



Ep. 29 Productivity Puzzles podcast transcript

What makes firms productive? Lessons learned from across G7 economies

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BvA: What is the state of health in your business, and what makes a business really productive, and how do we get a good sense of what we are good at and where we can still improve? We are going to find out. Welcome to Productivity Puzzles.

Hello, and welcome to Productivity Puzzles, your podcast series on productivity brought to you by the Productivity Institute. I'm Bart van Ark and I'm a professor of productivity studies at the University of Manchester and I'm the director of the Productivity Institute, a UK-wide research body on all things productivity in the UK and beyond.

Welcome to a new show of Productivity Puzzles. Apologies for the slight delay in posting the webcast but we have a great panel with really busy people today so I'm sure you will agree that it's been worth the wait. Now, today, we're going to focus on one of the core questions for the Productivity Institute; what makes firms productive? You've already heard all the good advice on previous podcasts, workforce skills, management competencies, relentless focus on innovation and, of course, stable policymaking, but how do business leaders, themselves, think about what a healthy and productive firm is, and how healthy are our businesses currently, and what do we expect will impact on business productivity in going forward?

Now, to do this, we're not having to drive blind because we can benefit from some great data produced by one of the Productivity Institute's strategic partners, Be the Business. Be the Business is a not-for-profit organisation with just one single goal, helping business owners and leaders improve the performance of their business. One of Be the Business' data products is their Productive Business Index which is an index published since 2020 and serves as a barometer on how business leaders think their business is faring but also looking at whether the investments that are being made to strengthen the firm's capabilities in order to either enjoy a good ride in the economy or, if necessary, to weather a storm.

So, who else to do this with than with the Be the Business CEO, Anthony Impey? Anthony has been chief executive of Be the Business since 2020 but is also a founder and co-chair of the Federation of Small Businesses'

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Big Ideas Group. He's chair of the City and Guilds Industries and Skills Board, and he leads the Department of Education's Apprenticeship Ambassador Network that represents over 1,500 employers, nationwide.

AI: Thanks, Bart, and thanks for inviting me to take part.

BvA: Now, one lesson that I've learned over the years is that if you talk about business, don't do it without business so we have managed to get great business leaders on our panel also today, and they are both from the north west of the country. First, Hannah Barlow is managing director of Dunsters Farm in Bury, which is a family-owned food service business which supplies to education, healthcare and hospitality sectors in the north of England. Hannah has led Dunsters since 2014. Hannah, welcome to the podcast.

HB: Thanks, Bart, it's great to be here.

BvA: We have Barry Leahey, who is the president of Playdale Playgrounds, located in Cumbria, where he started in 2004 and where he has overseen a major turnaround for the company. In 2018, Barry was named the Institute of Directors North West Global Director of the Year, as well as Cumbria Business Person of the Year, and we are proud to have Barry, also, as the chair of the North West Productivity Forum at the Productivity Institute. Barry, welcome.

BL: Thanks, Bart. Hi, everyone.

BvA: Last, but not least, Hannah and Barry are both ambassadors of Be the Business.

Now, let's start, Anthony, to talk a little bit about the Be the Business Productive Business Index. It's another index but I really love this index because I think it has some really good information in it so talk us through a little bit, what's special about that index? You've had that, as I said, since 2020, how has the data developed over the last couple of years?

AI: Thanks, Bart, and, yes, as you say, it's a really interesting dataset and gives us a really new insight into what's happening in small businesses and how they're approaching productivity. It's now been in operation for three years. We run the index, we run the survey that drives the index every six months. We're now in its sixth edition. We ask between 1,000 and 1,500 businesses 130 questions about their businesses and it means that, so far, to date, we've got 1.5 million data points about small business productivity.

We're interested in five areas of the business. The five areas that we look at are management and leadership, and how the business goes about investing in their management and leadership capabilities, we look at their adoption of technology, we look at their approach to innovation and embracing and building on new ideas. The fourth part of the survey looks

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at skills, training, development and human resources, and the final part of the questionnaire looks at operational efficiency. So, we're looking at multiple aspects of how a business operates.

Across those five areas of the business, we're looking at three different aspects. We're looking at the performance of the business, the capabilities of the business and the confidence that that business has. We're looking at that both historically and in the future. So, we're asking businesses, what do they think they're going to do or what do they intend to do in the future? The combination of these different metrics produces a Productive Business Index score that allows us to look at whether productivity in small businesses is going up or going down.

