is a highly collaborative effort**

4. DO NOT CHANGE EVERYTHING AT ONCE

- **Productivity is a process of continuous improvement in a disciplined way**

HELP TO GROW.
MANAGEMENT ALUMNI



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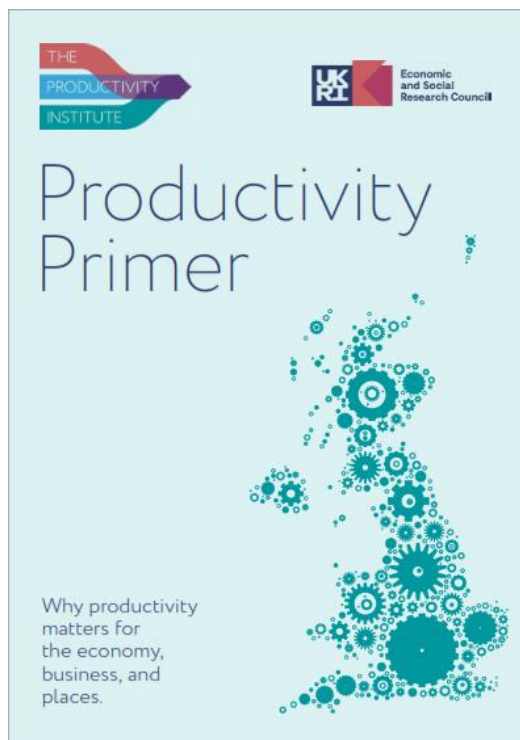
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2026**



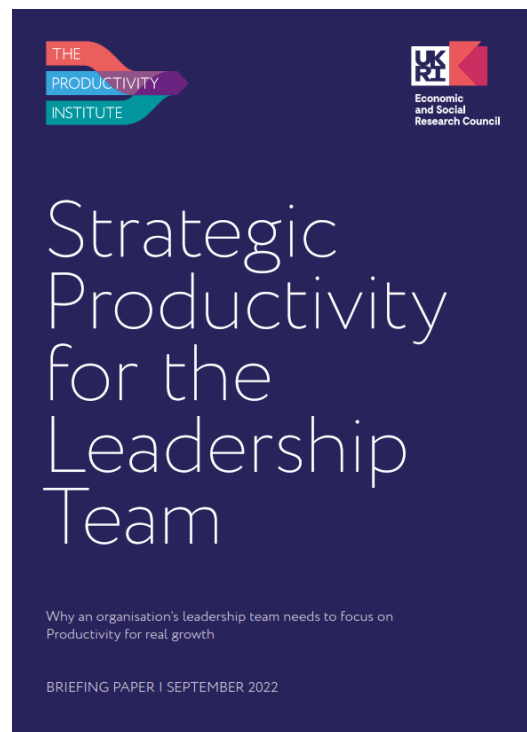


<https://www.productivity.ac.uk/>

READING LIST



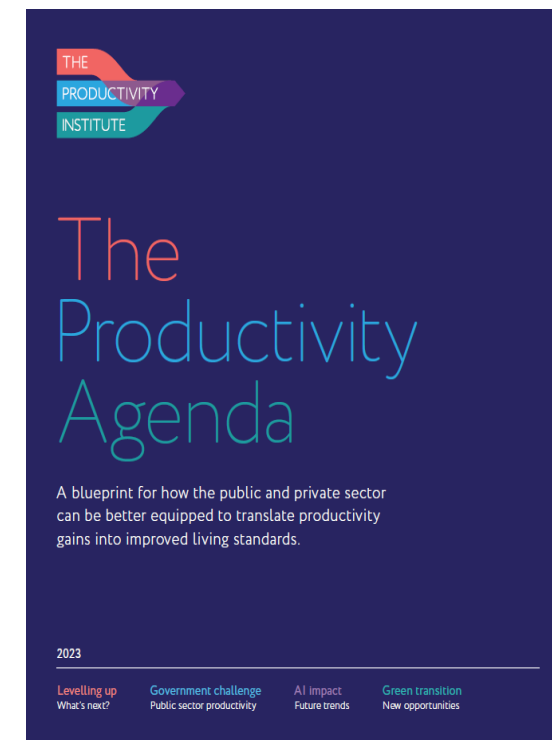
<https://www.productivity.ac.uk/research/productivity-primer/>



