

PRODUCTIVITY: DO WE NEED A NEW PRODUCTIVITY OF OUTCOMES?

PAPER #8 OF THE MCA PRODUCTIVITY CAMPAIGN



PRODUCTIVITY: DO WE NEED A NEW PRODUCTIVITY OF OUTCOMES?

Business is manifestly serious about productivity. Consultants' offers on strategy, efficiency, digital and quality can help.

The traditional metrics of productivity are creaky. Multi Factor Productivity emphasises securing new gains from static or discounted people/capital ratios. This could prove a misleadingly short-termist perspective if sustainable productivity transformation depends on injections of significant investment scale followed by considerable patience. Headline measures of output per capita can confuse price with value through a scant regard for externalities, such as waste and pollution.

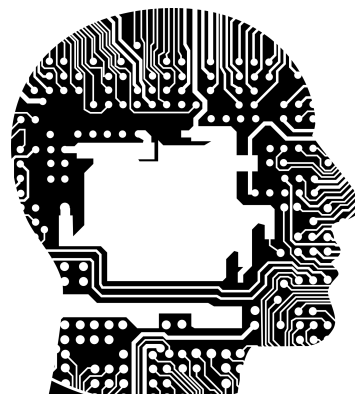
A language of productive outcomes could go some way to address this. But it is not easy to formulate. How does a manufacturer ensure its understanding of production also accents reductions of externalities, such as material waste, while remaining focused on a competitively priced product? How does a service industry achieve real and even personalised outcomes for very diverse consumer bases without abandoning a reasonable grip on paradigmatic working practices, such as average fulfilment times? How does either type of business do these things and remain profitable?

Here, government could take a lead. Productivity measures, as well as measures of GDP, are long overdue a refresh. They should be overhauled. And this is not just about building externalities into productivity measures. Digital and disruption drive the need for new thinking.

Consumer value in the Digital Age is an elusive

business. An online shopping site's worth to consumers may appear reducible to the number of products bought through it. But that is plainly not all that is going on. There is an experiential value in these sites. But it is not always priced, at least not directly. Consider social media. Access to Facebook or Twitter is notionally free. However, the business model is dependent on creating value *out of the online participants themselves*, through tailored advertising and, more concerningly, harnessing their data. The latter model is of course under threat from regulators, through GDPR, and also from public opinion in the aftermath of the Cambridge Analytica case.

The business model in which digital services are provided 'free' in exchange for data exploitation may not persist indefinitely. Indeed, it is arguable that the utility of accessing an online platform to organise one's social life, comment on world events and so forth should be more realistically priced. This could create less data-dependent business models and encourage more responsible usage by consumers.



But even if that is too radical, it is plain that the orientation towards outcome creation as the fundamental economic purpose is strengthened by digital. That this is currently insufficiently represented in GDP measures will remain the case if businesses continue to define their own outcomes poorly. An analogue business moving services online needs to think about more than just the gains from replacing one set of approaches with another. It should consider a full digital reinvention of its business model. A digital business should articulate its utility in terms that go beyond data exploitation. The lack of sophistication or transparency in the debate about economic value in the Digital Age is in no one's interests. Those charged with measuring economic output should get a grip on it.

As we have seen in previous articles, there is some interest among business leaders in a productivity of outcomes. 41% of respondents to our survey, conducted by our research partners VIGA, favour outcome achievement as their productivity yardstick. And there is also



significant underlying support. When we asked why productivity mattered to their business,

predictably large numbers of respondents referred to efficiency and margin. But others suggested that an unproductive business was hardly a business at all. High productivity entailed motivated staff. Value creation for customers was an essential concomitant of productivity. And strong brand associations are created through productive processes. The survey also showed the striking importance of productivity to digital enterprises. These firms consider productivity essential in achieving that most important online goal: real-time currency and relevance. Unless a digital firm is productive, it will lack the immediacy and responsiveness digital customers demand. And, with virtuous argumentative circularity, digital business leaders see engagement with customers, often the co-creators of their value, as an essential prerequisite of productive gains.

We also asked respondents to rank a set of five business challenges. 45% ranked productivity top, easily the highest percentage. Second, with 18%, was customer service. Only 15% said market share (equal with digital deployments). Astonishingly a mere 11% chose topline growth. Again, these rankings seem to reinforce the connection between productivity and customer satisfaction.

Furthermore, when asked how they would like to improve their productivity in the future, business leaders expressed an interest in the concept of quality. Indeed, they rank this second only to digital in their future advisory needs. This may be connected with some interesting dynamics, such as the reputational damage endured by the firms at the heart of the emissions testing scandal in automotive. This case has certainly illustrated how corner-cutting and productivity are at best

short-term bedfellows. Or it may relate to something more fundamental. In our survey results, productivity seems more clearly linked to core business purposes than we might have anticipated. Quality firms, high-value brands, should be productive. A productivity axis of digital, customer orientation and quality is thus emerging alongside more traditional productive verities of efficiency and margin. A productive culture is a culture of modernity and excellence.

Productive outcomes. A productive culture. Productive people. Value created efficiently and sustainably. These will require concerted effort at the level of the individual firm. They demand a new emphasis from policymakers. Consultants also have a vital role to play. But they too need to get things right. In the past, they have adapted to changing business conditions by developing new offers. They have blazed a trail in digital. They have appointed 'Heads of Disruption' to address the challenges of the emerging digital business models. They have teams dedicated to growth. The time is now ripe for consultants, independently or in collaboration, to offer *productivity services* to clients. Heads of Productivity would pull together the digital, quality, strategic, process, change, disruptive and human resource capabilities of their firms and create integrated offers on productivity improvement for clients. The benefits for British business could be substantial.

So let's get on with it. Now. That's right, now.

(I have my stopwatch and my clipboard ready....)



The Management Consultancies Association (MCA) is the representative body for management consultancy firms in the UK and has been at the heart of the UK Consulting Industry since 1956.

The MCA's mission is to promote the value of management consultancy for the economy and society as a whole. The MCA's member companies comprise over 50% of the UK consulting industry, employ around 45,000 consultants and work with over 90 of the top FTSE 100 companies and almost all parts of the public sector. The UK consulting industry is amongst the best in the world and a vital part of the business landscape.