



Bridging the Productivity Gap: the Human Capital Perspective

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Introduction

The current economic climate provides one of the strongest imperatives for change in most of our lifetimes. The key question is how do leaders make the most of this opportunity? Peter and Chris take a '10000ft view' of organisations in New Zealand, offering an objective, maybe provocative view of current status and challenging us to refocus and, at the same time, raise the tempo of the current debate. Exploring some of the myths that our country's leadership holds to be true unlocks some solutions that need to be considered in the national agenda as we struggle to carve a vision for what we want to be as a nation. Good practices in human capital must be at the forefront of thinking across all sectors amongst leaders, policy makers and advisors. A 'talent' perspective offers a view of our future possibilities. The right choices unleash huge opportunity for us all.

This paper

Productivity in New Zealand (NZ) is understandably, a widely debated issue. Kerridge and Partner's contribution in this area is influenced by experience working with both the private and the public sectors. Our perspective is based on observation and first hand knowledge of what works and what does not when corporates and Government departments are making organisational changes as part of their approach to process and productivity improvement .

We begin by looking at the strengths that NZ has and why we should be feeling positive about the future. Next we cover some of the myths and attitudes that have been prevalent in our national psyche and examine why this mindset can hold NZ back. Lastly, we suggest some approach options to capitalise the opportunities we have identified.

We have focused much discussion on the state sector for two reasons. Firstly, it is very topical: the state sector productivity is widely debated, but in our view poorly understood. Secondly the size of the state sector in NZ means that major gains can be made that can impact on the whole economy.

Opportunities

There are many reasons why NZ should feel positive about its potential to take positive steps toward raising its productivity.

- ⑥ Evidence shows that productivity is typically better in democracies.
- ⑥ Whereas previously we were geographically isolated from the economic power houses in the world, we are now located nearby to some of the fastest growing economies in the world, India and China. In fact many commentators are beginning





to view the Pacific Rim as the new engine room for the world's future economic growth.

- ⦿ We are a small nation and well connected, this means that our leaders do not have to travel far to see what is actually happening on the ground.
- ⦿ New Zealand is said to be a nation of 5 million people, 4 million of whom are at home. We are very well connected with the networks of ex-pat New Zealanders.

For our size, NZ has a lot to celebrate. We have everything from Buzzy Bees to Fisher & Paykel white ware. Equally, the concept of 'kiwi ingenuity' and innovation is alive in NZ and recognized around the world.

Although we may be lacking in our ability to scale our enterprises, we do have ideas and it is easy to set up in business here. It can be a matter of minutes between idea and reality and this is the envy of many a would-be entrepreneur in other countries.

It is worth remembering that our population at circa 4 million is almost identical to that of the USA in 1790. At the time Thomas Jefferson and the founding fathers of the nation created a blueprint that some historians would argue led to the creation of a country that was to dominate the world economy for much of the next 200 years!

Our size also has the advantage that it can make things initially very doable. We can 'wrap our arms' around issues that seem intractable in larger economies. By way of comparison Wal-Mart has a workforce that is similar in number to that of the working aged adults in NZ.

Myths

There are half a dozen myths holding back NZ's productivity agenda in our view. Every nation, including our own, has a tendency to hold certain things to be true, that are not necessarily the case. We seek to debunk a few New Zealand myths below.

Myth 1: We need more analysis

We believe that NZ has a tendency to over analyse in some areas whilst ignoring others and while some great insights do come as a result of this, we argue that New Zealand needs to focus more on action. By being more focused on ideas into action things can be improved simply and of course the execution of a few things done well will maximise returns. The goal must be progress not perfection.

Myth 2: Everything about our culture serves us

There is a propensity in NZ to have limited aspirations and this can limit our achievement. NZ has many small businesses that could do business globally. But this will require a mind shift in business model scalability. Smaller to medium sized companies will need to look globally at other talent bases, when considering how best to maximise the opportunities.

NZ needs to be training its entrepreneurs and utilising its leaders, as [Michael Henderson](#), 'world expert corporate anthropologist' has observed, the underlying belief in





NZ, in comparison to other countries, is that “life is good”. This is in opposition to the USA where the prevailing belief is that “progress is good.”