<https://productivity.productivedigital.com/research/strategic-productivity-for-the-leadership-team/>



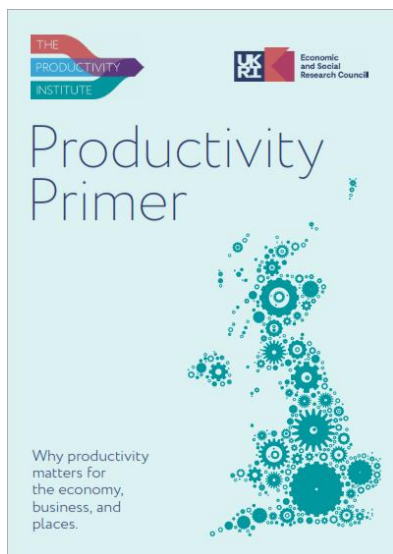
<https://www.productivity.ac.uk/research/productivity-through-people-new-opportunities-for-chros/>



<https://www.productivity.ac.uk/news/the-productivity-agenda-a-blueprint-for-boosting-the-uks-productivity/>



HOW DO WE MEASURE PRODUCTIVITY?



<https://www.productivity.ac.uk/research/productivity-primer/>



Physical labour productivity

A worker in a chocolate factory is employed in producing chocolate bars. The worker produces 2,000 chocolate bars during a 40-hour work week. Hence the physical labour productivity of the worker can be calculated as:

OUTPUT QUANTITY	2,000 chocolate bars	=	50 chocolate bars per hour	PHYSICAL LABOUR PRODUCTIVITY
OVER TIME	40 hours worked			

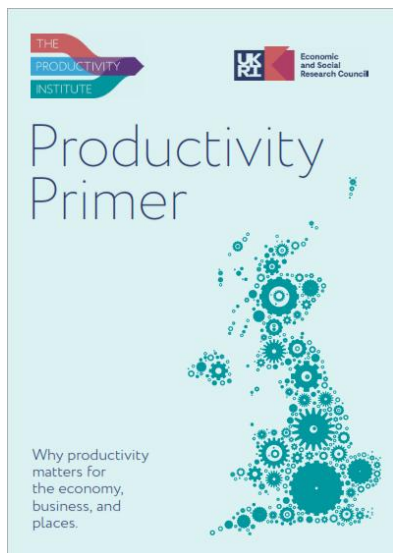
This method can be applied to any type of production which can be easily quantified in terms of physical units (number of units, volumes, etc.)

Revenue labour productivity

While the productivity of a specific worker can be compared with that of other workers producing the same chocolate bars, it cannot be compared to workers in the same firm who produce chocolate biscuits instead of bars.

To make this possible, the output of chocolate bars can also be expressed as a revenue measure in terms of £. If the price of a chocolate bar is £2, total revenue of that worker's chocolate bars is £4,000 (2,000 bars x £2 each), and revenue productivity can be calculated as:

OUTPUT VALUE	£4,000	=	£100 per hour of chocolate bars revenue	REVENUE LABOUR PRODUCTIVITY
OVER TIME	40 hours worked			



<https://www.productivity.ac.uk/research/productivity-primer/>



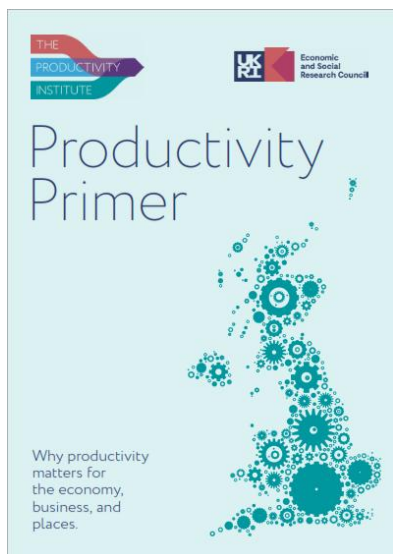
Value Added-based labour productivity

As some of a firm's inputs are being produced by (and purchased from) other firms it is common to focus on the value added created by the firm itself.

