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- **Greg McDonald**, Founder and Executive Chair of Goodfish (GM)

BvA: Why should firms care about productivity? How does it add to the bottom line? And what exactly drives productivity and how can you get better at it? We are going to find out. Welcome to Productivity Puzzles. [Music]

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 the director of The Productivity Institute, a UK-wide research body on all things productivity in the UK and beyond.

Welcome to this new episode of Productivity Puzzles, which is the third in our trilogy on business productivity. Those of you who have listened to the first episode in this series have heard about what the academic research tells us about the productivity of firms from the perspective of business dynamism. The speed by which new firms enter and less productive firms quit, has slowed quite a bit, and that's not good news, because weak business dynamism often means that many firms face less competition, innovate less and in the end are less productive. Policymakers know that great business dynamism not only makes firms and the economy more productive, but also creates more jobs, many of which are better quality jobs and better paid jobs. But as we heard in the second episode, last month, many policies and programmes to help businesses improve workforce skills, to create better leaders and programmes to help them to become more innovative aren't always that easy to find or not exactly the thing you need. As a result, businesses leave money on the table and the well-intended policy programmes don't see the results we would hope for.

But to fully understand what is going on with business dynamism and productivity we should of course be talking to the business leaders themselves, and that's exactly what we're going to do today. We have three panellists who are in the daily business of doing business or have been doing so on and off. We will hear how they think about turbulence and productivity, but also practically, what does productivity mean to them and

How do business leaders think about productivity?

what practical productivity measures are being used in organisations? In our own work at The Productivity Institute on strategic productivity, and you can find the download to that work in the show notes, we identify key drivers of business productivity. So, we hope to hear from our panel how these productivity drivers are being joined up and how they can become an element of business strategy. And we need to talk about what barriers there are to productivity improvements in the firm, either within the firm or externally? And finally, as already hinted at, how can business support programmes become more useful to business?

So, a lot to talk about and let's then therefore immediately introduce our panel. First of all, Katy Davies. Katy is the managing director of Evolve Your Future, a provider of careers advice, guidance and training programmes for organisations and individuals. Evolve Your Future focuses on socially innovative skills that help people improve their world, find employment and thrive. Katy has many years of experience in turnaround transformation, leadership, manufacturing and finance, including stints at the Lloyd Marshall, which is a leading aerospace and defence company, and CamdenBoss a manufacturer of electric components and enclosures. Katy has many other roles, look at her CV, which we link in the show notes, but she's also importantly, the chair of The Productivity Institute's East Anglia Productivity Forum. Katy, it's great to have you on.

Lou Cordwell is a colleague from the University of Manchester, and she's a special advisor to the Office of the President and Vice Chancellor at the university, where she provides strategic guidance on innovation ecosystems in the university, enhancing its role as a key driver of Manchester's economy. Lou began her career for WPP, and then founded the Manchester based digital design studio Magnetic North. In 2021 MN merged with Flux, thereby creating the UK's leading design and innovation consultancy called Magnetic, where Lou continues to be involved as chief creative officer. And Lou is also a professor of innovation at our own Alliance Manchester Business School in Manchester. Lou, great to see you again and have you here on this podcast.

And finally, we have on our panel Greg McDonald. Greg who is the chief executive of Goodfish, a leading manufacturer of plastic and composite components, with an expertise in injection moulding, extrusion, vacuum forming and tooling. Greg founded Goodfish in 2010 after a 25 year career in investment management, industrial turnarounds, corporate development, international M&A, extended supply chain development and management and investment banking. So, quite a portfolio of experience here. And Greg is also a member of The Productivity Institute Midlands Productivity Forum. Greg, good to see you and looking forward to have the chat with you.

So, three speakers with a strong business background. So, let's get going on this. When I talk to business leaders about productivity nearly always the first question that's being asked is, what is productivity? Every business

How do business leaders think about productivity?

leader seems to know in the back of their mind that productivity matters, but few firms bother much to really define it precisely. Maybe sometimes for a product line or for a particular service provision, but not for the business as a whole. Productivity may be a key KPI for some things but there isn't much of a narrative that can be made part of a business strategy. In fact at The Productivity Institute we just launched a short document titled, A Productivity Primer, which looks at what productivity means or could mean for a business? And again, there's a link to that in the show notes. So, let me start with each of you just asking you, what is your productivity narrative? Do you have a metric? Or do you have more than one metric? How do you think about this concept from a business context? And, Katy, maybe we can start with you on this question?