He also observes that we don't sell well. This has a major impact because one of the principle ways an SME can grow productivity is to add revenue without adding human or other capital. This alongside the fact that NZ tends to be poor at teamwork, can have a considerable impact on productivity. NZ leaders do work incredibly hard and have a strong sense of loyalty but constantly believe they have to lead on everything and the consequence of this is little engagement for those around them. And yet we know, from well published research, that decisions which are made via engagement are significantly better than those where a leader makes them alone.

NZ does not make the best use of talent, having little drive to motivate people to perform and organisations here can be quite complacent and accept the average. On the other hand there is a lack of having the tough conversations or asking why enough. Relationships are disproportionately important.

Does culture matter? Yes – many studies have shown that good culture is vital to success, arguably several more times more important than a good plan! Managing culture / human capital must be therefore assigned a very high level of importance!

Myth 3: Managers know how their businesses work

The organizational answer to the question of ‘How?’ something works in a business is defined by a process. Processes and procedures are the mechanisms behind everything the execution of service delivery.

The problem with communications that exalt CEOs to focus on results and not process is that improving process is the only sustainable means by which to positively target and impact those results! To successfully perform we need to be clear about the distinction between good process; process that routinely brings about the desired outcome and bad process, that doesn't.

a. “A great result comes from a wonderful approach that is brilliantly deployed.”¹

Better and more consistent processes are a critical component of the whole productivity debate because they allow us to do more, faster and with fewer resources. And there is a simple formula for creating a high performance organisation and this is that a great result comes from a wonderful approach, brilliantly deployed. You can test the logic of this very simply. There is a wonderful approach and no one is using it, or we

In Feb 2009, the New Zealand Business Excellence Foundation surveyed its members on what was going on in the world of process improvement in NZ and they found that one third of businesses do not even know what their critical processes are three quarters of businesses don't have 'lean, systematic or efficient' processes and one third of the past process improvement initiatives have failed to generate a good return. This is especially worrying when we consider that NZBEF members are probably among the more enlightened!

¹ Business Excellence Architects CEO, Grant Ford.





have a horrible approach and everyone is using it. The truth is that usually it is a combination of the two that either way adds up to a sub-optimal result.

Grant Ford is a world leading expert in process engineering and has helped NZ organisations improve their processes to achieve better outcomes for customers, saving multi millions of dollars on the way. His simple strategy is, to be number “1” and stay number “1” in your class is that you simply need to continuously improve faster than your competitors. It does not really matter where you start on the continuum, if you are improving faster than your competitors, then ultimately you will overtake them.”²

But you do have to understand how you can improve faster than anyone else. The NZ innovation TurboSigma® is a process which aims to help organisations do just that. Grant is now implementing TurboSigma® in the state sector in Canada. TurboSigma® is a process (methodology and suite of tools) by which all other processes can improve. This kind of thinking has enabled [Kerridge and Partners](#) and many other organisations to achieve [Baldrige](#) award winning performance excellence.

It does not help that most businesses do not fully understand how their business delivers value and by what means. Employees can get wound up in the detail prioritising the trivial or the day to day over the strategic.

“All levels of the hierarchy need to understand that everyone has two elements to their job. They are charged with both maintaining the highest standards of company practice but they are also charged with continuously improving that standard. We should remunerate the improvement of the standard over the mere maintenance of it. Accepting that we want both, we should maintain a stance that we will pay last year’s salary if there has been no improvement in performance and productivity.

This kind of thinking will fuel the identification and removal of the non value adding steps in process as well as creating a focus on performing the steps that do add value with greater precision. Sustainable results can not be achieved by exulting people to work harder; you have to improve the approach; the way they are working and then complete the deployment”³. How many of our nations leaders are involved in the ‘improvement’ part of their job to the extent necessary when the noise of the day to day is so deafening?

Myth 4: It is easy for people to move here

Here we are focusing on skilled migrants and in particular these are senior leaders and individuals who can potentially make a major impact today. Our proposition is that current immigration practices are not correctly targeting productivity issues. We believe that immigration has the potential to make a significant contribution to productivity and this principally through getting expertise into the country that we do not currently have.