So let me start with some good news. It's always good to start with good news. The good news is that business performance is marginally up. You might say, Bart, well, marginally up doesn't sound like particularly good, good news, but when you put that in the context of the economic shocks that business leaders have had to contend with over the last three years, and we're talking about lockdowns, we're talking about massive inflation, we're talking about supply chain disruption, a skills crisis, stock being stuck in the Suez Canal, you know, there's a huge list of things that have impacted businesses over the last three years. So, for business performance to be marginally up, I think that's a win in those conditions.

However, what we have seen is a significant drop in the capabilities in businesses, and that, I think, is of concern, and that means that the overall Productive Business Index has actually seen a decline over the last three years. So, we've seen performance hold steady but we've seen capabilities dip.

BvA: Let me try and understand that a little better, then, Anthony, right, this difference between performance and capability. So, performance is basically the final results you are actually experiencing as a company, the capability is basically the investments that you're making to, basically, make this all happen. So how can a difference between performance and capabilities happen?

AI: So, you're absolutely right, that capabilities is that either the investment that's happened or the intention to invest. So, you would always expect to see... If you intend to invest in something, you would expect to see performance following that. It also, sort of, indicates the amount of effort that businesses are having to put in just to stand still at the moment. I suppose the other thing that it indicates is that, for lots of business leaders, they're... You know, I've mentioned the various burning platforms that business leaders are having to contend with at the moment, and I think that that is meaning that, very often, those long-term plans to invest get put on the back shelf because there's just not time when you're having to put out so many fires to keep the business operating in its current state. So, I think

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these are all indicators of this mismatch between how businesses are doing, the performance of the business and, actually, the capabilities that exist in those businesses.

BvA: Now, you gave us the good news, now you said the not so good news was the capabilities but then I interrupted you so, you know, what does that now imply?

AI: Well, I mean, you know, there's some indications around the things that businesses are worried about. So, unsurprisingly, you know, we've found that nearly half of all small business leaders are worried about the current economic climate. A third, specifically, are worried about interest rates and the impact of inflation on their businesses. I think there's a lot of angst amongst business leaders, and angst means that that investment, that future investment that's so important, is not going to happen because, with so much uncertainty as you're navigating these very challenging conditions, making investments is just doubly risky.

BvA: Okay, well, that's a great explanation, thank you. So, let's go now to Hannah and Barry, and I'm going to ask each of you, starting with you, Hannah, how does that resonate, good performance but capabilities and trying to keep those capabilities there is a big challenge, then, as Anthony just said so clearly, it creates a certain amount of angst? Is that something that you recognise in your own business but also in businesses that you're working with on a day-to-day basis?

HB: A hundred per cent, Bart, I think, personally, for our business, we've just seen a record month in our 60 year history. That sounds like great news but, actually, the impact on our systems, on our processes and on our people has actually been quite overwhelming and we're just coming out of the back of that month. It's got to the point, at certain times, where it has nearly broken our team which is obviously, as a business owner, not what you want to be talking about.

There's a lot of other external challenges that are impacting on business at the moment. My business operates in food service so we sell food into education, hospitality, anywhere with a kitchen, and, you know, the last few years, we've not only had COVID lockdowns but we've also had Brexit, we've had food inflation, we've had an HGV driver shortage, we've had a fuel crisis. All those things all impact on our business. Some businesses might not have had such an impact from some of those, whereas a business like ours has been impacted by every single one. I think things have started to ease. I think, you know, things...even to the point of like the recruitment market, we've seen those ease which does help SMEs but there's a lot of competition out there.

You know, we're delivering basically next-day delivery. I think the world of COVID ended us with an end user, a customer that expects everything next

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day, expects everything very quickly. We live in a world where people are used to ordering online. We've had to really up, kind of, the digitisation of our business, bring in e-commerce. There's a never-ending list of challenges, I suppose, as an SME business leader, that we're facing on a daily basis.

AI: Of those five, sort of, capabilities that Anthony identified in the index, which is the one that keeps you most awake at night, sort of, this management part, leadership, technology, innovation, skills, operational efficiency? I'm sure you're going to say everything but what is the one that keeps you awake at night? I hope it's only one and no more.

HB: I mean, yes, we love all these things and we embrace them but I think the one that probably, at the moment, is our biggest challenge is the management and the leadership. We're quite a small leadership team. We've brought in a non-exec director. We have a board structure. We are quite advanced in some ways, mainly thanks to Be the Business who've helped us put these things in place, but we are a relatively small team. We've not got as big pockets as some of our larger competitors out there. We need to bring the skills into our business to be able to get us to this next stage. We're on a very big growth journey. We're extremely ambitious but, kind of, having the skills within our leadership team is the thing that probably keeps me awake at night most.

BvA: Barry, Playdale, making playgrounds, a very different type of business than Hannah's, but do you recognise the same kind of challenge or is the world, for you, looking slightly different?