KD: Great question to break the ice with on this podcast. Obviously, with a background predominantly in manufacturing that's kind of the viewpoint that I'll answer from. I've worked in a lot of manufacturing businesses that talk about productivity, but actually I don't think really understand what they're saying or have a common understanding within that firm of what they're talking about with productivity. It's kind of a word that just gets used to mean a blurred thing around producing some stuff and people working hard, and we should be talking about productivity, so there you go. But actually, I think one of the biggest revelations I've had in my career so far is dealing with ops transformation and cultural transformation on the shop floor. And it, kind of, dawned on me that actually when we're talking about productivity, obviously depending on the audience that you've got, but in a lot of firms it's finding what terminology and therefore what metrics are going to resonate with the workforce particularly for where they're at? So, again, because if you're looking at an older, more mature manufacturing business or any business really, quite often it's scorched earth, because someone's come in and talked about productivity, but they might well have got it wrong. So, a lot of businesses I come across talk about productivity, but actually all they're talking about is utilisation. But that's not really a measure of much, other than like how much time have people recorded in their working day against a specific job?

So, it's finding what that narrative is going to look like for that business and that team, so that they can actually really embrace it and get stuck in to relating how they can contribute to that. So, I think my productivity narrative is a bit vague, because it does depend on the business that we've got. But I think we're very quick to jump to a metric, but actually quite often I think people lose sight of what productivity actually means to that business in terms of getting stuff out, delighting customers, making sure that you get that repeat order, and making sure that your team's everywhere, not just the shop floor staff, which again is often where it gets pointed, they're all doing as much as they can to output and move that business forward each and every day. So, I think for me it's almost like a bit of back to basics and making it actually really meaningful and relatable to people.

How do business leaders think about productivity?

- BvA:** Yeah, and I think that also exactly makes the point that it's not just about metrics I should say, although we do talk about that of course, but it's really about how is it part of our story? How is it part of our strategy, if you like? And quite often, as I mentioned in the introduction, quite often productivity doesn't end up in the strategy of the firm, simply because we don't quite know how to talk about it.
- KD:** Yeah, completely agree and that's not to say that metrics aren't important, sorry, I should have should have mentioned that, because we do need to monitor stuff, but you're right it's not prominent enough in that strategic conversation, which sometimes people just assume that it's in there because they're talking about all this other good stuff and that will promote productivity as an output. And sometimes that's right, say if you've got a great people engagement strategy, engaged people are naturally going to be more productive. Great, I get it, I think you're totally right, but I think to me it feels, and why I'm so excited to be part of the forum in the East, is it feels like we have a really great opportunity to really re-baseline how we talk about productivity. We've got great tools like the Productivity Primer to just really get people talking about it properly, and actually doing it properly by involving their teams in that narrative and that story.
- BvA:** Greg, the kind of business you're in, I think you probably do have a lot of metrics around productivity in different parts of your organisation, is that correct?
- GM:** Yeah, we do. We have a very simple approach to productivity though, we don't talk about it, we talk about money, and that is the lingua franca of our business. So, productivity for us is why aren't we making more money? And there's normally two reasons for that? We haven't priced the work well, so the output is devalued or we've spent too much resource making the output. And in our business as contract manufacturers, we have to be really good at manufacturing, because our business is a service, we offer the service of manufacturing to other people. So, two inputs make up 75 per cent of our cost, labour and materials. So, it's like driving a digger or a tank, you have two levers labour productivity, walking around eyeballing it, as well as looking at it weekly and monthly and materials it's also eyeballing it, is there a lot of waste backed up by data? So, we're very focused on those two things and every month we look at money, how much money have we made and why didn't we make more?
- BvA:** Now let me ask you on the money side, so you're basically saying my metric is how much money do I make with these two basic inputs I have, labour and material? Now as you said right at the beginning you can make money in two ways, you can either basically not properly price your product, so we should find a market where we can actually get more value than what we're currently getting or we're actually saving on the resources we're putting in. Now economists would very much say the first thing is good because it helps you profit, it's not necessarily productivity it's just smart thinking about

How do business leaders think about productivity?

which markets do I operate in where I can make some money and do not get undercut by the competitors? The second part is very much productivity, because it's about how do I combine labour and materials and use technologies to do that? But in your mind, you say I don't really make that distinction so clearly, is that right?

GM: Yes, because if my business isn't making money, it's not productive. What's the point of my business if it's not making money? It's not a charity. It's not an employment vehicle. It's to make money. And if it's not productive, it's not making money, if it's not making money, it's not productive.

BvA: Yeah, you could argue that some not so productive firms can still make a lot of money in markets because there are no competitors there.

GM: Yes, true. But not my industry, my industry is all about being tight with costs. It's like Ryanair, same sort of model, keep cost down.

BvA: Which goes back to the issue of turbulence and business dynamism that I identified earlier, your company is working in an environment where there's a lot of business dynamism and competitiveness. There is no way that you can just make money by just sitting out there and not being productive.

GM: No.

BvA: Lou, let me go to you because you're typically not working for a traditional manufacturing type of company, you've been really involved with companies that do really new stuff, digital design and all those kind of things, so very much at the frontier of new things. And sometimes in these organisations it's even harder to talk about productivity, it's just not on people's radar screen, is it?