The experience of one listed company CEO is that he found NZ the hardest country to get into. Yet, he is the kind of blue-chip talent that we should be rolling out the red carpet for. He had worked internationally in a long career with a major multinational

² Grant Ford.

³ Ibid.





organisation and this meant he had to go to the extent of getting police checks from all the countries he had worked in and these included many second and third world countries. His marriage of 25 years was also questioned, with his marriage certificate being considered insufficient evidence for a 'long and stable relationship with partner.' And he is not the only one, we know about the ones who have persevered. Unfortunately, others have not.

Our thesis is that it is not just the immigration department who let the country down on this agenda. Our very own corporates often lack sophistication in their handling of incoming talent. Furthermore the actions of some of our professional associations – Royal Colleges, for example in the medical profession – have constrained inbound talent to the point that it can only be described as protectionist.

Myth 5: Being blokey is OK

There is a wide body of evidence that suggests that diverse teams perform better, one such example comes from France: Michel Ferrary, a professor of Human Resources has also used data from companies in the CAC40 (equivalent to the Dow Jones), to show a direct correlation between women in management and share price. The fewer women a company has in its management, the greater the drop in its share price since the beginning of the year and the more women in management, the smaller the drop in share price. We must take the diversity issue seriously. *It may be a multi-billion dollar problem for our nation.*

Myth 6: Human Capital is well used

NZ does not lack leadership per se, but NZ does lack managerial leadership. NZ leaders do positively impact and influence our economy and prospects, show functional strength, a breadth of experience and good judgement. A 'top end' firm of occupational psychologists certainly rate NZ leaders highly against some key metrics. Another NZ occupational psychologist firm has data on values that shows key differences in our values compared to Australian and North American leaders – but these are not negatives.

Therefore the call to action here is less about a shortage of skills and more about utilising the skills of leaders better. Many CEOs have a tendency to command and control in NZ and yet need to trust their employees to step up, take risks on talent and then support that talent.





Solutions

This leads us into postulating solutions, because it is absolutely possible to develop approaches on some key human capital issues that, well deployed, will play their part in our collective and continuous improvement. There is an opportunity for NZ to leap frog to the future through viewing success as a planned activity.

We fundamentally believe part of this success will be found in designing a significant role to be played within the public sector. It is too big and important to our economy not to have its contribution planned and executed.

1. Leaders – spend one day per week on talent

Leaders really need to take their talent resources seriously. In fact **leaders of world class organisations** spend about **20% of their time nurturing and developing talent**. The real challenge then, is for leaders to move talent up their agenda and effectively clear the equivalent of a day a week to foster and develop it. In terms of looking after talent, an international mentoring programme could even be established to support the growth of up and coming leaders.

Leaders need to be surrounding themselves with an engaging this talent. But mostly they need to have the confidence to let go and acknowledge that it is ok for others to be successful and in fact their own success can only really come through the success of their protégés. This way they will be creating reasons for talent to stay and showing that it is ok to shine. We as New Zealanders, have to learn to back ourselves and our leaders need to be focused on performance, alignment, delivery and less on relationships.

2. Make it easy for senior leaders to move here

We must make it easier for these senior leaders to get into NZ. The point to remember here is that by making it hard for these skilled people to enter and work in NZ, our current “policy is trumping common sense”.

Yet, there are ways to respond faster. We already outsource the immigration medical tests; why not **allow a private sector business to make the ‘suitability’ calls** and validate the backgrounds of senior skilled migrants?

3. Standards in Human Capital reporting

New Zealand could lead the world on Human Capital reporting in both the public and private sectors. To stay ahead we could look to publish a human capital report as part of company annual reports to give confidence that NZ organisations are managing their most important assets, their people, in the best way and better than the rest.

Shareholders have a legitimate interest in how human capital is being utilised. The best in the world are already doing this: sharing information on leadership development initiatives, data on turnover of key staff, confidence in leadership, levels of engagement in the workforce and so on. **We advocate creating a standard for Human Capital Reporting** that could be applied across the country. The standard defines what ‘good’ looks like and serves to raise the level of conversation on this key area of business.





