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BvA: How do companies transform themselves to become more productive? What simple practical techniques are there to restore and increase productivity, and what are the things stopping them from doing just that? In short, what is practical productivity? Welcome to Productivity Puzzles.

Hello and welcome to the eighth episode of Productivity Puzzles, your podcast series on productivity brought to you by the Productivity Institute and sponsored by Capita. I'm Bart van Ark and I'm a Professor of Productivity Studies at the University of Manchester and a Director of the Productivity Institute, a UK-wide research body on all things productivity in the UK and beyond.

In previous episodes, we have spoken much about the big picture on productivity, what is productivity, why does it matter, why has it slowed down, but today we're going to talk about what can we do about it, and more specifically, what can business do about it. We said it often before, productivity is not the thing that keeps most business leaders awake at night, productivity is not one of a firm's KPIs, and while many people in our audience don't need convincing on why productivity matters overall, we still need to ask ourselves what the key levers of productivity are at the firm level. So in this podcast today, we are going to be practical about productivity, and our lead panellist, Mark Logan, is going to do exactly that. Mark is a Professor in Practice at the School of Computing Science at the University of Glasgow. He recently spoke to our Scotland Productivity Forum about this topic and you can find the link to the lecture which is on YouTube on our website productivity.ac.uk, you go to Podcasts and then go to the episode and you can listen to the whole lecture. But we thought it deserved some further conversation in this podcast. Mark has over 25 years of experience as a leader in the internet technology industry sector, and from 2012-2016 he was the CEO of Skyscanner which many of you probably have visited when booking your next flight and looking for the best deals. Since leaving Skyscanner, Mark has been an advisor, investor and

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non-executive director for start-ups and scale-ups across the sector in Scotland and internationally. Mark, welcome. I remember your introductory remarks for the Scottish Productivity Forum that you quoted some of the typical questions on productivity you have come across when working for the firm, so what were those again?

ML: Hi, Bart, it's good to be here. Yeah, so these were examples of the sort of things you hear all the time and I hear all the time when I work with start-ups and scale-ups, and you'll hear people saying, why do things take so long, they don't really have insight into why that is. Or very often you'll hear especially early teams in a business later on saying, things are much slower now than they were when we were smaller, why is that, or you hear people becoming anchored in a certain level of productivity, so they have discussions about, how do we get to five per cent or ten per cent more productive when perhaps they should be asking how to become ten times more productive. So these are the sort of things that you regularly hear or variations upon those.

BvA: Yeah, ten times more productive, if we could do that, that would really raise productivity in the UK and could get us out of this productivity slowdown, so let's see if we can get there with practical productivity. Now, Mark is not the only productivity practitioner on today's podcast, we have two other panellists with a lot of on the ground experience on productivity. First, Mark Hart – we've got two Marks today – Mark Hart is a Professor of Economics, Finance and Entrepreneurship at Aston Business School and a Deputy Director at the Enterprise Research Centre, and for many years Mark has worked and published in the areas of entrepreneurship, enterprise and small business development and policy, and he's undertaken a lot of evaluation studies on business support, products and service in the UK and in Ireland. And he's especially well-known for work that he's been doing on high growth firms which have been very influential in shaping policy discussions and actions in the UK. So Mark, you've done a lot of work on small medium enterprises in particular, and those of course come in many different types and sorts. Do you think that any firm can or perhaps any firm should do productivity, or would you say simply that for some firms and particular some smaller firms simply not to bother because productivity is just too hard?

MH: I would never advise any business to not bother with this agenda, Bart, very clearly, and not just, you know, do I do work on SMEs, I actually work with SMEs, I work on the Goldman Sachs 10,000 Small Business Programme and I've been working with the chancellor's team to get the Help to Grow management team up and running. So there's an underlying sort of concept here that the leadership management training is crucial to the productivity agenda, so if that is the case, then I'm very convinced that we are able to reach out to every small business, and there's a range of businesses I work with, you know, from the micro to the mid-size. The key point is ambition, mindset, and if we can get inside the founder, the management teams' attitude to what they're trying to do with their business,

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it's fine. But of course we know from our regional productivity forums, Bart, that we just don't use the productivity word, businesses talk about a different language and that's what we always do in the classroom. So I've had access over the last ten years to thousands of small businesses and we get them thinking about other things, we get them thinking about the culture, the workplace practices, we get them thinking about the way in which they get involved in skills and training, they can relate to that agenda and we'll share some examples later, Bart, in terms of the range of sectors that we can give examples of how this agenda is pertinent to every business.