LC: Yeah, I think that's true but actually as the primer highlights, the advent of technology and a more innovation-led economy makes it even harder to think about how we set targets and how we measure even productivity. And then for many of us we'll have lots of experience of doing that at an SME level as well as some of the larger corporates that we've worked with. And again, it's a totally different challenge, many sectors now are going to be driven by frontier technologies that probably leaders at the minute in those businesses don't fully understand. And how we begin to articulate that in a strategy or in a plan or in a framework into productivity gains I think is going to be really interesting.

BvA: So, for you, productivity is very much associated with the ecosystem, the business environment, right? So, you talk very much on a perspective this is not just about my organisation but very much about how I work with other organisations, whether it's businesses or non-businesses in your environment, right?

How do business leaders think about productivity?

LC: Yeah, I think so. And ultimately for me productivity is about value creation and again as the primer nods to, value comes in many forms and those forms are changing. And for us in the Greater Manchester region, it's also particularly pertinent because we've still got these regional disparities, and if we're serious about an inclusive model of growth, we really need to challenge ourselves on the format of value and that that's driving.

BvA: Let me ask you before we move on, one thing that we do find is that different functions in the company tend to think differently around productivity, right? So, finance will typically say about cost savings and return on investment. HR will typically think about this is about engaged employees and motivated, well trained employees who bring value. IT will think this is all about digital systems. Let me ask each of you very briefly about how do you bring these different perspectives together and is that one of the barriers in actually getting a productivity conversation going?

KD: Yeah, it is really interesting, isn't it? I think, and again it totally depends on the type of organisation that you're looking at, but I think coming from a finance background and my entry into manufacturing was through the finance function, and then I moved out into ops, my big frustration is that each of the support functions can go a bit siloed and lose sight of what productivity they are linked to, if that makes sense? So, actually they don't talk enough about their own productivity and their own productivity being stuff that helps the wider business that is getting things out of the door, deliver, if that makes sense? So, it's really interesting. So, quite often you'll see functions talking about productivity gains coming from their angle. You're absolutely right, finance talking about cost savings et cetera but are they actually looking at their own productivity and what efficiency they can drive within their own work to help make that boat go faster if you see what I mean? So, it's really interesting.

So, I'm a massive fan of embedding those support functions as far as possible the doing bits of a business to keep that perspective about the wider productivity piece, to make sure that everybody isn't just going a bit siloed and promoting the next...AI-ing everything because that's what your IT department think is quite sexy. Actually, it might not be relevant, it might not make your boat go any faster at all. So, I think for me, it's just making sure that that context is really clear around what the company is trying to do. And like Greg said, looking at everything from an angle of what makes the overall boat go faster?

BvA: Lou, in your type of organisation I think there's probably quite often the clash between the people who do the creative digital work and think very differently about productivity, and the people that just say look, we've got a business to run here and we have to make some money. Is that one of the challenges in having this conversation?

How do business leaders think about productivity?

- LC: So, I think one of the techniques we've found with our own organisation, but also working, and with others, is this idea of a shared North Star, that actually each part of the business understands the role that they can play. And either explicitly or otherwise to Greg's point, having productivity hardwired into what that overall shared version of success looks like becomes really important. And then you can talk about individual teams that are contributing, a role that they're going to play in delivering against that North Star. Which just helps with that translation and also helps a bit of unity, if everybody believes and can see that they're pulling together towards the same thing, even if one department is doing radically different work to another. But I think too often you just don't see that connectivity between teams and people are operating in silos or pulling in different directions even, which is even worse. So, yeah, I'm a big believer in a very strong North Star, that everybody understands and is motivated by.
- BvA: Yeah, so Greg, you have that North Star, how do you bring the different perspectives in the business together to make sure that we're all organised around that?
- GM: Well, that's my job, my job is to make sure that all the different functions have the same mentality and culture. So, HR, are the people happy, are they being paid properly? If they're not happy and they're not being paid properly, they'll leave or they won't be productive. So, it comes down to the same thing, if you look at digital, we do a lot of digital in our business because digital helps everyone see what's going on, and data is important in making decisions. So, we pull data from the shop floor and display it so everyone can see. And my job is making sure everyone has the same sort of focus, our North Star is making money. Now I've read about purpose, the business has to have a purpose that drives people thinking well, what's our purpose? Our purpose is to make money and the community benefits if we make money, because we have more employees making good money, bonuses, happy suppliers. It fuses out from our company if we're doing well.
- BvA: I wanted to bring you back in, Lou, here because you have slightly different perspectives on this. In your original answer you focus very much on the fact that the organisation needs to be embedded in the ecosystem in the environment. Greg for good reasons said look, I just need to make sure that I do well as part of that system. How do we make sure that we bring these two things together? Your firm is there to make money, to make revenue, to make a return, but your firms are still there to create a better environment in which people can lead a decent life and which is pleasant to live and for other businesses to come and make their investments?
- LC: I think actually they're one and the same thing in that what Greg's describing is absolutely a sustainability to a business in a community that is providing great work and great future facing jobs. And you only need to travel to a community that doesn't have that work to understand what happens and the implications. And we've got lots of examples of those sadly up and down

