

Investing In Labor Pays Off With Productivity

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Keeping labor costs down has long been a preferred method for manufacturers around the globe to achieve sustained success and profitability. However, lately it seems manufacturers have found investing in efforts to raise workforce productivity to be a reasonable and desirable alternative.

Gregg Gordon, Kronos

At least that's according to a recent study conducted by IDC Manufacturing Insights, a provider of market research, analysis, and consulting services. The study, which surveyed 550 individuals across 11 manufacturing companies, found labor productivity was rated as the highest factor for achieving success in manufacturing among all countries, ahead of modern infrastructure, government support, and foreign direct investment. It also was revealed that 70 percent of respondents identified manufacturing as either the single most important industry or the most critical to their country's economic health.

The survey goes on to suggest that respondents from mature economies fared similar to emerging nations when rating manufacturing critical for their countries' economic well-being. Forty-eight percent of U.S. respondents rated manufacturing as a critical element for economic growth. Other nations responded in a similar fashion: Australia with 52 percent, Brazil with 40 percent, Canada with 54 percent, China with 42 percent, France with 40 percent, Mexico with 42 percent, Spain with 50 percent, and U.K. with 62 percent. Germany and India scored the lowest, both with 32 percent.

Study respondents were also asked about factors related to global competitiveness for manufacturers. According to the results, labor productivity ranked the highest in all countries and 42 percent in the U.S. rated it as "extremely important." With more complexities being added in products, supply chains, and sales processes, a productive workforce is a competitive differentiator across all geographies. With that fact in mind, manufacturers are focused on cultivating a better relationship between management and labor.

"The piece of data that I love most out of the survey was that an overwhelming percentage of people that we interviewed said that the workers cared deeply about quality, and almost an equal percentage said that management truly appreciates the efforts of the people in the organization," says Bob Parker, IDC's VP of Research. "The age of the contentious management-labor relationship in manufacturing is over."

Bob Parker, IDC Manufacturing Insights

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According to both Parker and Gregg Gordon, author and senior director of the Kronos manufacturing group, the shift away from this dynamic has led manufacturers to engage their employees, rather than manage them. Labor is no longer seen as a pair of (replaceable) hands conducting a task. Workers have unique skills that can be leveraged to drive productivity and inspire innovation, and companies are asking themselves how they can best leverage employee skills.

Of course, external factors play a role in determining how well a manufacturer can improve workforce productivity – such as the aforementioned modern infrastructure, government support, and direct investment. However, Parker and Gordon suggest one of the most significant keys to unlocking business productivity is an internal one: a company's ability to discern between business complexity and business complication.

Complexity cannot be eliminated. All businesses have some level of complexity, but those who properly deal with and manage it are more apt to fare better than those that don't. Conversely, complication equals waste. Companies should diligently work to reduce complication whenever possible.

"Sometimes I think we underestimate the skill of determining when it is complexity and when it is complication," says Parker. "That's what I see separating the men from the boys in manufacturing, so to speak."

Mature companies around the globe seem to be more advanced in this ability, but the gap is closing quickly. Those same mature companies are also better equipped to deal with the manufacturing skills shortage that exists today.

"When you are just asking people to be two hands and the brain is sitting there not being used, they didn't perceive as much of a skills shortage as they do now when they really need new ideas and you have to be able to look at the overall system versus your own job," says Gordon.

Manufacturers must work to inspire their workforce to innovate and provide employees with the tools and resources necessary to do so. However, geography plays a significant role in when and how this is addressed, as the choices countries have to increase productivity vary based on the maturity of their respective economies and the types of products they produce.

"When you look at emerging versus developed economies, the developed economies were going to focus on labor first," says Gordon. "Other countries have higher ratings toward automation and offshoring."

And how does the future of manufacturing look as a career option for the next generation? Surprisingly, 88 percent of all respondents were very or somewhat positive about encouraging younger relatives to consider manufacturing as a practical career option. In the U.S., 32 percent said that they would be extremely positive and 58 percent were somewhat positive about referring manufacturing as a career choice.

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“Specialized engineering roles and skills are needed,” said Parker. “When we talk to people in detailed interviews, they recommend people go into manufacturing with some very specific skills, even if you are going onto the factory floor.”

Both labor and management must continue to take the necessary steps to assure manufacturing’s bright future. Workers need to develop and refine necessary skills, while management needs to create an environment where those skills can thrive. It seems manufacturers, especially in mature economies, are on the right track in terms of making that a reality. And it appears the rest of the world isn’t far behind.

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