BvA: Yeah, you're right, I mean, productivity at particular business level sometimes is sort of a fuzzy term and sometimes you have just to use other terminology for it, but I think it is great actually to have the other Mark actually talk today about practical productivity that you can actually think in productivity terms around it. So let's have that conversation, and we'll be joined for that conversation with a third panellist today, Paul Abraham, Paul is the Managing Director and Client Partner for Local Public Service Business for Capita, the sponsor of Productivity Puzzles, and he's responsible at Capita for strategy, end-to-end P&L and customer relationships across local government, housing, and community health. Paul has a lot of experience on how to improve productivity in a business, how to use technology as an enabler, how business can work smarter, and a culture that is necessary to harness productivity improvement, so that's exactly the expertise we need. Paul, welcome, you are now working in local public services space, but before Capita you had a leadership role in a local council at Essex County Council. So the question to you I think that I have to begin with is can productivity be practiced at the level of a local service or does it actually fly in the face of the need for consistent delivery, higher customer service and quality that you want to deliver, can you do both things at the same time?

PA: One of the tensions I think is that obviously Capita's a private sector company and we support the public sector, so there's kind of an inherent tension in there, but there's also probably a tension between what good productivity means for local public services. As you said, we work with local councils, community health Trusts, their aim is to deliver better outcomes for citizens and communities, and those outcomes are fundamentally linked to the locality in which people live, so by definition they're better delivered locally. But Capita is a big national company and a lot of our services are delivered nationally, and actually where we drive our productivity is through shared service centres, contact centres, or the use of digital technology and shared platforms, and at this level it's absolutely essential that we drive consistency, quality and replicability and productivity will very much be driven by sorts of tasks and transactions. However, the benefit of doing that on a national level and using bots, that sort of thing which can best be realised at scale, is that this then frees up capacity within local councils and community health Trusts to focus on frontline services, delivering

outcomes, all of those things that the local community and the local people need.

BvA: Yeah, that's interesting because it brings up the issue of collaboration, right, and sharing, and that shows that productivity can also be done better by actually working together, and whether that's different businesses or different local councils, that can help to actually improve productivity, something we will perhaps may get back to a little later in our conversation. So thanks for those introductory remarks. Mark, Mark Logan, I'm going to go back to you, again when we listen to your lecture that you gave a couple of weeks ago, you started off by talking about what you call the practical anatomy of productivity problems, in other words, how do you break that fuzzy term productivity that we just mentioned into manageable pieces. And you make what I think is a useful distinction between the static and the dynamic view on productivity problems, let's go through each of those, let's start with the static view which you basically define as where we are versus where we want to be on productivity, in other words, how can we close that gap. And I think the question is what are first of all the things that are stopping us from closing that gap between where we are and where we want to be on productivity?

ML: Yeah, so if we think about it's a practical and so wieldable definition of productivity, in human terms it comes down to getting a lot more done with the people we have in the time that we have, and it's often useful I think to think about the answer to that is a case of removing certain barriers or certain activities that loses time and loses output. And the reason we often struggle to even parse the space at all is because we don't really have a good model for how to think about the types and the different types of productivity problem that we face, so people therefore tend to kind of guess at point solutions. It's often useful I found to think about it in terms of kind of like four different categories of productivity issue, and a major one of those and the first one I'm going to summarise here is throughput problems. If you think about a business, it's made up of processes, some of those are very important processes, golden processes if you like that run the business, and there's secondary and tertiary processes. But these processes are super important to the throughput and to the outcomes of a business, and very, very often we find that processes start to slow down and have throughput problems and latency issues, and we've got to have some way of analysing those problems and finding the actual reasons for that slowdown, so that's one critical category.

