HUMAN CAPITAL MANAGEMENT

How technology can help HR improve employee productivity

Productivity is an important contributor to commercial and financial success. For most economists and business analysts it is the way an economy can be measured, and business efficiency gauged. It is essentially how a nation (and each individual business) transforms resources into goods or services, thereby boosting economic activity and GDP, hence driving economic growth. This ultimately improves living standards for the population. As the US economist Paul Krugman famously said, “Productivity isn’t everything, but in the long run it is almost everything.”

Employee productivity is a cause for concern

For businesses, the ability to utilise available resources to produce goods and services directly correlates to their efficiency and profitability. However, it has been worker productivity—and measuring the efficiency of the workforce either by output per individual worker or output per worker hour—that has been a particular cause for concern in recent years. Since the financial crash of 2009/2010, worker productivity has not risen at the same pace as previously. This has led to a dampening of economic growth, which appears to have caused stagnation in living standards.

There are economic indications that the productivity slowdown is not something new and has been happening gradually since the 1950s. In March 2017, the Bank of England's Chief Economist, Andy Haldane, discussed a gradual global slowdown in productivity growth since 1980, with the global financial crisis amplifying the trends rather than causing it.[1]

There is also a variance between individual countries, even those that are quite close. One oft-quoted European example is that workers in the UK produce 22% less GDP per hour than workers in France, from which it could be concluded that it takes UK workers five days to produce what French workers can do in four. However, this doesn't tell the whole story, as more people are in work in the UK than in France resulting in the two countries being roughly as rich as each other in terms of GDP per head. By comparison, Germany manages to combine UK levels of employment with French rates of productivity and consequently is richer than both the other countries.

The broader picture shows that while employee productivity rates and the economic status varies across different countries, it is safe to conclude that productivity cannot simply be tied directly to the number of hours or days worked. There are more factors to consider.

Possible economic reasons for slowing productivity

Whilst there is agreement that productivity needs to improve globally to raise living standards and boost the economies of advanced and emerging countries alike. Yet, there are many potential reasons why it has been slowing in recent years with no single solution for raising it. Many factors have probably contributed to the general slowing down over recent years—from macro-economic trends to more individualised operational changes that impact worker efficiency.

Sectoral shifts—Countries like the US, UK, and many in Western Europe have moved from a labour-intensive, manufacturing-based economy to one that is more service sector oriented. In the UK, for example, the employment share in manufacturing has fallen from 17% in 1990 to around 7% now. Productivity in manufacturing tends to be higher, output is more visible and therefore easier to measure. For services, this isn't the case. Resources that are no longer used by manufacturing are not so easily reallocated to the service sector.

Secular stagnation—This refers to a period of little or no economic growth in a market-led economy, and several commentators believe this is becoming the norm for many mature economies in the West. One theory is the new digital, technology-driven economy does not give the same opportunities for investment and expansive growth as provided by previous inventions such as the industrial assembly line. However, with the onset of digital transformation in the industrial market, there could be more opportunities for all industries to leverage modern technological capabilities and improve worker engagement hence driving better productivity.

Foreign ownership—Studies show that foreign-owned, multinational firms are more productive than domestically owned businesses.[2] Some of this can be explained by increased R&D activity, although it might be because the most efficient and successful businesses are the ones that are taken over, often accompanied by a fresh look at business planning helping to identify efficiencies.

The role of management quality

Many studies find a big differential between the productivity achieved by larger business, who tend to be more efficient, and by smaller ones. The classic distribution in many countries shows a small number of high-performing, high-productivity firms and a “long tail of low-productivity, under-performing firms,” that varies by developed countries. This is especially pronounced in developing, growing economies such as Brazil and India.[3]

Economists and researchers conclude that the key factor in this productivity gap is management quality. One of the definitive studies on this came from the World Management Survey on management practices,[4] which concluded that the biggest differences in management quality occur across firms in the same country.

The study listed eighteen separate management practices with participating firms being scored against best practices. Many of these practices concerned the way employees were attracted, hired, retained, and developed, and also how their performance was measured and improved. Smaller firms scored less well.

Whilst this isn’t necessarily a surprise, as managers in smaller businesses are more likely to be multi-tasking and filling more than one role, it does indicate a strong correlation between weaker management practices and poor productivity. Smaller firms are also less likely to invest heavily in technological innovation or process efficiencies, or in improving the skills and knowledge of their existing managers. This leads to many small businesses missing out on the opportunities offered by modern technology, and particularly the new talent tools designed to increase employee productivity and create a more collaborative, engaged environment.

A UK report in 2007 also found that family run firms, in which the role of CEO is passed to the eldest family member, tend to be less productive than those where management is chosen on merit.[5]

Is technology a distraction or productivity tool?