BL: Everything that's been said so far, it just resonates, you know, at Playdale and every other SME or manufacturing business that I come about, at the moment, but I think we've had a bit of a mindset change. I don't remember a time when I wasn't anxious, as a business leader. I genuinely don't, and I think we've almost baked that into our mantra now that, actually, at Playdale, we do, we have this growth mindset and we're constantly scouring the horizon for new opportunities due to that anxiety. I think it promotes us to get out there and look for these solutions. So, it's exciting times. We appear to be constantly on this adrenaline wheel of trying to find new things.

BvA: So, what's the difference between healthy anxiety and not so healthy anxiety because obviously it can go too far and then you, sort of, become, you know...nothing happens anymore?

BL: It can, and it can paralyse you as well, you know, as a business. We have a plan. We have a very robust plan. Where we went and what has changed, like Hannah said, during COVID, you know, our progressive mindset there around investments and what we were doing, around cash and people, et cetera, we started to reforecast quarterly instead of annually,

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and we just kept very, very close to our numbers. That plan is constantly changing. There's a revised operating plan and that just allows us to, I think, make sure we're focussing on the right things.

AI: Your point there, I really agreed with that, around, actually, it's always been difficult for small businesses. Maybe it's just a little bit more difficult now but I do wonder whether, you know, this is the time of the entrepreneur, this is the age of the entrepreneur, because running a small business is all about being able to respond to the market conditions. You know, we have all been involved in organisations where we've had to move very, very quickly in order to take advantage of an opportunity or to hedge against a risk that we see on the horizon. Small businesses have always operated in an environment of uncertainty, and I do wonder whether, actually, you know, in the next decade to come, what we'll see is entrepreneurship being the essential ingredient for every organisation, whether it's a big or small organisation, because it's the only way that you can navigate these conditions.

I went to see a business in Birmingham, a carpentry business and they were the specific challenges that you mentioned, Hannah, about getting materials, delivering materials. The comment that Matthew, who's the business owner, said to me, he said, actually, we've gone through so much that, actually, there's no challenge that I don't think that we can take on, as a business. So I wonder whether, actually, the last three years has been the...you know, has actually helped business leaders recognise their confidence in being able to navigate some seemingly impossible challenges and get through it. I think that's a really positive thing for us to build on.

BL: Anthony, we call that our muscle memory. We've been through our crisis.

AI: Yes, you're right.

BL: We've been through, you know, several dress rehearsals over the last few years and, actually, I think you'd be surprised when I say that we're constantly anxious about things what bits we are anxious about because it's not usually the big, hairy challenge that's in front of you. It's some of the day-to-day curveballs that just constantly injects that little bit of adrenaline into the business of, I need to worry about this today. It isn't actually maybe the big picture and I think it is that entrepreneurial spirit which, as a business, we're fine with. As a country, until we celebrate or don't mind failure, then, you know, we may have a bit of a...we're not going to maximise the opportunity of entrepreneurship because we have this issue of really pulling people down if they do fail, where we talk, in our business, about failing fast.

HB: Yes, I think we always used to talk about how we were a resilient business and then COVID hit and we thought, we're not resilient in the slightest, that

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was a stupid thing to say. But I think, now, businesses just have had to get used to rolling with the punches and I think that it does make you just take the challenges on a little bit differently. I think what Barry and Anthony have said is so true.

BvA: Yes, and it's great, Hannah, that you actually started with the list of challenges that you actually picked up management because I think all the conversation of the last two, three minutes is around management. You know, good management will help you to deal with that anxiety in a healthy way and not let it run out of control so I think that's why the management part of this is so important.

Now, Anthony, let's go back to the index for a minute because you've done something really interesting at Be the Business earlier in the year, and said, let's not just do this for the UK where you have been doing this since 2020, but let's make an international comparison. Let's see how we compare, in the UK, when it comes to those components of the index, performance and capabilities and confidence, to six other countries in the G7, which include Canada, France, Germany, Italy, Japan and the US. That's really fascinating. By the way, I should say that both these reports are available from the Be the Business website so people can go there and consult which I would truly recommend. Now, what did you find in that index comparing it with other countries in the G7? What made the UK stand out?

AI: There were some really interesting things that the report presented. So, first of all, it confirmed what we already know which is that if there was a productivity league table, the UK would be at the bottom of that league table just ahead, marginally ahead, of Japan. It's, kind of, been like that since 2008. So, it's always good when your survey corresponds with all the other data but what we found out that was really interesting was that there is a big difference between the confidence of businesses in the UK and their corresponding capabilities when you compare it to their G7 peers.