How do business leaders think about productivity?

the country. So, I think they're one and the same thing, they're about the language and the culture of that organisation and what as a leader you understand is going to motivate people? But actually, I think for any business to thrive and survive it has to be financially productive, but you understand if you're a creative business that there's a certain motivation and language, and a way of framing that, versus if you're a manufacturing business and what's going to drive people and the language that's going to motivate people.

BvA: Well, that's a nice transition to the next segment because as we just said as often as it seems sometimes to be difficult in business to talk about productivity, it becomes much easier to talk about the drivers of productivity. And in fact we already did a little bit in the previous segment. And we did some research at The Productivity Institute to get some feedback, what do businesses think drivers of productivity are? And we basically settled on five key drivers, and again, there's a document there in the show notes that describes it in a bit more detail. But there's five, one is innovation and digital technology, that also includes research and development and artificial intelligence, there's no doubt that technology is a good way to speak to what Greg just said, bringing the people part and the materials part or the inputs part together.

Secondly there's the workforce, their skills, but also their well-being, which includes their health, it includes the diversity of the workforce, because a diverse workforce tend to be more productive.

The third one is leadership, and again was already mentioned also by Greg saying it's my role to bring people together. It includes the competencies of leadership but also how do you build an agile workforce that can quickly respond to changes that are happening? The fourth one is access to finance, because you need money, if you want to make money you need money, whether that is startup capital or venture capital, but also how are investment decisions effectively being taken? Is the hurdle rate for the investments within the company too high or too low? How do you handle those?

And finally, there's interestingly enough marketing and communication, because it's about the brand of your organisation, it's about how you internally communicate with your staff, but also externally with your customers and your supply chain. Now, this is all laid out in our strategic productivity report. But what I went to hear from you is you all worked in different types of organisations, and not all these drivers are always equally important. The key probably is to join them up. When you hear those five, which are the ones that you would say have been really critical or do you think they're all five very, very similar. Greg, let me start with you on this one?

How do business leaders think about productivity?

GM: I don't think you can create a batting order out of them, if there are two opening batsmen, access to finance has to be one of them, because a business without finance is not a business. The other one is leadership and management. Leadership and management has to drive innovation, work and skills, well-being, marketing communication. If you don't have good managers, you're not going to have any of the others. And the obstacles to access to finance and leadership are huge, immense and constant. So, finding good people who want to manage your business for you without doing their own business themselves is difficult, but they're there. And then access to finance of course is tricky when banks are charging too much or they're too reluctant to lend money.

I started my business with Shelton Funds plus bank money, and my initial access to finance was at mid double digit rates. So, that meant if I borrowed a million pounds, I had to pay back two million in five years. So, that's a barrier to productivity because the money is not going into my business, it's going into the bank. And then I had to persuade good people to come and work for me in a small company and that's not easy either. When you're small and you start up, you haven't got a lot of work, so you want to hire somebody, they come and look at your operation they think, God there's nothing going on here, why should I come here?

BvA: Really like that analogy of opening batsman, that's a great one. So, Lou, I guess that in your type of organisations, again quite different from the type of company that Greg is running, innovation and digital is probably going to be a key driver of anything a company like that would do, right?

LC: Inevitably I'm going to focus on innovation and digital, but I really at the same time wouldn't disagree with anything that Greg or Katy have said, you've got no people, you've got no money, then you've got nothing to innovate with, and all of these things are intrinsically interconnected. Especially actually if you talk about the innovation agenda. So, again, we know the opportunity at the minute, particularly with some of the frontier technologies that everybody's talking about like AI and quantum and biotechnology, but actually getting that technology adoption into businesses and that innovation curve is extraordinarily difficult. There's a massive leadership challenge around that, how do you begin to embed the right understanding and the right culture of innovation into those businesses? And also, different businesses at different stages. So, for high growth businesses, again we see this a lot in technology and innovation fields, the team and the capabilities you need to get from zero to 50 million for example, are radically different at the point you've just raised another 100 million and you're looking to scale your business. So, where do we as UK leaders find that next generation of leaders that can help us scale to that level?

BvA: We need to move on but I think the first and the second thing that we talked about are very much connected, because it doesn't, in my view, really

How do business leaders think about productivity?

matter how you prioritise those five drivers, there may be even more drivers or what you're really going to focus on, it is really about having the discussion in relationship to your North Star. And it's basically always having the discussion, are we focusing on the right thing in order to achieve what our real goal is that will make you productive? Productivity is about turning your resources into better outcomes. You need to define what your outcomes are going to be, if that's making money or is that bringing the most new technological product to the market or whatever or creating a better service for society? The question always is, are we having the right mix of resources in place to achieve that better outcome?