There is a belief that modern technology, particularly the constant flow of information, has contributed to a slowing down in the productivity of “knowledge workers,” mainly those in the professional and technical services sector. As far back as 2005, research conducted by University of London, on behalf of Hewlett-Packard, discovered that a constant flow of messages, emails, calls, and information can seriously reduce a person’s ability to focus on tasks. IQ can be reduced by as much as ten points, and the lack of ability to focus was deemed high enough to be likened to losing a night’s sleep.[6]

A further study from Harvard University in 2010, based on data points gathered from an iPhone app, concluded that people spend 47% of their time thinking about something other than what they were doing.[7] Coupled with the breaks to concentration that constant distractions and interruptions bring, there is much scientific evidence to suggest that people are less happy when trying to focus at work, which can lead to less productive outcomes.

Deloitte’s Human Capital Trends Report of 2014 first mentioned the concept of the “overwhelmed employee.”[8] They found a mixture of information overload, 24/7 connectivity, and message proliferation leading to employees feeling less engaged and with lower job satisfaction—ultimately, reducing productivity. This can be especially true if the right, modern technology is not implemented to increase employee through-put and drive desired business outcomes.

However, modern technology deployed on smart devices, with built-in task automation that looks and feels like the technology employees use in their daily lives, should increase their ability to focus “on the job at hand” and get more work done. It could be that many of the distractions that employees experience arise from the way that their managers use it.

The Deloitte survey showed 41% of knowledge workers feeling they were spending time on things that offered little personal satisfaction and hindering the tasks they were trying to complete. Half of those surveyed thought their employers were not doing a good job of helping them manage information overload, whilst 60% believed that leaders were not supported in managing schedules and knowledge flow. There are many tools designed to simplify and streamline processes to help employees become more productive, but maybe their effectiveness is blunted by how businesses use the platforms for collaboration, information flow and communication.

This is important, as it is not just the flow of information on its own, but the resulting loss of concentration and focus that most harms productivity. Research from University of California's Gloria Mark, found that it takes an average of 23 minutes and 15 seconds to fully refocus on a task after being distracted, depending on the complexity of the task.[9] A 30-second check for an email update can lead to 20 minutes of distracted thinking. With the average smartphone user clicking, tapping, or swiping their phone over 2,600 times a day the cost of distraction over the course of a week or month can be significant.

The link between productivity and engagement

We have seen that the quality of management, and the way that we manage the use of technology in the workplace, has an impact on productivity. It would be easy to conclude that larger organisations, with bigger budgets to spend on management up-skilling and staff incentives, are able to create a workplace culture that leads to engagement and therefore a stronger work ethic. Certainly, the HR practitioners who regularly rate employee engagement as an issue high on their agendas believe there to be a link between how an employee feels and how committed they are to produce a discretionary effort.

Within smaller businesses there may be smaller budgets and therefore less to invest in staff engagement. Owner-managed concerns may well rely on the personality and drive of the owners, and a sense of duty from those who work there, to foster engagement. In this type of business, it may well be that the link between engagement and productivity is weaker, which places more importance on the use of technology.

Since it appears that smartphones and digital technology and interactions have become the "new way of work," it follows that if they are properly incorporated into the workplace environment, they can become an effective tool to increase employee engagement and efficiency. The wider uses of business technology—offering software for collaboration, internal communication, internal knowledge sharing, and task management—will also help employees to feel better prepared to work effectively and productively while also driving engagement.

In-depth research from Gallup in 2013 suggested a strong link between engagement and commercial outcomes.[10] In terms of productivity, they found the most engaged workers likely to be 21% more productive than those who were least engaged. They were also likely to have lower levels of absenteeism and turnover.

It is important that engagement and productivity are judged on outcomes and not solely by hours worked, as this is not a conclusive indicator. Research shared in Harvard Business Review in February 2017[11] by Ryan Fuller, CEO of VoloMetrix, and Nina Shikaloff, Microsoft Workplace analytics expert, looked at hours worked as a guide to productivity in two sizeable Fortune 100 companies. They found that in one there was a strong correlation between high levels of engagement and longer working hours, but in the other there was no correlation.

Long hours alone are not necessarily a sign of engagement or high productivity. More than likely it comes from having effective technology to support and enable successful business outcomes.

The role of HR in improving productivity

The link between engagement and productivity would seem to be more complex than might usually be assumed. Outside of the traditional belief that engaged employees will be productive, it might be that engagement comes because workers feel they don't need to work longer and possibly more stressful hours, or that a highly productive environment places greater pressure on the workforce, which can generate lower levels of engagement. One more recent research finding may point the way to a different driver for productivity though, namely wellbeing.

In its 2017 Global Talent Trends Research, the International HR consulting firm Mercer[12] found that 69% of the surveyed employees who say they feel energised at work are in environments that focus on their health and wellness, giving a clear signal that this needs to be a key focus for business leaders. The impact of continuing distraction and interruption from social digital technology will have a deeper impact on wellbeing and contribute to how an employee feels about their workplace. A positive view of the working environment and experience is likely to foster the kind of engagement that can help improve productivity.

The starting point for HR professionals will be to make sure the employee experience is one that supports, engages and energises their workforce. Integral to this, as we have seen, is both the quality of management and ensuring that technology is an enabler, not a distraction. The kind of workplace culture that people want to talk about and share with potential candidates and customers is likely to be one in which every employee does their part in ensuring that commercial targets are met.