So, for example, one of the questions we asked the small business across the G7 was, how would you rate the following statement, our employees have access to the technology they need to improve their productivity? In France, about two thirds of businesses agreed with that statement. It was almost exactly the same as the number of businesses in the UK that recognised that statement as being true to their organisation. So 65 per cent for France, 64 per cent for the UK, what's one per cent between friends? So that was the answer to that statement.

The mirror statement for that, looking at the capabilities, was do you agree with the following statement, we have increased our investment in new technology solutions. Fifty per cent of businesses in France said, yes, that was true. So, a difference of 15 per cent between 65 per cent saying that their staff had the access to the technology they needed and that statement around increasing investment in technology solutions. You would always

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expect confidence to slightly be ahead of capabilities. We all do it in our own lives. We, sort of...you know, we overstate our...

BvA: You have to be optimistic or else you can't run a business.

AI: Exactly, exactly, so a bit of a difference is acceptable. When we looked at the UK, those same two questions, in terms of confidence, exactly the same, two thirds within the UK, 64 per cent, but only a third, and, in fact, less than a third, 28 per cent said that they'd increase investment in new technology solutions, the difference being 36 per cent. That gap between confidence and capabilities is significantly greater within the UK, and looking through the whole survey, all 130 questions where we look at mirror questions between the confidence and capabilities, we see this pattern happening again and again. Across all countries, there is a difference between confidence and capabilities but, in the UK, it is significantly greater.

I think this is important because when we talk about the productivity challenge, we often talk about the long tail of businesses that have lower productivity and when you look at the data, UK, good news, we have some of the world's most productive businesses, we just have this very, very long tail of low productivity businesses that is significantly longer than those of our peers. But I'm not sure whether that's a correct assessment of the challenge we're facing. I think this data highlights something very significant which is, actually, we've got lots of very confident business leaders but they're not making the corresponding investments in their capabilities.

Now, I think the question is, is that a good thing or is that a bad thing? Now, I'm optimistic and I think that's a good thing because being confident is a great foundation to build on but other people might say, well, actually, that's a problem because if you're too confident, you're not going to make the investments that you need to make. The example that I've heard is about driving. So, 90 plus per cent of us think we're an above average driver. Statistically impossible. Even people with driving convictions think they're an above average driver and, as a result, nobody improves their driving capability. The danger is, is that we see that same trend with business leaders, is that, actually, we all think we're all running very productive businesses so, therefore, we don't take the action necessary in order to drive that productivity.

BvA: Yes, the big question, of course, is how come that gap is larger in the UK than in other countries? I much agree with your point that, of course, you have to be a bit more confident than regarding to your capabilities, but the gap is relatively large. So, Barry, I'm going to go to you on this, partly how you feel about it but also because you are an exporter, you operate in many other countries so you see business environments in other countries, do you recognise this larger gap that you see in the UK than you see in other countries?

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BL: Yes, I do, Bart, in short, but it's something that's really bothered me probably for about the last decade while I have been lucky enough to travel around the world, and that is purely the UK arrogance of what we believe we are. Having the global language being English probably doesn't help either in that we just assume that we are the world leader still. We've got a very, very proud history and that's baked in, though, over several generations and we almost believe it and we believe our own history, we believe our own abilities probably more than what we're capable of. During COVID, it was constantly talked about how much tech the UK had adopted in a very, very short period. We'd adopted five years in six months. My anxiety in business on a daily basis is, I'm worried about what my competition are doing. I don't think everyone else does because if we thought Germany wasn't adopting five years of tech in five months or elsewhere around the world, we're being very, very naïve.

I just see that on a daily basis that we walk into countries and because we're British, we believe people should buy it. The only reason they should buy you is if you're competitive, if you actually do provide something that others can't. I think there's something around the benchmarking and the ability to look at what others are doing. Be the Business opened my eyes way back in 2017 when we were benchmarked exactly like Anthony was then saying about the driving scenario. When you see it in black and white and see that you're only 60 per cent of somebody else, that's when you realise that you've got a problem. Then you've got to admit you've got a problem and then you work on creating the gap but, in the UK, we're quite insular and we don't look up and outside the parapet of how do I compare against others?

Going back to the confidence thing, we believe that because we pay well, we must be good. It's a bit like, you know, every four years over here, Bart, we believe we're going to win the World Cup at the football because we've got the best paid players.

BvA: We do everywhere in the world, frankly.

BL: Okay, but, you know, it's because we are British and we've won it once and, therefore, we should win it all the time and it's just... It's a culture thing in the UK, for me.

BvA: That's a really honest answer and I want to go to you because I could come up with some other explanations... This may definitely be an explanation. Another explanation could say, look, it is because there is just too little opportunity offered in our UK business environment, there is too much uncertainty created by policy churn, business support programmes are not of the size and the scope that they are in other countries. So, Hannah, I want you to reflect a little bit...you know, feel free to agree with Barry

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because that's a very legit point that he's making, but could there be other factors that are causing this gap between performance and confidence?