To measure the value created by the firm from its labour and capital, the purchases of materials, business services and energy inputs (called intermediate inputs) need to be deducted from the value of gross output. The gross output is the total revenue corrected for changes in inventories of the product. If the intermediate purchases for our chocolate bar worker amount to £700, value added-based productivity is calculated as:

<div style="background-color: #000080; color: white; padding: 10px; width: 150px; margin: 0 auto;"> OUTPUT VALUE MINUS MATERIALS AND ENERGY COST = VALUE ADDED </div>	$\frac{\pounds 4,000 - \pounds 700}{40 \text{ hours worked}}$	= equals	$\pounds 82.50 \text{ per hour of value added in chocolate bar production}$	<div style="background-color: #000080; color: white; padding: 10px; width: 150px; margin: 0 auto;"> VALUE-ADDED BASED LABOUR PRODUCTIVITY </div>
<div style="background-color: #000080; color: white; padding: 5px; width: 150px; margin: 0 auto;"> OVER TIME </div>				

Value Added-based productivity is also required when productivity is aggregated to sector and total economy level. This avoids double counting as the output of one firm (or industry) may be used as an input by other firms (or industries). A country's GDP is the sum of the value added across all producing units and industries.



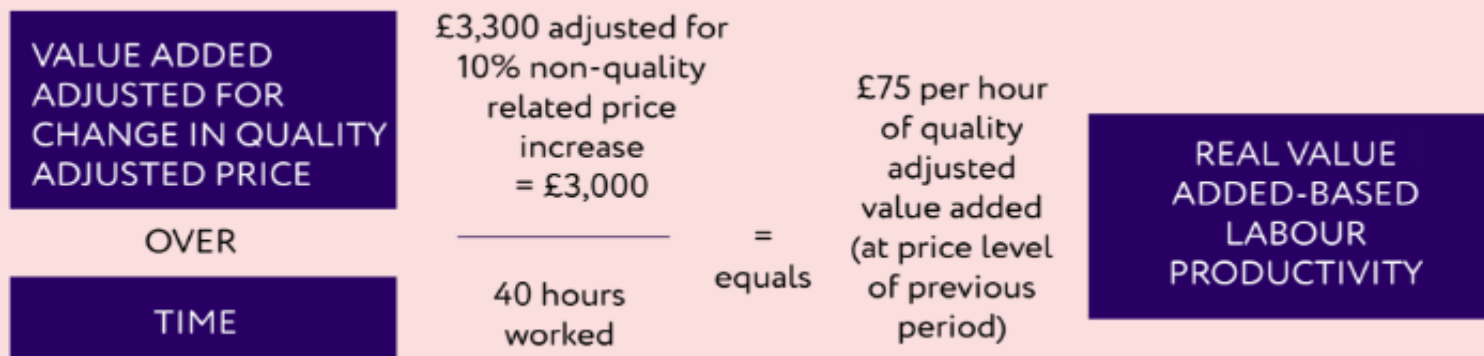
<https://www.productivity.ac.uk/research/productivity-primer/>



Real Value Added-based labour productivity

When comparing productivity at different points in time, the growth rate of revenue or gross output reflects changes in quantities as well as prices of the outputs produced. When measuring value added it also reflects changes in quantities and prices of intermediate inputs purchased.

If the prices of chocolate bars has increased by 12% compared to a previous period, of which just 2% is due to a quality improvement of the bars, an adjustment needs to be made for the remaining 10% of the increase in price:



We can now compare productivity between the two time periods. If productivity in the first period was £70, real value added-based productivity has increased to £75 - about 7% - by the next period.