There are three areas in which HR can help to create the right environment for engagement to thrive, employees to feel energised, and productivity to grow. Firstly, to create an employee experience that supports people in doing their best work, giving job satisfaction and a strong sense of engagement. Secondly, to offer a platform for career development. And thirdly, to foster wellbeing through rewards and a flexible approach to work.

Importance of the employee experience

From attraction and hiring to development and retention, the employee experience is one of the most important areas of focus for the modern HR practitioner. By recognising that people now have more choices over where and how they work and the way their careers develop, the HR team can then create environments in which people want to work. Individuals need to feel they will be supported to realise their potential and produce their best work. This will require a commitment to developing a culture of inclusion in which everyone feels their contribution valued.

The talent acquisition process needs to be re-designed to ensure a diverse shortlist, that includes groups who might otherwise be excluded from the application process. Each applicant needs to be able to demonstrate their skills, capabilities, and potential, so the selection process has to be designed to enable people to show what they can achieve in the future rather than being tested on what they have done in the past. This could involve assessments to ascertain soft skills, creativity and behaviours, job auditions, and virtual reality to test reactions and situational responses.

The experience should reflect the type of organisation you are to work for, and the values that new employees can aspire to. A culture built on recognition, appreciation, and an inclusive approach to personal and professional development is likely to help foster engagement. This results in improved contributions to productivity and output.

A key relationship for employees is the one they have with their managers and leaders. We have already described how the quality of management can have a direct impact on effectiveness and productivity. In Mercer's Global Talent Trends Research, researchers found two of the main differences that energised employees like about their workplaces are an active support for innovation and enabling quick decision making. To create the right culture, there needs to be strong and effective leadership, with clear communication and messaging.

Platform for career development

A major factor of the employee experience is the way that a business supports their people in career development and skill enhancement. Traditional linear promotion paths are becoming less desirable for the young and emerging workforce. They also appear unsuitable for a commercial environment in which automation and technological developments are rapidly changing the nature of jobs. Today's workers need to be agile, flexible, and able to respond to change. The roles they undertake in the future may have no precedent, so their approach to learning needs to be continuous and self-directed.

HR teams must understand how to support this outside of more traditional learning and development interventions. Having a clear idea of the key competencies and skills that emerging roles will need is the starting point, together with the need to instil a spirit of intellectual curiosity amongst the workforce. This isn't something that should be developed purely for one demographic or generation. As retirement moves from being an event to more of a process, employees of all ages will increasingly want the opportunity to develop and acquire new skills and experiences.

Key to this evolution is the approach to performance management. The modern business is increasingly aligning individual goals to business strategy, giving each employee greater visibility on how they impact overall results and outcomes. By combining this with information on the type of skills individuals need to develop and progress to the next level of their career, performance reviews can become more objective. People who have a clearer roadmap of their future progression are likely to be more engaged and focused on producing exceptional outcomes.

Flexibility, reward, and wellbeing

Employees who feel engaged and energised are likely to be in environments that recognise and reward them. We have already looked at the impact of distractions and potential negative effects of technology overload, but there are many other considerations that lead to wellbeing and engagement. For example, employees who have problems managing personal finance or their time commitments outside work are less likely to be engaged and fully productive.

US research from 2013 indicated that the link between salary and job satisfaction is weak,[13] so engagement comes from more than just money. However, recent years have seen lower salary increases in general, particularly in countries where inflation has been rising. Financial wellbeing can be an overlooked problem creating dissatisfaction and worry. With employees unlikely to open up about any financial difficulties they may face, this can lead to disengagement. HR teams should both encourage managers to have these (sometimes) difficult conversations whilst also offering guidance and help for the employees who need to understand more about budgeting and personal financial management. This is an area where the finance team should be able to help.

Opportunities to offer flexible working patterns are on the agenda of all HR professionals now, but the solution is not always straightforward. Working from home might be less attractive than, say, working flexible hours, so the offer to employees needs to cover a number of different requests. Modern workplace technology does enable people to login and work at different times and from different locations, and this can help people to be more productive. However, the productivity benefits will only properly accrue if flexible options are seen as workforce optimisation and personalisation, rather than a benefit to be offered.

One of the biggest potential risks to effectiveness and productivity can come from a "long hours" culture that recognises input and leaves employees feeling they need to constantly be putting in extra effort to be successful. To combat this, rewards—both financial and for career progression—should be linked to business outcomes and results rather than effort and hours worked.

For most businesses, it is a culture of inclusiveness, collaboration, flexibility, and rewards that drive behaviours. So, to help foster employee engagement and productivity, consideration should be given to how modern workforce technology can enable and empower employees toward their career aspirations. How modern talent tools can help businesses achieve desired results effectively.

Employee productivity may not "be everything" but it is almost everything when it comes to how economists and companies measure business success, all over the world. Productivity and employee engagement is essentially how a nation transforms their resources, goods, and services to meet global market demand; and boost economic growth.

It will require a new employee-centric strategy that is aligned with business objectives—and deployed on modern, science-based analytics, and digital technology—to help employees adjust and evolve whilst delivering on the promise of a more productive workplace.

About the author

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