I think the second one is that very often we have a goal in a business and that implies a certain set of things we have to do, but two or more of those drivers to that goal seem to be in conflict with each other, and that in turn causes a lot of time and debate and eventually it turns teams into conflict with each other. So we've got to have a way of resolving those apparent conflicts, because they chew up a lot of productivity time and it can be very long-lasting, so conflicting imperatives is the second one.

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The third one is around decision bottlenecks, now, it's very interesting how in most organisations, regardless of the number of staff you have in the business, the productivity of the business is actually a function of a tiny percentage of those people, these are decision bottlenecks, often senior people, and much of the organisation is waiting on them to make decisions and therefore the organisation ticks over until those decisions get made. There's got to be a better way, so that's an area that's very, very sensitive to productivity.

And the final one is path dependence. People believe for a whole bunch of reasons that what we're doing today is kind of almost like believing it's the best of all possible worlds, no matter how bad it is, that we can't do any better than this, or we can only increment upon how we do things, and that path dependence locks us into low productivity for the long-term. So we've got to have insights and solutions for these things, but this anatomy, throughput problems, decision bottlenecks, conflicting imperatives, and path dependence, is a useful way to segment and look at the problems you might be having in your business.

BvA: Yeah, absolutely, and I'm sure that many in our audience in the business sector will recognise these problems, actually you don't have to be the business sector for that, in any organisation you'll see some of those problems. Paul, in your view, of those four, which of those in your practice are most powerful, do we have any examples of cases working with local service communities on where you see these things happening?

PA: Well, firstly they all absolutely resonate and I could happily talk for the whole hour probably on just unpacking my business and trying to help with some of those examples. But the two that really struck me, one is around decision bottlenecks, definitely a risk in my organisation, something we face on a daily basis, and probably any organisation that delivers services at scale has the same issue. You know, fundamental to how we do business are things like digitally-enabled shared services, lean process improvement, robotic process automation, all of which increase productivity and enable our teams to be more productive, but that's because they make tasks transactional and almost like a production line. But the very nature of public services mean that you're quite often dealing with people who have non-standard queries, the nature of life is that people phone up or they contact the council with something that is different to what the previous person wanted to talk about, and how an organisation deals with those non-standard or complex issues can often lead to bottlenecks. And where this is evident in my organisation is it kind of demonstrates the importance of culture and empowering the workforce, so as Mark said, rather than going and talking to the management and to the leadership team about what to do, changing the culture so that your workforce feel empowered to make those decisions, within a framework obviously, but effectively to do the right thing by the customer is a means that we use to try and reduce those bottlenecks, but it's definitely a constant tension for us.

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And I think the second point that really resonated was around conflicting imperatives, and again we probably wrestle with this on a daily basis. So just going back to my earlier point, our purpose is to improve outcomes for citizens, yet often through the contracts we have with councils, we're measured on outputs, how quickly did we answer a call, how quickly did we process a benefits claim, how many Council Tax queries did we resolve today, rather than, did the customer's issue get resolved first time, did they have a great experience, and is their life generally better as a result. I think there's also often a perceived conflict between a private sector business that needs to make profit and increase shareholder value to survive and a public sector organisation that exists to serve citizens and communities. But actually if you focus on outcomes of being purpose-led, that conflict can be removed. But that idea of conflicting imperatives, even within a team I think absolutely resonates with me.

BvA: Yeah, yeah, right, those are really good examples on how these also apply in the context of a local council service, so that's great. Okay, so this is the static view, and then the second part, Mark, was the dynamic view of the productivity anatomy, and that dynamic view focuses more on how organisations manage to get on a growth path, but how any growth path then begins to create new hurdles, requiring the organisation to rethink their growth path. So describe to us what causes these breaks between the growth and the organisational change that need to be made to get onto the next phase of growth.

ML: Yeah, sure, so whenever I've been in a leadership position in any business, the point I'm most worried is when everything is going really well, you know, when we don't perceive that we have any productivity issues, because that's just the moment before everything starts to break. And if you think about how that works, what I've seen is that if you start a company, let's say the four of us here started a company tomorrow, then we'd find for the first 30 employees that we added to the company, the more people we added, the more outputs that we would get, the more outcomes, however you determine those for your particular business. But once you get to about 30-50 people, you might still be adding more staff, but things start to slow down, like we're getting the same or less done, funnily enough, than we did when we had less people. If you get through that stage, you find the same thing happens again around about 100 people, around about 200 people and around about 400 people, it's almost like in a geometric progression. And essentially what's happening there is that if you think of what an organisation is, it's people and their current capabilities and capacities, it's the processes we ask them to operate in, it's the structures that we put them into.