HB: Well, I think, of course, there could be other factors but I do think that Barry's point is really valid in that I think there is a cultural thing. I think it's, kind of, something that's taken for granted in this country. We don't operate outside of the UK so don't have the same experience, I suppose, as Barry and his team, of seeing this on a day-to-day basis but we do have some suppliers that come from other countries. We do see a real difference in, I suppose, the way that they operate, kind of, their skillset sometimes and, also, their commitment to getting the job done. I think sometimes we should be more in awe and looking to these countries for some examples and experience. I think we probably do stay quite insular in the UK, on the whole, and don't like to look outside in case it is something that's better that we should be doing, but I think all businesses can learn from other examples, both in the UK and abroad.

BvA: So, Anthony, I want to go back to you, first of all, I think we should say that this survey in all those seven countries, sort of, covers companies up to about 250 employees so maybe one question from me to you is just this is an SME survey and might this be different for larger companies? Not necessarily but it could be that that is a matter. The other question, a broader question, I would have to you is, what do you hear, in addition to what we hear from Barry and Hannah, from other people in the UK running businesses about how they feel about this gap?

AI: I just want to look across the pond at the US. Now, you know, when you look at the G7 league table, we might be at the bottom but right at the top of the league table is the US. I think there's a lot that we can learn from our cousins across the Atlantic around some of the things that work well. I think this speaks to the points that Hannah and Barry have just made around, sort of, culture. Actually, I wonder if it's a bit around skills snobbery because in the States, for a long time, entrepreneurship and sales, jobs in sales, are a job with real kudos, whereas, in the UK, not so much. Maybe entrepreneurship. Actually, entrepreneurship has changed. If you speak to graduates and young people coming out of university and colleges, a lot of them want to become entrepreneurs. We're beginning to make progress there but, certainly, sort of, a career in sales is not really seen as maybe as credible a career as going into one of the professions, whereas, in the US, it's seen as a real job that commands lots of respect.

I think, also, sort of, in the US, access to finance is different. I worry that, for lots of small businesses that don't operate in the tech sector and who aren't start-ups that, actually, access to finance is quite difficult. Very often banks – it's not just the high street banks, but finance organisations across the board – want some sort of personal guarantee which means, as a business owner, if you make a bad decision, not only do you lose your job, your business that you've spent years building up, but you also potentially

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lose your family home. It means that the jeopardy of running a small business is off the charts. You don't have that so much in the US. There's a much healthier attitude to risk capital in the US.

Then, a final observation, the data doesn't tell us this so this is speculation but I also wonder whether we need to foster better relationships between big companies and small businesses. I think that extends from everything from late payments, to how can big and small businesses learn from one another? I think there is a lot that the two different types of organisation can learn from one another but how do we foster those better relationships?

BvA: So, Hannah, that word that Anthony used, skill snobbery, it's an interesting one, again, do you recognise some of that complacency, both on the side of employers but sometimes it's on the side of employees about, oh, well, we'll figure out how they do it, not to be strategic about it? Is that something that you recognise happening a lot?

HB: Yes, I think we see that a lot in our own business as well. I think we'd admit that, you know, that sometimes we don't get that skillset right and we're, kind of... I think people are sometimes afraid to bring in the skills to their business, whereas I think you should always want to bring in people that are way better than you because they can make you look really good. They can really add to your business and they can really help drive growth.

I think there is a real issue with, in my view, the education system in the UK in terms of what people do see as a good career. I think there's a real challenge there for industries like ours. We have a lot of more low-skilled workers. We do nightshifts, we do warehouse work, and actually trying to encourage local colleges to engage with us to want to come and do work experience and work placements... You know, we offer a lot of things that add social value to our local community but there is very little or limited uptake on that. I think that's a real issue in this country that, you know, there's some really good opportunities within the world of warehousing and logistics. We need people that have got a tech background that want to go into data. That's where our industry is heading, you know, it's some cases it's already there but I think people don't even see those opportunities when they're going through career programmes or looking at university programmes, even.

BvA: Yes, indeed, after the break, I think we want to dive a little bit deeper on how we're going to tackle these kinds of issues. How do we translate the confidence that we have into real action and how can that make a difference in the performance of our businesses? But before we go there, let's, first, hear about what else is happening at the Productivity Institute.