4. **Setting our sights high**

We believe there is a very real possibility of the state sector leading the productivity agenda in NZ! **What if the Government became the source of 'improvement talent' in NZ?** NZ should be setting its sights high and aspiring to make some big improvements within the public sector.

5. **Embracing ideas from offshore government experience**

One new notion is that the public and private sectors share ideas and there are successful examples of this around the world. One main example is WIG, an organisation in the UK that covers both industry and Whitehall with the aim of building and sharing cooperation. We believe there are huge benefits to be made from public and private sector collaborative thinking and that there would be great interest and scope to introduce this idea into NZ.

Improved results require improved approaches and deployment and this has been captured in the UK where different councils have made decisions to merge resources. When there is not enough work generated or financial backing for one council to make use of certain resources, councils such as that in Havering, Barking and Dagenham have looked to share one main well resourced laboratory. Similarly, the councils of Sutton and Merton have merged their human resources.

6. **Ideas into action**

If we were to think really big and consider aiming to engage every New Zealander, an online forum could then be established to get the nation's opinions on how to improve the way NZ works and a body could be set up to champion the portfolio of innovation and see these ideas into reality. A ministry of innovation?

Leaders can be weary of new ideas, even though these can ensure more employee engagement. Ideas can be harnessed successfully if there is a common practice and mechanism for surfacing, evaluating and implementing them. Imagine how many ideas could be generated by 250,000 state sector employees reflecting on those things that could be improved in the tasks with which they are the most intimate. Even if only one in 1000 employees created an idea that would be 2500 ideas, not to mention employees feeling that through their work they make a difference. It is fact that only 20% of employees feel highly engaged, but what if this was improved to 25%?

7. **Rebrand 'productivity'**

Productivity needs to be rebranded. It has come to mean working harder when it should mean me getting greater result from my efforts. No government worker [and all too few private sector workers] will leap out of bed in the morning in response to a call to be more productive if this it all it means. Its name needs to be changed to engage the real vision it sets.

If you look at the example of government workers, they may not understand all the technical details behind productivity and process improvement but they would certainly know what 'better' looks like, particularly because 'better' [= more productive] means





they can enjoy the satisfaction of delivering more to their clients and wasting less time on things that add no value.

8. Support women en route to the boardroom

The public sector has led the way in NZ in terms of diversity. However, there is still the issue of boards having the 'old boy network.' However, changes can be made here through establishing quality, open mentoring systems for aspiring directors and utilising the plentiful databases available for directors in NZ. Creating an annual award for excellence in organisations with diverse boards is also a good way to stimulate change.

Given our lack of critical mass of women leaders here, we could set up a mentoring programme for up and coming women in NZ to link with 'those women who have already trodden that path' in parts of Scandinavia for example.

9. 'Generation F'

This also has importance in relation to talent. Leaders need to be celebrating the success and acknowledging the difference that talent can bring. They need to embrace it, no matter what the age or generational differences. The new "Generation F⁴" will be a challenge to the accepted ideals of businesses because they see that power comes from sharing information and not hoarding it. They will see things such as hierarchies as not being prescribed and that groups are instead self defining and self organising. They will consider that all ideas compete on an equal footing, that contribution counts for more than credentials and that leaders serve rather than preside.

10. Embrace standards

If everyone has two elements to their job, maintaining the standard and improving the standard⁵ then we need to standardise - and to achieve this we need a common language of improvement across Government. Looking at creating improvement processes, Toyota is a great example. It is a large business, employing about as many people as the public sector in NZ and yet they have common standards and practices across all areas such as their standardised business case reports and methods for improving work processes. Consequently all their improvement decisions are made on a common platform.

As this example shows size does not have to be an issue and so there is an opportunity for the NZ Government to standardise on the language of improvement.

⁴ Generation F: MLab, Garry Hamel.

⁵ Grant Ford





11. Codifying a way to get things done

By codifying a way to get things done, a shared knowledge can be facilitated across Government and not only will this ease the movement of leaders across Government but it will also lessen confusion, be able to be well defined and keep all employees on the same page.