So those key things, every so often as you grow a business, they break individually and combination, and what used to work really well for you suddenly starts working against you, it's just scaled out. And the problem with that is, and the reason that most businesses really struggle to break through these dynamic issues, is first of all because emotionally what used

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to work is something that you really believe in, so you double down on it, even though now it's actually inappropriate for the type and size of business that you are, so people get stuck in these inflection points. And I think another thing that happens is that businesses in their early days are relatively simple, so if I was to ask one of us in our theoretical business from earlier, why are we having trouble selling stuff or why is the product buggy, you give me an answer almost immediately and you'd probably be right, your plausible answer is also the actual problem. But as a business grows and the complexity increases, nobody really knows the whole of an individual process and so on and so forth and how it works, if I asked that same question, you'll still give me an answer right away because that's what executives do, we're good at that, and it still sounds plausible, but it's increasingly moving away from the actual reasons. Now, I might act on your advice and take actions and do things and find that we still haven't fixed the problem, that's a very, very common issue, so the gap between plausibility and actuality widens as a company grows, and it's exacerbated with the fact that as we become bigger, executives and other senior people become more and more time sliced, so the chance to sit down and look at something in detail for several continuous hours, well, that's completely vanished a long time ago, so we only can provide short, plausible reactions, and that just doesn't work.

And I think the final thing I'd put in this category, Bart, is that very often when you're in that circumstance, along comes somebody selling the emperor's new clothes and says, you guys need to move to agile or pick your flavour of the month technique, and very often because we don't understand the fundamentals of things like agile, we take the trappings like stand-ups and scrums and all that good stuff, and sprints, and we put them on top of an organisation that's slowing down, and all we've actually done now is add another layer of indirection onto an already slowing down organisation, so we've actually compounded the problem. And that's why very often such initiatives fail, because we haven't got to grips with the fundamentals of productivity, some of the things we were talking about earlier. So dynamics in other words take something that works and break it through scaling and that scaling in turn breaks your growth, so that's the dynamic problem.

BvA: Yeah, it's interesting in recording this podcast we can actually see each other on video and I see both Paul and Mark nodding when you were talking, so we all sort of recognise these kind of things. So Mark, Mark Hart, so you're nodding, I mean, you see some of these things happening in organisations that you're working with, what are the most powerful that you hear and you experience, any examples or anything you want to add to that?

MH: Well, I think all of these categories that Mark has taken us through, I see them every week in the businesses I work with. I think when I delve back into my small business world which is where I occupy, I think one of the issues is about the way in which founder teams, as they try and

professionalise, they hire senior management people, and I think at that stage we begin to see some of those growing pains, they're on a very fast growth track, hiring people seems to be the solution to growth. But I think for me, the issue is the business model begins to change, and hiring people is not necessarily the way in which we simply can respond to the opportunities in the marketplace, we need to rethink the business model as we grow as well. So I see founders struggling, I see family firms, you know, the tension between dealing with dad who's still hanging around the business, so when I start salami slicing the small business population, I see a lot of examples of in all sectors of the economy where this is taking place. And I think there's the tension within families, there's a tension with the founder, I mean, one of the big examples I'm working on at the moment is with our dear friends in Gymshark in Solihull and Ben Francis, I mean, the operational difficulties is he began to grow rapidly organically, suddenly hitting a platform whereby he was on his own and needed to bring in that professional managerial experience, but never quite getting it right until then the finance guys got involved and then we began to get some serious discussion off the bottlenecks, but still underneath it all very fast-growing company as we know.