?: The Productivity Institute is a UK-wide research organisation that is dedicated to understanding and improving productivity. Research covers a wide range of topics including business investment and innovation, skills

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and further education, foreign direct investment and trade, and the transition to net zero. The institute also provides detailed analysis of productivity in the English regions, Scotland, Wales and Northern Ireland. Visit www.productivity.ac.uk to access the Productivity Institute's resources, including research papers, blog posts, insights and regional productivity score cards.

BvA: Welcome back to Productivity Puzzles, discussing the Productive Business Index of Be the Business and what it means on how to think about productivity in our UK firms, and I'm doing that with Anthony Impey, Hannah Barlow and Barry Leahey.

Now, let's look a little bit at what can we do, and I think there are, sort of, two lenses that we can take. We can first look at what can businesses do in order to, sort of, narrow that gap between confidence and capabilities, and, secondly, how can government perhaps support that a little bit? So we really, sort of, going to look a little bit at the action side of this. Hannah, I really want to start with you on the business side of this. We already talked a little bit about the five drivers, right, remember, management and leadership, technology adoption, innovation, training and development, and operational efficiency. All five are obviously important. You already mentioned early on that you're really, sort of, losing sleep at night about the management part of this, how important that is, bringing everything together, but let's talk just for a little bit more. Where are you putting emphasis at the moment across these five drivers to really make sure that the capabilities investments are happening in order to deal with all these challenges that we've been describing in the beginning of this podcast?

HB: For us, personally, we're really looking at how we can bring more skills into our business, whether that's through our current team members and how we can upskill them so that we can give them more skills and looking at lots of different training programmes, using apprenticeships where we can. We've brought in skills from outside the business, working with a local university on a management KTP project. We're looking at upskilling our senior management team by bringing in guest speakers on certain topics that we think are really important for the growth of the business and working with mentors and NEDs, and really supporting our team to not only professionally develop, but also personally develop as well. As the business grows, we still need to be fit for purpose as a management team, and I think that can sometimes...you can leave people behind, and we need to make sure we're bringing them with us so there's lots of work going on there.

Also looking internally in our team to see, you know, where are the good ideas? We have, kind of, thinking forward, a committee where we invite representatives from across the business and see, you know, where their ideas come from because it doesn't always have to come from the leaders of the business, from the top of the business. It can come from anywhere,

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and how we can then foster those good ideas and really make them reality for people so that we get the buy-in from throughout the team.

BvA: Barry, the operational efficiency part I find, kind of, really interesting, right, because, in a way, that's at the heart of the business. When you talk about productivity, it's about how you make sure that you turn your resource as efficiently as possible into your output. All the other things are necessary support things to do that but if you zoom in on that operational efficiency part, how do you keep the lens focussed on that?

BL: It's actually quite easy, I believe, Bart. When we realised that we did have a deficiency in our efficiencies, if there's such a thing, we started to measure stuff very, very closely. We had KPIs. We let data drive our decision making. As a business, we thought we had a lot of data. Now we have tenfold the amount of data analysing where we need to improve and we're critical about it. We don't make excuses for it. We used to have that skills snobbery that you talked about but we realised that the data showed us that we had a gap in our skillsets and, therefore, we went and...a bit like Hannah, you know, we've developed our management teams. We're still developing our management teams to ensure that we can harness those operational gains. We've had people going on degrees on how to improve our production and how to improve our productivity through that production and stuff.

So, we drive the business, we've got a team of 14 area managers, they all have set KPIs, we meet twice a week, we hold each other accountable, we discuss it very, very openly. We're very, very transparent. That creates a culture change of how do we tweak out a little bit more? We assess it again year on year, we make sure that we're always in the green and we've got this desire to just keep on improving. We've got CI registers, like Hannah said. You know, it's a great idea to engage all the staff because it's not just the management that have the great ideas, it's the people on the shopfloor that are coming. If I told you we've registered over 175 CI ideas from our operational departments, of which has cost us £60,000 to implement, and it's probably given us a gain of over £1 million a year, you know, that's money well spent to improve your efficiencies.

BvA: Yes, Anthony, that measurement part, right, we're back to the old Peter Drucker argument, you only manage what you measure, is this something where you see, from your experience, the UK does that less systematically, compared to other countries?

AI: Our data doesn't highlight whether there's this difference in measurement behaviour but I do think it's, kind of, quite interesting. When I speak to business leaders from across the country, I think this issue of measurement is often a challenge. I see two things, very often, happening. One is businesses not really knowing when to start, rather than just getting some measures and learning from the process. Then, I see the other extreme

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happening with it where a business is measuring everything and it's creating lots of noise and the noise from all the measurements means that you can't really see what the numbers are telling you. So, I'm afraid I don't have data to inform this but, certainly, from the anecdotal evidence that I'm getting, I often see businesses stuck at one of these two extremes. But when businesses do get it right, as Barry and Hannah have said, it's quite transformative in how the business, as a whole, thinks about performance.