In the presentation, we shared an example of a simple tool for improving meetings. We have added this in an appendix and encourage readers to try it!

12. Raising our literacy levels

NZ needs to aim for long term human capital enrichment and to really engage its skilled people in the future. We can mobilise New Zealanders to get behind the future of the nation by voicing these big aspirations and creating interest, pace and energy.

Major international businesses move to where the skills are. We must ensure our youngsters are leaving school with the kinds of skills that will attract future investment from such companies.

Consider the increasing numbers of unemployed. Consider at the same time the critical need to raise basic literacy levels amongst our youngsters. It would be very simple, we suggest, to set up a scheme whereby the unemployed skilled 'willing' would assist the 'underperforming' in pre-schools and schools.

For graduates this might represent a welcome break from daytime TV and might be wrapped up into some kind of qualification or certification. Not unlike the social service that many Germans have chosen over military service in the past. The beauty of this scheme is that the results would be totally measurable – given the levels of testing in schools – and furthermore would increase the employability of those giving their skills to the scheme.

Summarising a response to the issues

The public sector may be highly risk-averse, however some strong options for helping New Zealanders to take risks have been put forward. The NZ Government has the ability to lead the way on productivity through rebranding it, capturing ideas such as creating a public/private sector collaboration (e.g. www.wig.co.uk) and creating standards for the approach and deployment of improvement processes.

Mostly importantly though, we need to remember that these solutions are not beyond our capabilities and are certainly all doable. Government could manage an improvement portfolio across the entire public sector, supporting with methodology, measures and barrier removal, whilst the respective management teams deliver on their individual projects.





Presenter/ author biographies

Peter Kerridge MA (Hons)

Peter Kerridge is the founder of executive search and coaching firm Kerridge & Partners. He is also a member of the Board of Trustees of [Leadership New Zealand](#), an organisation set up to focus on developing and enhancing the quality of New Zealand's future leaders. In addition he is a Director of Business Excellence Architects Limited.

In keeping with the vision of the business to make a difference to executive search consulting globally, Peter is a Council member for the Asia Pacific Region of the international body, the [Association of Executive Search Consultants](#).

Peter joined the management development programme with ICI in the UK, before embarking on an international career that took him via Africa and South America to New Zealand where he progressed to the executive team of a major utility, working on large scale cross-functional business improvement projects.

With nine years in executive search, Peter has also been a guest lecturer to MBA classes and a conference speaker on how organisations achieve excellence. He is a trained company director and long time member of the Institute of Directors. He holds a Masters Degree from Cambridge University.

Chris Johnson: BA (Hons), FCIPD, APEC

Chris leads the Executive Coaching practice. He has over 15 years experience specialising in the development of leaders through executive coaching. He works with clients across New Zealand, as well as in Australia and Europe.

Prior to joining Kerridge & Partners Chris was MD of the London-based consultancy Cedar International where he worked extensively with both senior executives and board members of many organisations in both the public and private sectors. Client organisations included many of the FTSE 250 companies as well as H M Treasury, The National Audit Office and Strategic Health Authorities.

Chris is an Accredited Member of the Association for Professional Executive Coaching and Supervision (APECS) and a Fellow of the Chartered Institute of Personnel Development. He is a qualified psychometric assessor and a national level rowing coach, which included coaching his wife to be a world champion.

We also acknowledge the contribution from Grant D Ford CEO Business Excellence Architects.





Appendix 1 – Process – content – feelings meeting improvement tool, sample.

	Good	Not Good	Improvement actions
Process	Agenda circulated prior. John facilitated well	Strategic plan Should be covered first John always facilitates – no one else We went overtime Not all team had read papers prior Minutes from last meeting too wordy	Shift plan to item 1 in agenda Rotate facilitator – Mary next Reformat meeting minutes – Lisa
Content	Content appropriate	Too much discussion on the 2nd item because lack of preparation	All commit to reading papers pre meeting
Feelings	Feel positive about the programme of work We need focus on key deliverables	We need to get to know each other better	Jeff to organise a team lunch in next month