So I think the issue for me is that – and when I look at the data, I see businesses undertaking these episodes of growth, this is why I'm not a great fan of scale-ups per se, fast-growing companies go through these episodes and it's the episodic nature of growth and the way in which founders and management teams can deal with that is really important. But for me, it's understanding the business model, understanding what needs to be achieved with that model in terms of servicing the customer segments and understanding the way in which you need to be thinking about reaching, and I go back to Mark's point about process, process mapping is the most transformational exercise I do with businesses. I think about it in the context of what happens between the enquiry by email or telephone call and the money hitting your bank, and I describe it in terms of how much faffing about does the business do. And when you put it in those very simple terms, everybody begins to understand what those growing pains can be, when you're fast-growing, you can't afford to faff about. Great example of a business whereby, you know, a lab technician wants every order written down in a lab book and then suddenly someone says, you know, I could write a bit of software that could do that for you in 30 seconds and get stuff moving out of the warehouse, so there's a huge amount of challenges.

Governance is a final issue I'd make, Bart, in terms of we need to understand who's responsible to get round these bottlenecks, I find founder companies in particular, the lack of governance there, the lack of accountability in terms of what needs to be done at particular times is a major, major problem. But certainly the growth ambition is there, but the naivety in terms of what needs to go along with that is quite frightening at times.

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BvA: Right. Oh, well, so we now dealt actually with lots of problems with putting productivity in practice, but that's not where our story ends. Practical productivity can be done, as our panellists will tell us next, but before that, let's take a short break to tell you briefly about what else is happening at the Productivity Institute.

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BvA: Welcome back to my discussion with Mark Logan, Mark Hart and Paul Abraham on practical productivity. So we dealt with the problems of putting productivity in practice, and let's now look at some of the solutions on how can you make productivity happen. So, Mark, I think you're basically saying that restoring and increasing productivity is a function of two things, it's a function of time and it's a function of technique, is that right?

ML: Yeah, so time and technique, so what do we mean by that, Bart, well, I talked earlier about the time slicing that happens as any company gets bigger, and I think we all experience that, we all have Zoom meeting after Zoom meeting, et cetera, et cetera. And that puts us in a very, very bad position to address productivity issues, because to really get to the fundamentals of what affects productivity in your organisation, you've got to think, and I talked earlier about often we rely on plausibility, but to think needs time, and I found a really useful model when it comes to time is to imagine two types of time in a business. There's maker time, that's when you have continuous hours to do stuff, and there's manager time, when you are time slicing between lots of progress reports and things like that, and every role in every business needs a bit of both of course, individual contributors need more maker time than senior executives. But actually one of the biggest issues that affects productivity is that the people who are in a position of greatest agency to make change in an organisation in the senior executives are the people who have the least maker time, and therefore their ability to think through or to organise together with a small group of people and think through a problem is really, really reduced. And everybody in that position thinks that that's just the way it is, you can't do

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anything about it, path dependence, that's where it is to be a senior executive. I would urge anybody to make room for maker time.

I remember in Skyscanner I found myself in a position where I was heavily time sliced and then I realised I was becoming not an incisive executive but an administrator, and there's no real value in just being an administrator in that sense. So I blocked out every Friday afternoon, which is very hard to do initially, just so I could think about stuff, and it made an enormous difference to my productivity, and we eventually rolled that through the organisation, so we had meetings three Wednesdays, a number of companies do this, and it was extremely empowering for people, we became a lot more productive, and also people felt much less stressed, they felt better, it was a sigh of relief. So making room for maker time is extremely important.

And the other dimension is technique. Now, this is essentially the opposite of the plausibility argument, and what we need to do is we need to learn simple techniques and heuristics that help us grapple with productivity and replace plausibility with these, and I think we'll come on to talk about those. But it's really important that every senior person and not so senior people as well develop that toolbox of thinking techniques to parse productivity problems.

BvA: Mm, yeah, I think one of the ways that you would want us to approach is productivity is one of those issues of a thousand problems you can look at at the same time, how do you get the key problems that you need to resolve, so take us a little bit through that sort of process on how to think about these bottlenecks.

ML: Sure, so if we recap at the start of our discussion where I was talking about four categories of productivity problem, and one of them I talked about was throughput problems, so basically processes that can't get enough quantity of items produced, be that onboarding staff or making widgets or fixing bugs, there's all sorts of different processes that apply or the time it takes for one thing to go through is too long. So I think almost every business suffers from this. Now, as an example of a thinking technique that's very simple but very, very powerful is think of that as a series of pipes, so let's do a plumbing, quick plumbing course here. If we had a series of pipes of different widths, I think it's pretty self-evident that the rate of flow of water through those pipes is dependent only on the thinnest pipe and there's no point making pipes either side of that thinnest pipe bigger, it won't make any difference to the flow rate.

