

Management must change to lift productivity

The key to productivity growth is locked in the mindsets of Australian leaders and managers, writes **Steve Vamos**.

Improving Australia's lagging productivity performance has been back in the spotlight following Productivity Commission chairman Gary Banks' statements on the subject late last year.

Banks' statement that in the context of improving productivity, industrial relations regulation "is arguably the most crucial to get right", supports the view that regulatory frameworks are an important part of the mix. Just how much of the mix is questionable.

The information and communications technology boom of the 1990s, which wired our now highly connected and fast-changing world, enabled much of the productivity gains achieved in the past two or three decades.

Similarly, the next wave of significant productivity gains will not be brought about through regulation alone.

The next wave of productivity

gains can only be realised if we get serious about raising the standards of leadership, culture and management practices in every Australian workplace.

Evidence of the need to lift our leadership and management standards is clear when you consider the results of a Gallup Consulting survey conducted during 2009 which suggested that about 80 per cent of people in Australian workplaces are not "fully engaged at work". The study goes on to say that this has a substantial impact on national productivity, costing businesses more than \$33 billion a year.

The World Economic Forum's *Global Competitiveness Report (2009-10)* shows that when benchmarked against other nations, Australia lags many of its peers in areas such as business management and innovation.

A dedicated national focus on lifting the standards of leadership, culture and management practices is also a vital element of addressing the many social and economic challenges we face.

These challenges include the need to increase innovation, create more diverse and inclusive workplaces, better integrate and leverage technology at work, better utilise existing skills and

knowledge of our workforce, and to make our organisations more environmentally and financially sustainable. Challenging reforms such as those being considered in health are unlikely to deliver the benefits sought unless the leadership, culture and management practices of the sector, in all aspects of it, are the foundation of change efforts.

At the International Industrial Relations Congress held in August 2009, Prime Minister Julia Gillard (then Deputy Prime Minister)

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stated that "to truly unlock the productivity of our nation ... we need workplace leadership and the requisite cultures and skills that will build upon the foundations of the Fair Work Act to encourage innovation, employee engagement and co-operation in our workplaces".

For many years the links between management capability, employee engagement and productivity have been well researched and documented.

The US Watson Wyatt study

(2008-09), titled *WorkUSA Survey*, found that when employees are highly engaged, their companies achieved 26 per cent higher labour productivity, lower turnover, and 13 per cent higher returns to shareholders in a five-year period.

The UK Department of Business, Innovation and Skills' *Engaging for Success* report, "sets out for the first time the evidence that underpins what we all know intuitively, which is that only organisations that truly engage and inspire their employees produce world-class levels of innovation, productivity and performance".

Improvement in national productivity requires us to adapt our leadership and management mindsets to those that better suit the realities of a highly connected and fast-changing world rather than the hierarchy and silos of the industrial age in which they are largely still rooted.

This new leadership mindset puts the job of aligning and enabling the people of the organisation around a clear, common purpose at the very top of priorities – a mindset which recognises that mistake aversion stifles any hopes of innovation and that communication with staff and external stakeholders

must be continuous and two-way.

The Society for Knowledge Economics, an Australian think tank, has conducted extensive research and stakeholder consultations on the systemic change required to make progress.

An effective change program will require:

- Increased promotion and adoption by government of policies and practices that build leadership, culture and management capabilities across all workplaces.

- Collaboration (forums and online community) involving government, business, unions, academics and practitioners, as government alone can't "fix this".
- Demonstration and sharing of best practices at workplace level.

The time is right to establish a highly collaborative nation-building focus on the systemic change and the organisational leadership mindset shift needed at workplace level, across all sectors, if we are to drive the next wave of productivity gains.

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