And I think that's really the key takeaway from this conversation, no one silver bullet, but a mix of resources that help you to realise the better outcome. But anyway, we need to move on, let's have a bit more discussion to talk about a couple of other things. But before that, let's first hear what else is happening at the Productivity Institute.

[Music]

F: 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 investments in innovation, skills 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 region, Scotland, Wales and Northern Ireland. Visit www.productivity.ac.uk to access to The Productivity Institute's resources, including research papers, blog posts, insights and regional productivity score cards.

[Music]

BvA: Welcome back to Productivity Puzzles in this final episode of three on Firm Productivity. In this episode we speak about how business leaders themselves think of and act on productivity. And I have the pleasure of having that discussion with Katy Davis from Evolve Your Future, Lou Cordwell from the University of Manchester and Greg McDonald of Goodfish.

Now in my introductory remarks, I already alluded to our first podcast in this series, where we spoke with three economists, we've done a lot of research about the decline in business dynamism, the lack of turbulence in activity. And now it's hard to say when you speak to hardworking business people, but lack of business dynamism tends to make companies a little bit lazy to become more productive. I'm sure you all in the audience get to the point where you're not under continuous pressure from newcomers in the market to offer potentially better solutions, you may not have the drive to really go for productivity as hard as you would otherwise. Or if you're well protected by regulations, which happens in some markets, and other ways to keep

How do business leaders think about productivity?

competitors out of your space, it's perhaps a bit too comfortable and not the best recipe for creating a dynamic business environment.

So, I just was wondering whether that makes sense, I just want to link that economist story to what you're thinking about this? And Lou, let me start with you here, what are the other major external barriers that you see actually holding up productivity growth?

LC: I think that kind of theory is absolutely right, Bart, you see it played through in practicality. Particularly we talked before about innovation in digital, we talk a lot about those burning platform moments that you're describing there, and often people aren't prepared or they only begin to trigger an innovation conversation in their organisation once they hit a major challenge from a new competitor or a new technology. So, I think there is this cultural challenge within organisations as to how you drive a culture of change and innovation and challenge, if there isn't some existential threat that suddenly appears. And that can be very difficult, often you've got senior figures within organisations who are two or three years away from a retirement moment, why are they going to rock the boat? They've got their eyes on their own exit.

So, I think, again back to this celebrating the right things and celebrating a culture of constant challenge, and really trying to balance that with keeping your eyes on the detail of your business and the reality of the productivity, as we're describing it today, and the performance, but at the same time trying to keep a view two, three, four, five years ahead on what's coming down the line, how you can make sure you've got that resilience? And the pathways are scattered with businesses who probably thought that for the rest of time they had a place in society and were forever going to survive, and now suddenly don't exist anymore. And recognising as a business sometimes that's not only different modes of thinking, but different people sometimes who are great at that operational delivery and understanding, versus the kind of people you need around your board and in your board that are going to be looking three, four, five, ten years ahead, and making sure the organisation can survive.

KD: It's really fascinating, I definitely agree with the scenario that you posed, and I think I've probably worked in it. In my days in the defence sector, long term defence contracts inherently you've got a long time to be able to deliver some stuff, it's quite comfortable, you've got your set cash flow milestones, you still have to deliver but it's not laziness. That sounds too harsh, I'm going to get a shot for saying this now aren't I, but it's easy to take your eye off the ball of the need to constantly innovate, constantly keep on top of productivity because you can, because you've got the time and the space. And it's a lovely position for a business to be in because you've got security, but it doesn't last forever as we all know. Compare and contrast that to the skill set, so where I've found myself for the last six months, it's almost the

How do business leaders think about productivity?

opposite, you look at the FE budgets, it is quite choppy and it's very, very competitive and it almost comes full circle.

So, you've got smaller independent training providers who are tasked with delivering things, but the contracts are short and that margins aren't great. And it almost starts to impede productivity again, because the system is overstressed. So, you're constantly having to look for the next contract, where is that next opportunity? You realise that actually you're probably not delivering to the best effect on the contracts you've got, because you're sort of like the meercat, constantly scanning the landscape looking for the next thing that you need to be aware of, the next change that's coming in, oh God, it's a change of government, what does that mean for everybody? You don't get the chance to then get into a settled programme of delivering and being able to then perfect how you deliver that, because you're constantly having to change.

So, yeah, great for agility and responsiveness to the market and your ability to scan the landscape, but actually it starts to have a bit of a fatiguing erosive effect on your day-to-day delivery of what you're doing. So, it's really interesting to compare the two extremes of those scenarios.