Now, let's imagine that these pipes, let's analogise them back to one of our processes, and each pipe of a particular width corresponds to one stage in a process, then it's obvious that we're going to also have the equivalent of the thinnest pipe be where a bottleneck is, but how often do we see people in business working on the wrong pipe or working on multiple pipes at once. People say things like, I think I've got five bottlenecks here, we should go

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and work on them, or you see the sales team being bonused and incentivised to sell more services when the implementation team is the bottleneck, you know, that's very, very classic example. So the way that this model is described by Eli Goldratt, the famous expert in productivity, is to believe there is only one constraint, one bottleneck in any system, any process, because by definition there can only be one, and then find it and then subordinate everything else to it. So, for example, don't run your sales team faster than the implementation team can implement, for example, because if you do, that's not neutral to productivity, that actually makes things slow down even more. So you subordinate to the bottleneck and then you elevate that bottleneck, you'll have a new bottleneck somewhere else, and that becomes your determinant of flow, and you repeat that process intensively until you get the speed you want, that's a simplification, but as you can see, it's a very, very simple metaphor for what can be otherwise very complicated issues to parse.

BvA: So Paul, it sounds to me that in practice that's going to be really hard, how to identify that bottleneck and how to start an iterative process of going from one bottleneck to the next bottleneck, so how would you go about that in your practice?

PA: So that's going to stick with me, the pipe analogy I think is really, really helpful, because actually if you think about public services, they are exceptionally complex. So I think the first trick is to define what your pipe is, because even public services, even councils delivering outcomes can be broken down to a series of processes or pipes, so I think the first trick is to break those processes down into something that you can manage. And we've talked a bit about process mapping, but understand where that process starts and where it ends, so whether the process is assessing vulnerable children, collecting waste, conducting housing repairs or collecting Council Tax, you can look at that process, and to Mark's point, you can identify the bottleneck. One of the biggest challenges I think that councils have is having the right data and the right MI to be able to really understand what's causing that bottleneck. That's something that we within Capita have got some good systems that we use to identify that, and once you've targeted the bottleneck, you can understand whether it's a process failing or whether it needs more resources or whether you fundamentally need to do things differently. But actually getting that thinking into the councils as well is what's going to make a significant change I think to their productivity too.

BvA: Mm. Great. So, Mark Hart, this iterative process, how can you streamline that, right, because so in particular you working in small businesses, again so much stuff going on, these business leaders need to juggle hundred problems a day...

MH: Well...

BvA: ...how can they do that?

- MH: I think the problem is the business leader, and if the business leader is the founder, then that is the major bottleneck as businesses are growing. And to identify yourself as the bottleneck is sometimes the most traumatic experience I observe in small businesses. So what do we do, what's the solution to that? I think for me it's about the maker time, the point that Mark was making earlier, that you actually try and get these individuals out of the business, and that's why the growth programmes I work on, whether public sector, private sector, creates that maker time. But it's not just about that self-identification through the maker time, it's actually putting these business leaders in the context of other likeminded business leaders, so in other words, the peer learning, the collaboration, and actually they begin to pull each other's businesses apart. And I've seen many examples whereby other business leaders are pointing at the individual and saying, look, you are the problem, you need to remove yourself from that part of the process, and bring in someone who actually understands, whether it's in the service sector or the manufacturing process. And I think that is hard for the smaller business, I think I get what Paul's saying in public services, different set of problems for larger, mid-size organisations, different set...but for the small business, which as we know, Bart, are going to be crucial to solve any productivity puzzle problem that we may throw at the economy, a lot of these bottlenecks become very personalised in the people who set up these businesses in the first place. So we need to think about how we can create that sort of collaboration among likeminded business owners to actually challenge each other and be open to that challenge, and I think that that is the way to professionalise a lot of great small businesses that are being set up every day of the week.
- BvA: So this is the second time I hear the term collaboration come back up, right, and learn from each other. So, Mark Logan again, what's your response to Paul's and Mark's comments and to what extent is this learning process, even for the business leaders, going to fit into this?
- ML: Yeah, so I'll maybe say a couple of things in response to the comments Paul and Mark made. First of all, certainly on the founder point, I was talking earlier about how when you have dynamic productivity issues because of scaling, either your people scale out or your processes or your structures, probably the most common scale out in the people side is the founder. But because we give founders a free pass because they're founders and they're mysterious and they're visionary and all that good stuff, those problems persist. And it's very difficult if you're the founder and you used to do everything and you felt successful and heroic because you did everything, it's very difficult to accept that now you're the problem. So I think I'd ask all founders to be really brutally honest with themselves, because no one else is going to tell them, people don't speak truth to power, not really, so therefore these problems have another reason to persist. So I think that's incredibly important.

