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WHITE PAPER

Boosting the productivity of Australian manufacturers

Employee engagement is the differentiator between thriving, surviving and failing

Boosting productivity through employee engagement

Australian manufacturing should be dead and buried by now, with the mourners surrounding the gravesite singing of terms of trade and currency fluctuations. But instead we see a sector that stubbornly refuses to lay down. Starting with the Hawke-Keating micro-economic reforms of the 1980s manufacturing has instead re-invented itself time and time again.

It has done so by constantly reappraising and improving every facet of operations, using our natural advantages of education and ingenuity to counter the disadvantages the world economy has handed us.

Where is the next horizon? This article argues that further productivity gains can be made by improving employee engagement. In what many describe as a perfect storm of high wages, a fragile global economy, a strong Australian dollar and over-capacity in many markets, productivity gains have never been more important.

Manufacturing companies need to keep the focus on relentlessly improving efficiency and producing more for less. Engaged employees will make the difference between maintaining the never ending quest for break-through improvements versus struggling with the status quo or even throwing in the towel.

The role of employee engagement

There is abundant evidence that employees who are aligned and engaged will make the difference between success and failure in tough times.

The critical role of employee alignment and employee engagement can be taken for granted if employees are seen as a production input. Over the past decade or more, lean supply chains and strategic sourcing units have increased the productivity of other production inputs; whilst in many cases the “human factor” has remained relatively untouched.

Employers experiencing an adversarial relationship with their workforces clearly need to find ways to change the nature of the relationship. It isn’t possible to foster meaningful relationships at arm’s length, for example where a trade union is percieved to be the only respresentative of the employees.

To reap genuine productivity gains, companies need to engage the “heads”, “hearts” and “hands” of their workforce. “Heart” refers to employees being emotionally invested in the organisation. They are satisfied, committed and proud. “Head” refers to employees thinking positive things about the organisation. They are enthusiastic and embrace challenges. “Hand” refers to employees translating their positive thoughts and feelings into action. They go above and beyond the call of duty, apply discretionary effort and share knowledge willingly with colleagues.

Engaged employees are much more likely to apply Lean Manufacturing or Six Sigma techniques in a sustained way to continue innovating and improving output levels. They are also much more likely to apply and embrace new approaches in their workplace such as control boards, pareto analysis, kanbans, multi-manning of machines, rapid change-overs and similar productivity improvement measures.

Engaging employees effectively

Hundreds of researchers (including Insync Surveys) have amassed a convincing body of evidence over two decades showing that employee engagement depends on:

- Having a meaningful role and knowing how it contributes to company success
- Working with a respected team leader who demonstrates confidence in the company's future
- Working within an effective team that is committed to productivity
- Knowing what standards and outcomes are expected of employees
- Having an effective reward and recognition program
- Using an employee's skills and talents to their full potential

The journey to improving employee engagement starts with measurement. There are a variety of ways to do this including interviews, focus groups, questionnaires and employee surveys. Employee engagement should be measured regularly, ideally with a standard instrument that can track changes over time and that can compare company results with comparable organisations.

Getting a good reading on current levels of employee engagement allows companies to make targeted and cost effective changes where required. In certain cases a relatively minor issue can be the obstacle preventing employees giving of their best, and once it is known, can be fixed with little time, effort or cost.

Once employee engagement levels are known, intervention initiatives can be directed at specific issues, rather than applying wasteful general solutions that don't address the key issues. Typical targeted solutions include specific communications improvements, leadership development, defining roles clearly, improving team dynamics and aligning rewards more closely with performance.

When employees are engaged, remarkable productivity break-throughs can be achieved. Examples of the successes achieved by manufacturers are summarised below.

Case studies of break-through productivity improvements

Engaged employees help boost productivity in four key areas; 1) People, 2) Processes, 3) Resources and 4) Technology.

1) People

Key issue

Ensure people have the skills, motivation, engagement and flexibility to drive productivity gains.

A high technology company found that it wasn't achieving the productivity gains it was expecting even though it had significantly increased production volumes at one of its plants. An investigation revealed that a poorly constructed reward structure for employees was the primary cause.

Employee remuneration was based on attendance not on output. This provided an incentive to meet the production target in the maximum possible time, not the minimum. As production volumes increased, many employees were happy to work longer hours and earn overtime at premium rates. There was little incentive to work smart and find new ways of accelerating production. Incentivising employees for output rather than for attendance aligned employee interests with those of the company, leading to higher wages, increased productivity and reduced production costs.