I think the other thing that's worth mentioning is that, very often, it's not financial numbers. Barry, I know you've really embedded understanding the financial statements into the business, but I also know that lots of businesses look at counting activity within their organisations as a key drive to measurement. Often, that's a very, very powerful drive to change behaviour within an organisation. One business that we worked with, they were a pub operator, a small pub operator, three pubs within the south west, and they measured the amount of beer spilled while pouring pints and, by measuring it, they were able to encourage their staff to pour pints with greater accuracy and were able to reward staff correspondingly. So a really, really small example of how measurement can change behaviour.

BvA: That's a really good example where the customer, quite often, is making the comments, if there's too much beer spilled anyway.

Al: Well...

BvA: When it is being poured. But, Hannah, I think this measurement thing, have you dealt with that in the company? I think Anthony's said something really important, you know, we academics tell businesses, oh, measurement is so important but you can over-measure, so how do you focus your measurement so that you can really drive your business performance with it?

HB: Yes, so I think, when I joined the business nine years ago, it was all anecdotal. There was no reporting. I'd never known anything like it. So, we had to bring all that in from nothing, and then we do measure a lot of things now and I think what Anthony said about sometimes you can get stuck in that is so true. I think what you need to make sure is happening is that you're not just measuring for the sake of measuring, that you're actually doing something about it and there's an action coming from it when you see that there's a problem.

For example, we've brought in two new wrapping machines for our pallets in our warehouse. We only ever had one and everyone thought that was fine. It was really old. It was obviously really cost-effective because we hardly paid anything for it but, actually, we spent tens of thousands of pounds on two brand new machines and within about two weeks, we'd saved that in just plastic wrap. If you measure it properly and model it, then there's some real quick wins to be had and I think they start to then snowball

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and people think of other ideas. We went straight on to putting new roller shutter doors on our warehouses. The energy efficiencies savings, again, we're already getting the payback for those, but it is having the right data and then doing something about it that's so important.

AI: Hannah, I often talk about your business to others and I liken it to the Olympic rowing team where you're constantly looking for marginal gains in everything you do. So, you know, that point around the roller shutters, you know, saving electricity on new roller shutter blinds, it's so easy to miss those small details, but when I came to visit your business, I just...you know, what really struck me were the continuous changes you were making, you know, real fractional differences. I remember there was a conversation about packing, recycled cardboard that saved one person's day out of...you've got like 100 staff, like one person's day a month. It was just extraordinary how you'd, kind of, just looked at every detail of the business.

BL: We've moved desks six foot to the left to reduce one individual 150 steps less a day which, over a week, is x amount, over a month and over a year, and that individual is now adding value by £6,000 more per year. You know, and you times that across a full workforce, those marginal gains really do make a difference. But just going back to your measuring bit, I want it to be clear though, you can over-measure but it's far more beneficial to start measuring than to measure nothing. There're too many businesses I come across, you know, I'm part of several industry bodies, and we really struggle to get basic data out of them, you know, SMEs and some larger businesses. They can't split their data. They're not tracking it, and I just find that mind boggling. When I go, again, overseas, I see, especially in the US, actually, we do a lot there, and the same industry is asking for 30, 40 different datasets where we're giving one. I think there has to be something in that, you know, this willingness to do something.

BvA: Yes, and I think what's also very important here is to make sure that the measures are being used in collaboration with your workforce, right. So, what's killing is to produce this massive round of measurements and then they get it on their plate every week and it's, sort of, what are we going to do with it? But, actually, trying to work with your workforce on what is the value of these measures, how can that make your job better, is actually really helpful as well, Barry.

BL: Bart, and, you know, profitability is what gives jobs security. Yet if we went back ten years ago, at Playdale, we would say, we weren't profitable enough, work harder, and just expecting people to understand how they do that. Now, we share that data. We are totally transparent and people can actually see how they make themselves better, they see how they can perform. It becomes accountable and not just pushing it down saying, work harder. How? Where? What do I need to do better?