BvA: That's very right and maybe, Greg, that's exactly the question I want to ask you, when it's competition good and when it's competition too much? Because there is indeed a bit of a scale here, you don't want to be in too complacent environment, you need that kind of pressure, but it can also get overly hyped and competitiveness, in that case it doesn't help either. So, in your mind, where do you find the right space of competitive pressure that makes you do better as a firm and where do you think it's just getting too much, and it's getting too short-term focused and we can't reach the North Star that we talked about before?

GM: I don't think I've ever worked in an industry where complacency set in through lack of competition. I mean investment banking, no, it doesn't happen there. Industry, no, doesn't happen there. What I most often see is external barriers that are competitors who don't understand pricing. And what you need to build into your price so marginal cost pricing or what you need to build into your price. So marginal cost pricing or cost plus pricing where there's nothing built in for building the business, reinvesting in it, and too often we are held back by smaller or similar competitors who underprice work. And that's a barrier to us growing. But when interest rates rose, we started to see those competitors go bust. We saw four go bust last year so quickly and more this year. And some of them are going bust so fast that we can't actually acquire them, because the administrators have decided, no, there's not enough there to make a growing concern. So, that's a real external barrier for us.

BvA: That's actually a really great segue into what I want to ask you. So, what's your biggest external barrier and you're basically saying well it is when we

How do business leaders think about productivity?

get underpriced so much that we cannot reinvest our revenue into making our organisation better and reach that North Star? Katy, what's your biggest external barrier that you would see in the types of organisations that you worked for?

KD: So, from where I sit at the moment, it's the government funding structural system of how skills is funded, getting a lot of problems being badged up as skills and needing a skills response when actually it's not skills, it's employee recruitment/retention et cetera, which is not something that we are able to influence as a skills provider. You can give people skills but you can't...and you can help them get into employment, but you can't help it if that company then doesn't do anything to make that employee stay. So, I think that's a real kind of threat in terms of what we're facing reputationally and in terms of the way that we're being funded to do things that we might not necessarily actually be able to execute. In terms of external barriers from manufacturing past, I think over the last few years...so my recent background was in a not dissimilar part of the world to Greg's injection moulding and plastics industry in components and connectors and things, , we were seeing a lot of onshoring and a lot of geopolitical shift, and people talking about onshoring, However, not really wanting to pay the price of a UK manufacturer to then do that onshoring.

And I think at the moment again, to me there feels like a massive seismic shift for manufacturing in the UK, it feels like we were going up in the global pollings, we're now the eighth largest manufacturing nation in the world, which is fantastic and something to be proud of, but I think the rest of the market needs to catch up with that and really focus on why they should be looking at that UK piece. So, I think there's a bit of a UK external barrier around perceptions of UK manufacturing and pricing thereof, which then feeds into the productivity piece around being actually able to make that profit or raise that finance.

LC: On a similar theme to Katy really, access to talent continues to be a massive challenge in a lot of my universe which drives a particular trend around the cost of talent. You can't always reflect that cost back to the end punter in that scenario. It's quite interesting actually, often talent that knows it can go anywhere and charge any price, becomes a little bit more comfy and challenges itself sometimes a little bit less than we would like. So, I think we've generally got an access to new skills, new thinking and new blood challenge that is holding us back. And particularly when it comes to some of those really frontier technologies that are really new, there's not that many people coming through the system. Many of the people who are coming through the system are either astronomically expensive or they're new out of the education system, so they're fairly inexperienced and obviously can only drive so much value at that stage within an organisation. If I had a magic wand, a magic productivity wand, that's what I would wave.

How do business leaders think about productivity?

BvA: Now let's go to the internal one, right because I think every company are also seeing internally some barriers that can make you more productive. Katy, where would you focus there?

KD: We're still seeing workforces that are impacted by really complicated personal circumstances, people are still fatigued post COVID, financial pressures domestically et cetera. And I think it's certainly around how to keep your workforce engaged, motivated, retained in your business, settled in their workplace so that they feel they can defray some of those external concerns, to then come to work and do their best work and be part of that work community to help push it forward. I think for me it has been for a while and probably will be for a lot longer, it's definitely a staff based internal concern.

BvA: Greg, could you align with that, that the people factor is really critical within the business?

GM: Absolutely. I often say that in a business like ours everything we have apart from our people is available off the shelf. So, equipment you can go to any supplier and buy all the equipment, but the people you can't. And so you have to attract them to work for you, and once you've attracted them, you have to keep them motivated. And when you have an endless horse race like we do, it never stops, the hurdles keep coming, and you have to keep clearing the hurdles. And that can bring about fatigue as well as a lack of spontaneity and innovation and everything that you need. So, keeping people motivated is the most difficult thing. But of course it helps if you hire round pegs to fit in round holes. So, if you've got the wrong people doing the wrong job the best thing you do to them is let them go, go somewhere else and find your round hole, because you're a square peg and we've only got round holes here. And if you have the right people in your business and you have a sense of it's quite interesting to work here, and it's reasonably well paid, I think you can keep people motivated.

