How to measure productivity within a business

Author: Nyasha Mukechi . June 2020

Productivity is a very common concept to the majority of the world populace, but how it is defined within different subgroups is not consistent. The term “productivity” is thrown around so much that it has almost lost all meaning. Most seem to use it as a substitute for the volume of work. To most modern audiences, “productivity” means the rate at which products are created or important work is completed. The European Association of National Productivity Centers (EANPC, 2005) defines productivity as how products and services are produced efficiently and effectively.

Generally speaking, productivity is often defined as a relationship between output generated by a system and the number of input factors used by the system to produce that output. The output can be any consequence of the system here, whether a product or a service, while input factors consist of any human and physical resources used in a process. It follows that the system must either produce more or better goods from the same resources or the same goods from fewer resources, to increase productivity. In other words, improvement in productivity refers to an increase in the ratio of goods or services produced to resources used.

Productivity would take into consideration both the amount of work completed and the quality of that work against the end goals. It is also essential to have a set amount of time for the work being completed to be examined. After all, it is next to pointless to monitor performance without drawing conclusions from patterns. Productivity is closely related to the use and availability of resources as well as to value creation. This means that a company’s productivity is reduced if its resources are not properly used or if there is a lack of resources. High productivity is achieved when activities and resources used in the process add value to the produced goods.

When deciding the specific measures to be used, the purpose of the measurement system is critically important. For example, if the measures are only to be used for scheduling and control purposes, the inputs into the measures and outputs may be imprecise aggregate figures that provide guidelines for setting schedules and possible expectations for efficiency. However, if the measures are used as a basis for an employee assessment system leading to bonuses, pay raises, layoffs, and disciplinary actions, the measures “inputs” and ”outputs” must be recorded accurately, and factors outside the worker's control must be excluded.

Equity and communication problems between individual jobs are becoming apparent. Several types of interventions are standard to track performance and provide feedback, identify problems, promote preparation and monitoring, and encourage creativity, and efficiency is no exception. Nonetheless, the role of identifying efficiency and guiding actions needs further clarification because it is important for managers to run their business units effectively and because it is important for researchers to conduct studies that shed light on human behaviour at work.

One way of viewing individual productivity is to consider how an individual's efforts contribute to the organization's productivity or success. The basic question is not, which measures of productivity should be used? The fundamental question is, what are the goals of the organisation? The secondary question is, which set of individual performance measures can guide employees' actions towards those goals as they work towards their personal goals? The organization's goal is to match the actions of the job with organisational goals. Management therefore has to implement interventions that will produce beneficial behaviours in the organisation.

Productivity versus Performance

Productivity evaluation at the individual level monitors how well the employee uses talents and skills to generate products and services within a specified period, utilising materials and equipment. It is not total performance, although this is key to success. If the work structure, measurement systems, and appraisal and compensation structures are not matched with the corporate strategy and improved at all management levels, performance is hollow. It is effective at best, but it may also be incompatible with the organization's overall direction and thus in the long run useless. Even if employees are properly aligned with organisational objectives, workers' detrimental habits, such as poor attendance, lateness, unwanted breaks, socialisation, and personal work efficiency, may not be captured by a clear measure of productivity. For example, absenteeism may not be counted as an input, although the company pays for the missed hours.

Nonetheless, on the positive side, every worker has the opportunity to contribute to the company, which can only be understood through observation. Workers may make suggestions for improvement or maybe exceptionally effective in satisfying customers in direct contact positions, but the productivity measure may not reflect those contributions. It has a positive influence on fellow employees and has an outstanding record of problem-solving, these are examples of factors that should be recognised over and above basic productivity. Productivity research should take these basic differences into account. At the very least, the analysis will delineate clearly among efficiency measures and quality indicators instead of using words as abstract synonyms.

Productivity Measures versus Financial Measures

A business may be highly productive at the organisational level, but it struggles because of its inability to manage sales, expenses, cash flows and debt. Therefore, a company must monitor other quality factors in addition to overall business productivity.

Nevertheless, the focus is usually placed on efficiency and cost per unit generated at the individual level. A significant thrust in cost accounting work is currently attempting to examine strategies for assigning overhead costs to manufactured products and services. Later, other quality factors will be tracked in addition to overall company productivity. At the individual level of analysis, these actions will make the connection between efficiency and cost more consistent and meaningful. However, productivity researchers will continue their efforts to develop productivity measurement systems at the individual level that can be incorporated into unit cost analysis with these new developments.

The concept of productivity is still often misunderstood; discussions of the productivity relationship to efficiency, effectiveness, quality, innovation, and performance financial or behavioural measures take the form of discussions. A common definition of productivity is a prerequisite for the development of a comprehensive measurement system at all levels of organisational analysis.

The dissimilarity in production measurements thwarts attempts to combine individual efficiency measures or to disaggregate organisational measures. Production is often measured at the individual level in the physical units of the item made or service provided. At higher levels of measurement, in some type of weighting scheme, different inputs from different sources are combined, sometimes using cost or price data that are inconsistent with individual-level financial metrics, given current cost accounting methods.

Individual output is often only calculated against labour input on the input side of the productivity ratio, and labour can be counted in several different but acceptable ways. A total factor method is commonly used at the organisational level, fro example inputs consist of labour, resources, capital, and power. A joint effort between practitioners and researchers will be required to make progress towards the goal of developing internally consistent and robust productivity measurement systems.

Further understanding of the concept of productivity, common meanings of terms and the creation of theoretical productivity models provide the required context for the production and improvement of productivity steps. Better evaluation of productivity may help to coordinate and unify the creation of a common knowledge body on productive actions.

Nyasha Mukechi is a Business Analytics Consultant at Industrial Psychology Consultants (Pvt.) Ltd; a management and human resources consulting firm.

Phone +263 4 481946-48/481950 or

email: nyasham@ipcconsultants.com *or*

visit our website at www.ipcconsultants.com

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