2) Processes

Key issue

Apply efficient production methods and use a variety of approaches to continually reduce process complexity and increase output levels.

A manufacturing plant was consistently missing its production targets, thereby letting customers down and not meeting cost targets. An investigation revealed that all products produced by the plant had to go through a process that was performed on one of four identical machines. Although the machines were supposedly running 24x7, the investigation further revealed that they were only producing parts for 25% of the time. The other 75% was spent on maintenance, change-overs and waiting for materials. This single bottleneck explained the lack of output from the plant.

It was hard to understand how the experienced management team and highly skilled manufacturing engineers had missed this since they were all well acquainted with the need to identify and eliminate bottlenecks. A possible explanation was that it was such an obvious thing to consider people assumed others had looked at it and ruled it out as a cause of the problem.

Once the problem was known, it was relatively simple to reduce the number of change-overs and improve change over times. This doubled the capacity of the bottleneck machines and the plant's output expanded to make up the backlog and meet all new orders.

3) Resources

Key issue

Specify appropriate input materials for the product, make sure they are available when required and provide other needed tools and resources.

In the auto industry, an unreliable supplier undermined a leading company's production levels and productivity targets. Late deliveries left the production line standing and poor quality components led to rework and rejection of products at late stages in the production process.

There were terrible knock on effects as the company was not able to meet dealer commitments and experienced cost over-runs as excessive resources were expended to achieve low production levels. The company evaluated and reengineered its supply chain, procurement practices and selection of critical suppliers.

The investment paid off. Not only did the company get properly specified components on time, it was also able to reconfigure the components received from suppliers and reduce the amount of work it needed to do.

Any one of these actions in isolation would have made a significant contribution to productivity improvement; in concert they changed the competitive landscape dramatically in the company's favour.

4) Technology

Key issue

Procure and maintain capital equipment required to produce products on time; simplify product design and make technology support available.

In spite of investing hundreds of millions of dollars per year in new plant and equipment across numerous facilities, a leading manufacturer was still forced to use unreliable 20 year old machines for certain components. Production problems with these components had a detrimental impact across the entire company.

It wasn't economically feasible to provide the capital budget required to keep all its production processes at the required level. To address this, the company conducted an exhaustive make-versus-buy investigation to identify the commodity components that didn't provide it with competitive advantage and which could be outsourced.

A highly engaged team of employees completed this complex and time consuming analysis in a tight timeframe and managed the outsourcing of commodity components to best in class suppliers. The company then focused its own limited resources on the high value and technologically advanced components.

Directing its financial resources and skilled people at a smaller range of activities led to a dramatic uplift in productivity and continued market domination.

Conclusion

Harold Leavitt first proposed the interconnectedness of structures in 1965; and the growing weight of evidence since that time suggest that productivity challenges are unlikely to be solved by fixing a single factor in isolation. People play the critical role in deploying all other factors for maximum effect. In many cases a cause of productivity limitations is in plain sight, but for one reason or another there is insufficient focus on fixing it.

The examples in this white paper illustrate some of the pressing and critical issues that manufacturers must address. Extremely complex problems can be addressed if employees have the will, capabilities and collaborative mindset required. Making difficult change depends to a large extent on employee engagement–being willing to go the extra mile to solve problems that others would prefer to avoid.

This doesn't only apply to tertiary qualified engineers and specialists. It applies to all workers. Australia has high wage rates, but also has more educated process workers than some competitors. Productivity gains can be identified by aligned and engaged workers throughout an organisation. Employee involvement and commitment can turn the disadvantage of high wages on its head.

This article has highlighted that there is much within individual companies' control for making game-changing productivity improvements. There are no easy answers, but companies can achieve huge benefits by continually ensuring that they have the right people, processes, resources and technology.

Measuring and improving employee engagement is a vital enabler of supporting the relentless quest for making ongoing improvements and finding ways to outperform competitors. Knowing what employees really think makes it possible to provide them with the targeted support and resources they need to deal with the unprecedented levels of threat and opportunity facing manufacturers in the current economic environment.

About Insync Surveys

With offices in Melbourne and Sydney, we specialise in employee, customer, board and other stakeholder surveys backed by consulting. Our registered psychologists and research experts help organisations become more effective.

We co-founded the Dream Employers Survey and have worked with some of the largest organisations in Asia Pacific, including: Cathay Pacific, Toll, Medibank Private, WorleyParsons, Fairfax Digital, Mission Australia, the Australian Curriculum, Assessment and Reporting Authority, state government departments, many local councils and most university libraries. This broad experience allows us to benchmark your results.

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