But it's more than just money, the job has to be interesting. You can imagine when you're making the same things day in day out, your mind can wander off and your eyes glaze over, and quality drops and it all goes pear-shaped. So, you have to somehow keep everyone interested in doing a good job and putting in the effort that's required and it's not easy.

BvA: Right, so round holes and square pegs there are also a lot of different round holes, so you've got a lot of people who don't quite fit into the round hole, but you know they're a round hole person. So, the question is, what do you do to get them fit into the round hole? How do you get to the motivation? How do you make the people agile? Because you've been mentioning several times this is a very competitive business, there's a lot of change and turbulence, so it's not just the fact that people need to fit in a round hole, but the hole itself changes all the time as well.

How do business leaders think about productivity?

- GM: Well, I think training helps. If employees feel like you're investing in them, there's a sense of well I'm valued. And if you've invested automation to take out the dull bits of the work, the repetitive stuff that isn't interesting, that could help too. So, you can make a round peg fit the round hole better with good training. And also, if you take away the dull stuff, there's a better fit too and it glides in and stays there.
- BvA: So, Lou, again bringing you in, again, very different type of business, probably a lot of people who have got very specific skills in very innovative, creative type of functions. And again, a lot of demand for those people that you're already mentioned earlier in the market, what is the main recipe for you to overcome that internal barrier?
- LC: I would agree the people are everything and the culture that you create with those people. I think we know that science of happiness in the workplace tells us three things are really important, autonomy, camaraderie, so feeling like you love coming to work and feeling a sense of bond around a project or just having some fun, which is really important, and then mastery or a sense of progress. So, exactly what Greg's describing, getting some training, feeling like somebody's invested, feeling like you're moving forward as a human being. So, if we think about that Triangulum of happy workers, if you've got all three of those or at the very best two or three of those, we know you've got happy workers. And we also know the science tells us happy workers are more productive workers, because guess what they love coming to work and doing the best they can for that employer that's looking after them.
- BvA: I'd like to make a link to what we discussed in a previous podcast on business support programmes, I mentioned this briefly at the beginning of this podcast, that there's just a lot that government tries to do to help businesses deal with these external and internal barriers. But actually, the usage of those support programmes isn't all that great, and therefore businesses quite often leave a lot of money on the table for things that they can actually use in order to make things work better. So, I'd like to ask all three of you, how important business support can be? Have you used it yourself or do you have experiences with it? And how should business make the most use of it or what should government do in order to make sure that business can use it better? And, Greg, maybe I can start with you here?
- GM: I'm culturally not a big fan of business support programmes. When I've tried to get it, which I did in the early days, I found it took up too much time. This is my time, I couldn't delegate it to someone else. So, I came to part company with business support and not look for it. You get emails all the time offering you free training and all this sort of stuff, and I just ignore it and get on with stuff, that if it's valuable it probably costs something and if it's free, it's probably not valuable.

How do business leaders think about productivity?

BvA: How do you benefit from insights that can make your business better from outside? If you don't get it from government support programmes or from business schools or whatever, do you get it from working with your suppliers for example, or do you get it working in the ecosystem with other businesses that are in the same area where you are operating?

GM: I created an advisory board, so I brought in people from outside who were not industrial people, so that we heard people from other areas talk about our business. We meet quarterly and we present the business to them and we listen to what they have to say. I got involved with Aston Business School and this productivity thing, because I'm always interested in what other people have to say because I don't want to be stuck in a cocoon or an echo chamber listening to the great Greg McDonald talk about my business, I want to hear what other people have to say. I'm always fascinated by what other people have to say. I mean government support if you look export trade help, I just found the whole thing rather sort of anodyne and I decided that actually I'm going to look for things myself, and I think it works well.

BvA: Good entrepreneurship starts with curiosity and you look for wherever you can get it, that's exactly right. Lou, in your part of business my sense is again these businesses that are at the innovative, creative frontier, they don't have time to look for business support, they probably can't make very good use of it anyway, because the business support programmes are not necessary at the frontier themselves?

LC: You often find certainly at the more creative end of the creative digital innovation world that I live in, people are accidental business leaders and that they started out as creative practitioners, and then suddenly they find themselves as the chief exec, possibly not where they wanted to be and feeling slightly eloquent. So, they're often the least likely to reach out for business support, but possibly the most in need. I think exactly to Greg's point, the challenge you've got particularly in small business is time is precious and actually people have terrible experiences of business support that largely felt like a waste of their very precious time.

