Is Productivity the Key to Global Competitiveness?

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It’s been my long-held belief that no matter what we automate in manufacturing, or how flexible and effective a supply chain we develop, it’s how we manage the people in the business that will make the difference between good and world class.

When it comes to managing the workforce, very few industries are under more pressure than manufacturing. With tremendous price competition from developing countries and a world where products can be replicated across the globe and transported with ease, manufactures need to look at every aspect of their operations for competitive advantage and productivity improvements. And that includes the processes around people management.

Between employees’ increasing desire to have flexible working, the operations’ requirements for specific skills and certifications, the work rules and regulations that limit what jobs can be worked, a rapidly ageing workforce and skills shortages, unscheduled absence, and the unpredictable personal issues that occur each day, it’s no wonder that production can be tough to start on time each day!

And it seems I’m not alone in my thinking that labor productivity holds the keys to improving global competitiveness in manufacturing. A recent survey [1] conducted by IDC Manufacturing Insights shows that labor productivity ranked the highest among all 11 countries surveyed as the most important factor for achieving manufacturing success. Factors such as modern infrastructure, government

support, and foreign direct investment ranked in varying degrees after labor productivity.

It’s an interesting survey, with both emerging nations and developed economies agreeing that labor productivity will be the main driver to success — with Brazil, Spain and Mexico feeling the most strongly about this.

But how will they achieve this — when skills shortages, ageing workforces, unmotivated employees and job insecurity get in the way?

A good start would be to consider a more strategic investment in workforce management technologies, focusing effort on people and people-related processes in order to understand where there’s waste and where there might be opportunities to improve. It’s true that many manufacturers have automated many HR functions already – but there’s still a long way to go in the areas of labor analytics, optimizing schedules, effectively managing absence and talent acquisition and retention.

Take the payroll process for example. Image the payslip as a new product line and it would rank as one of the largest products in most companies. But as an expense, it’s rarely given the same level of operational scrutiny as a revenue-producing product. Yet, while companies are heavily focused on efficiency and effectiveness in their main value-add processes, what they don’t realize is that the mistakes made by producing a payslip inefficiently can inflate payroll costs, on average, 2.4 percent. How many manufacturers would ignore that level of inefficiency if they were shipping 2.4 percent more stock to customers than they were being paid for? They’d soon fix the process and eliminate the excess product — which is exactly what manufacturers need to do with inefficient payroll processes.

The survey respondents were also asked about one strategy that they would recommend for global competitiveness. The top recommendation was that manufacturing companies should keep existing facilities as is, and invest in workforce operational excellence methodologies, which will ultimately improve workforce productivity. There are numerous ways to do this. One change worth looking into is trying to optimize the way in which employee work schedules are created. Optimized scheduling technologies do a great job in creating automated schedules based on sales projections and product availability, employee availability, shift preferences, skills and certifications. Systems can optimize the allocation of resources and allow organizations to meet ever-changing capacity requirements at short notice, with the right number of the right employees at, most importantly, the optimum cost. The added benefit — and I’ve seen this countless times, is a more engaged workforce, increased morale and a reduction in employee turnover.

A manufacturer doesn’t have to possess the advantage of the lowest labor rate in the industry to remain competitive in a global market. A key thing though is to create a more productive process around people, machine and materials management, which will reduce unit costs and lead times beyond a competitor who brings the solitary advantage of low labor costs.

With many manufacturers now gaining control of basic HR functions, it’s time to

consider a more strategic approach to workforce optimization and to improve the performance of your key asset — your people.

What's your take? Please feel free to comment below! For more information, please visit www.kronos.com *[2].*

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