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Back on the process optimisation side, this session is called Practical Productivity and if anyone's listening to us thinking, oh, gee, that all sounds quite hard, here's how you can start. And you mention collaboration, well, let's be honest, almost none of us know all of any process in our businesses, we all know a bit, so the way we used to do this in Skyscanner, for example, is we'd get four or five people who each knew a bit of a process, regardless of grade, this isn't a seniority game, this is a people who touch this thing every day. And we get a nice big bag of...or stack of post-it notes and we'd map the process out on a wall, and different people would contribute their knowledge in different parts. Then we'd simply simulate something moving through those processes with a different colour post-it, doesn't sound very high-tech, incredibly effective, and to give you just one simple example of what I can almost guarantee you'll find if you do this, 90 per cent of the reasons processes run too slowly is wait time. An item arrives in a queue and it sits in a queue for a week because nobody looks at that queue, it gets touched a little bit and then it gets put to another queue somewhere else. And that's an easy thing to eliminate once you start getting that visibility. So I don't want anyone to leave this podcast today thinking that getting productivity is necessarily and inherently hard, it's often that we conspire to make it hard. My favourite quote in productivity is none of us is as dumb as all of us, we hire lots of smart people individually, but together we conspire to avoid penetrating these issues. But once you get past them and use some of these techniques, often the solutions are very straightforward for all but the most large and complex businesses.

BvA: Yeah, that's really helpful and that really does make it practical. So let's talk the last few minutes, I just want to pick up on a few things that sort of came up during the discussion. One, Mark Logan, is this issue of conflict that you mentioned earlier, and maybe you can talk a little bit more about how we can diffuse that issue. I remember that you had a statement when you talked about this in your lecture at the time which again you can find a link to on our website, productivity.ac.uk, you had a statement there that said, in any closed system, there are no conflicts, only incorrect assumptions. Explain that to us.

ML: Yeah, sure, so this is another one of Eli Goldratt's sayings, and I'd recommend everybody to read some of his books, so he came up with the collective term for his ideas is the theory of constraints, very, very simple to apply, extremely powerful. Now, this statement, we've already talked about there's only one constraint in flow, so that's pretty simple thing to remember. This second one, there are no conflicts, only incorrect assumptions, let's explore that a little bit. Now, it doesn't matter if that's a hundred per cent true all the time, if you believe it's true because it's true most of the time, then you'll get a lot further on productivity issues than if you don't believe in it. So I'll give you a very simple practical example from one of the companies I worked in a few years ago now, so it's now a bit out-of-date, but it's a simple example so I'll use this one. So software business and a business that wanted to raise quality, so everyone agrees that the quality

of our software is super important, no one's going to argue with that. So one interpretation or one consequence of that is that to build software that's high quality that customers love, we have to regularly release the software to test new ideas to iterate towards what the customer needs, that seems unarguable. Another point of view is that to have high quality software that's bug-free and so on, you have to test it extensively, that seems reasonable too. But in our business, and I think in many businesses at the time in software, those two points seemed to be in conflict, how could you release software every day and also test it extensively.