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- BvA:** Alright, we've got only a few minutes left but I'd like to spend a few minutes talking about how government can help. Now, you know, when you talk to the business community, quite often, government doesn't necessarily need to help a lot. Sometimes it's even better if government goes a little bit out of the way but, nevertheless, you could argue that, in a productive business environment, government can play a role, can provide opportunities, can help business to get on their way. So, Barry, let's talk a little bit about that because I raised that earlier as one of the reasons why we may have this large gap between confidence and capabilities, just that the government doesn't necessarily offer us the opportunities in terms of size and scope of business support programmes and other things that are necessary in order to really do well as a business. How would you respond to that?
- BL:** I'd agree. I don't think there is a plan. We don't know what our future economic blueprint looks like. We don't know where we're going as a nation and, therefore, I think the government itself struggles to back what they should be backing and what they should be supporting. But if you were to ask me what should they be supporting, well, I think there's a real gem in backing export, right, and I don't just mean about improving the GDP and what the output of the country is. An exporting business, overnight, becomes more agile. An exporting business becomes more innovative. Why, because they've got greater exposure to what the globe is requesting from them. That then drives culture change within a business and it most definitely did for Playdale. Right, and then, from there, you start to get inquisitive about other stuff so if we can...we then, at Playdale, started to invest in our digital adoption because we needed to be more competitive. Our price, globally, had to be better. How would we do that? Automation and digitalisation. Playdale are the biggest users of the Made Smarter campaign in the north west. That has been expanded across other areas of the UK but we need to extend it and we need to make sure every area of the UK can use it because that then allows businesses to get more confidence and knowledge around the digital, and it opens up further doors. But I think that led, actually, from us starting to export, and making us more curious and more innovative in just the way that we work.
- BvA:** Hannah, where do you see government come in or where would you like to see government come in as being more helpful than what you're currently experiencing?
- HB:** I think sometimes just understanding businesses a bit better and especially SME businesses. I'll say yes to talk to any government body because I want our voice to be heard and I think sometimes you're hidden away behind bigger businesses or just government bodies that think they might know how businesses need to operate. We work closely on a lot of public sector tenders and we're quite successful but I know lots of other SME businesses that just can't get anywhere near because they don't know how to respond, they don't know what to do. I think that's a real challenge. I think access to training for managers, for leaders, for people in your teams.

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I think it's there. I think it's hidden. I think SME business owners, in particular, don't always know how to access it. We're in quite a fortunate position that we have access to these things but I think there's lots of other people out there that don't.

Understanding the impact of that on a business, you know, it might be great to say you'd want to train all your people but how do you do that? In a small team, how do you allow them all to have a day out of the business every week? How do you allow them to go on...? You know, if you want to recruit drivers, HGV drivers, for example, the apprenticeship programme's there, takes three years. You know, there's a lot of issues there. They have to have basic maths and English. A lot of those drivers don't have that. It puts them off. There're barriers to entry. I think that's at quite a basic level but I think just understanding the make-up of the workforce and also the nature of SMEs and time-poor SME leaders as well, would really help.

BvA: So, Anthony, the percentage of firms, particularly SMEs, that are accessing business support programmes is extraordinarily low in the UK. That's obviously a missed opportunity. So, what, from a Be the Business perspective, do you think needs to be done to make sure that businesses get access to those resources that can help them to improve their performance?

AI: I think the starting point is to recognise that small business leaders are the busiest, hardest working people probably in the UK economy. So, actually, you know, they just don't have the time to navigate through the mass of different business support options that are out there. There's a lot of support out there but, actually, for time-poor business leaders, it's a real challenge to navigate and find the support that best matches the need.

So, the role of government, I think there's probably three areas that I would suggest. I think the first is, how do you make the existing initiatives that government run and that government are involved in really work for small businesses? So, Hannah mentioned the apprenticeship system, which is a great way to develop skills, but it's got to really work for small businesses if more small businesses are going to adopt it. There's a lot that government does, we've just got to make it really accessible for small businesses and really work for small businesses.

I think there's also probably a requirement for government to provide a national strategy. If you go back to our G7 report findings, it says that business leaders are confident so we should have a national strategy that helps inspire business leaders to build on that confidence and make the investments they need.

I think my final area is, in the UK, we are world leaders in some sectors and, you know, I mentioned the tech sector where I cut my teeth in my career and we are a world leader in tech. We're a world leader in AI. We are right

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up there just behind USA and China in terms of our leadership in artificial intelligence, for example. I do think that is an amazing opportunity for us to take that excellence that we have and have a trickle down that actually benefits small businesses. If we're world leading in a technology, all our businesses in this country, and especially the small businesses, should be taking advantage of that. I think government could be a real instigator to make that happen.

BvA: Yes, great closing comment there. So, this has been extremely rich conversation and I would really recommend people to have a look at the Productive Business Index at Be the Business. You can just go to their website and you can download the reports from there. This really is a good way that I hope will help businesses to think about how can we strengthen those capabilities because they are really the ones that are critical for making our business more productive and, therefore, lead better performance of our regions and our country as a whole. So, Hannah, Barry, Anthony, thank you very much for joining us this afternoon here in this podcast and I hope to speak to you again soon. Thank you very much.

AI: Thank you.

BL: Thank you.

HB: Thank you.

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