So, I think that's quite a common mindset. Certainly I experienced that and was very reluctant to bring in external help. That said I think some of the, you don't know what you don't know pieces around innovation, there are some, the R&D capabilities that exist within universities, Innovate UK type programmes where if you're in manufacturing and materials, for example, some of the advanced manufacturing materials, innovation, how do you access some of the brightest minds? Where those programmes work well, they can be transformational, but I think it's this challenge of sifting what works, what doesn't and that's where that peer group and that network group becomes invaluable, because people make recommendations to one another and that helps you just enormously to filter the wheat from the chaff.

How do business leaders think about productivity?

But I have tried to remain open and have seen some genuinely transformational work around that technology adoption or just...even the injection of things like design thinking into businesses, and some of the government programme. But it is always that challenge of finding the group of people whose opinions you trust to recommend the good stuff.

KD: There have been some poor attempts or sticking plaster attempts at business support programmes in the past that I think has almost soured the term for people, it's like, oh here we go it's another four week session, a bit of peer networking, it'll be the same old faces around the table, blah, blah, blah. I'm ever curious and I'm ever looking for different places that might not be the usual place to draw inspiration from. So, I think Be The Business do some really great business programmes, it's almost like more of a facilitated conversation amongst a group of really like-minded, small business owners. So, if you're in a small business I would definitely recommend the programming they've got, and they've obviously got a specific programme around productivity, but it's a more holistic approach to business support. So, it's not just teaching you about marketing strategies and basics of finance, it's a programme that weaves in that peer supported skill discussion element with access to advisory boards and different viewpoints, that you're not necessarily going to get from your own network or from your own industry.

So, we've been doing manufacturing in a certain way in the UK for a very long time, one of the best business support programmes I ended up doing was for creatives, because it just gave you a really different set of thought processes, and that was around systems thinking. And I think it's just around being curious and seeing what is available that could set you apart. Because as we've talked about in terms of the labour piece, it's a very competitive market out there. I think rather than reframing it as business support, it's almost like business, I don't know, business catalysts to actually get you to be the place where people want to go and bring their innovation and their great creativity, and really propel you forward. So, yeah, I think I would definitely encourage people to look outside of their own traditional path, because you might find something in there that's going to really set your brain on fire.

BvA: Yeah, and I think that's a really the important lesson here. I think you got to be curious and know that you don't know all the truths yourself, but there are different ways to get there and that can either be through simple tools when it's a very practical problem, but sometimes it's just thinking about more holistically and then things like advisory board or the more holistic thinking about what does productivity actually mean for us? What is that North Star that we defined early on and what is actually driving that can be a really good conversation to get everybody organised around it. Greg?

GM: Yeah, when I started my business 2010, I signed up for the Goldman Sachs 10,000 Small Businesses Programme. I wanted to get some small business

How do business leaders think about productivity?

experience. And I got to meet other small business owners, but one of the great things about that programme was I got out of the office away from all my problems, and started to think about them without constantly being bombarded with the problems of my business. And I when you hear other people's problems I could think, oh God, yeah, that's an interesting angle. And I did start that process early on of getting out and not just being consumed by my own business.

BvA: I think that's actually a great point to wrap this up, because I think to me productivity is very much trying to think a little bit out of your own box. As I said, productivity is about turning resources into better outcomes. And I know my own business, I know my resources, I know what I have defined as my outcome, but is it the right thing that I want to do and what are others doing? Quite often even in very different sectors or industries not necessarily your own, because they may think exactly the same way as you do, and that's why you're competing with each other. So, sometimes it gives you new ideas about thinking about these things differently. And I think seeking for that kind of conversation is very important to become more productive as an entrepreneur, but also then continue that conversation within your own organisation to see where you want to go and how you bring these resources best together.

Look, we could talk for another hour about it and I'm sure that at some point we probably will do that if we keep Productivity Puzzles going in the same energising way as we've been doing over the past couple of episodes. This was actually a great conversation, really added a lot to the earlier conversations that we had with the economists and that we had with the policy community. And I hope that our listeners have benefited from this a lot. Katy Davis, Lou Cordwell, Greg McDonald. Thank you very much.

Now we have brought these past three episodes to you as a sequel on business productivity, but before we move on to our next cycle, which will be on people and productivity, we want to give you a bonus to this current series. For our next episode of Productivity Puzzles, we have the opportunity to speak with one of our researchers Professor Chander Velu from The Institute of Manufacturing at the University of Cambridge. Chander leads our research on business innovation and recently published a new book on this important topic titled, *Business Innovation, A Blueprint for Strategic Change*.

So, in this extra episode we will discuss the book with Chander, but we also have the great pleasure to have a second panellist on the show who's a great fan of Chander's work, and that is no one less than Charlie Mayfield. Charlie is a former CEO of John Lewis, he's currently the chair of Be The Business and a member of The Productivity Institute's governing council. So, join us for this bonus episode, which will hit the wire in June.



Season 3 Episode 3 Productivity Puzzles podcast transcript

How do business leaders think about productivity?

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