And actually you typically find that an informational or conceptual conflict quickly becomes a team conflict, quickly becomes personal, people fall out about it, and they did. Now, if you apply this framework we've just talked about and assume that...and those two assertions that you've got to test extensively and you've got to release every day, there's an incorrect assumption inherent in there, then you start to get an insight into how to address this problem. An incorrect assumption that we had or one of the teams had is that you can only test extensively by taking a long time to do it, and our consequences of that exploration was that we fully automated all of our testing, we wrote test scripts for everything, and that meant we could test the software in a day and we could release in a day as well. So it's a pretty simple example, but it illustrates the concept that if you believe that somewhere in this conflict one of us has an incorrect assumption and you look to find it, then you turn people away from each other being at fault, to blame, towards finding something neutral, and that in itself is helpful too.

BvA: Mm, yeah. Paul, you have a final question about skills of the workforce.

PA: Well, interestingly both...so Mark L referred to the sort of people and current skills being integral to productivity and then Mark H talked about how people are integral to growth, and it really struck me because one of the key challenges I've got at the minute as we emerge from this post-pandemic world is my workforce, both in terms of having some retention and attraction issues and not having enough people, but also as the world has changed and our clients are working differently and as our business works differently, they also need different skills. So I was going to ask both Marks really on their experience what an organisation like mine can do to anticipate future skills requirements, and how integral you think that is to securing growth and productivity.

BvA: That's a great question, Mark Hart.

MH: Yeah, thanks for that, Paul, I mean, one of the issues that I think is really important is, you know, especially in the mindset of business, small business leaders who are on a growth track, is to get them really visualising what their business is going to look like, and there's a question I always ask them in who's going to be their seventh or tenth next hire, so getting them...having some strategic overview of where the business is going. I try to work on their business model to see how that's going to evolve in the

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years ahead, and then work backwards in terms of the business model about who's needed at what stage of the development of that business. And again it goes back to your point, Mark Logan, about maker time, about getting people the time to step away and be able to think through that process. If you're mired in the daily running of a small business, which has obviously been certainly 20 months of absolute pandemonium in that context, it's very difficult to do that, but I do believe that's the way to do this, to see what skills are going to be needed, is it engaging with apprentices, is it getting someone in the senior management team who's going to be responsible for this while you focus on something else. So I think it's about looking forward and certainly I like that question of the seventh or tenth next hire, it sort of focuses the mind and the shock on the face when people are asked, come on, tell me, and they can't, and then come back weeks later and they say, Mark, that was the most important question you've ever asked me, I get it, I know...I can now answer that question, fascinating exercise.

BvA: Mm. Mark Logan?

ML: Yeah, I like that, I like Mark's model too. I just have something kind of similar where I start from question, in a year's time, what should this business look like, what's it trying to do at that point in terms of scale or product diversity, whatever it might be, and what would that require the business to have in it, and where's the gap between where we are and that. And that then gives or sheds some light onto what kind of skills are people going to need, and I think the very common example of what the skills might be in a relatively small but growing business is management skills, leadership skills. So you often find someone can manage three people very well, but they can't manage ten people, and that tells you the job to be done is to invest in your team now so that when you are at that point, that they're going to be competent. Because one of the issues with any team in a growing environment is that competence has a shelf life, as a business changes, you become incompetent again, and unless the business is investing, unless you're personally investing your competence, then you're going to have a lot of problems. So I kind of look at it a year ahead and what's the competence gap going to be and how do we fill that, either hiring people or growing your own people, and that actually is a very general example of the founder discussion we had earlier, founders become incompetent to this scale unless they reinvest in themselves.

BvA: Great, well, guys, time flies and I think we can have another whole 40 minutes on this and maybe we will have a Practical Productivity Part Two in one of the upcoming podcasts, but for now we have to leave it at this. Thank you so much, both of you, Mark Logan and Mark Hart, and Paul Abraham of Capita for joining us today, and certainly a discussion to be continued.

In our next episode of Productivity Puzzles, we will focus on what is a bit the topic of the day, which is labour shortages. When recording this podcast, we just heard the Prime Minister talk at the Conservative Party

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Conference about how we need to find a path towards a high wage, high skill, high productivity economy, but how do we get there? How do these three things connect? Can businesses put wage increases ahead of productivity increases, and are there any quick wins in the skills area? No easy questions, but like today, I promise you a great panel of speakers again.

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