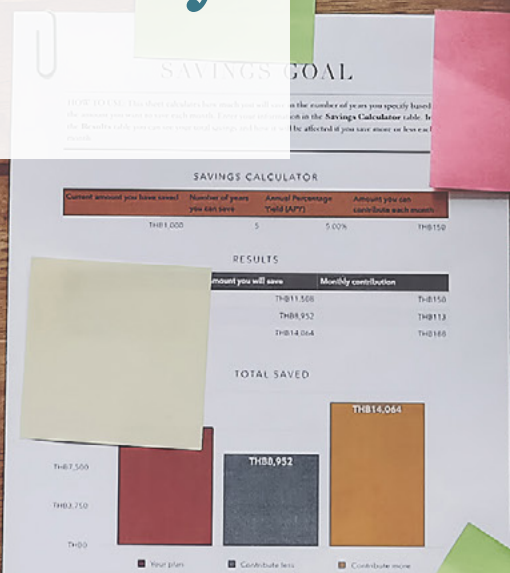


Small Business Productivity Guide



REMODEL - COST				
SERVICES				
Description				
Electrical				THB3,000
Plumbing				THB4,000
Drywall				THB1,000
Subtotal				THB8,000
MATERIALS				
Description	Cost per sq. ft.	Sq. ft.		Sub Total
Flooring	THB16	22		THB352
Subtotal	THB22	42		THB924
PRODUCTS				
Description	Cost	Qty		Sub Total
Sink				THB120
Faucet	THB220	1		THB220
Subtotal	THB95	1		THB95
LABOR				
Description	Cost per hour	Hours		Sub Total
Contractor 1	THB35	50		THB1,750
Contractor 2	THB45	30		THB1,350
Subtotal				THB3,100
TOTAL				
Subtotals				
Overage				
Total	20%			



Contents

- 3 What is productivity?
- 5 How can the IoD help you?
- 7 Advice from our community of experts
- 14 Be the Business

What is productivity?

Productivity for your business is ultimately about working smarter. It is the ability of your enterprise to produce more from the same bundle of inputs, and therefore crucially relies on growing the mix of skills, capital, technology, and knowledge in your organisation. So today, in a time of high costs, uncertainty, and innovative competition, developing a 'productivity mind-set' is crucial for businesses.

More crudely, it can be measured as 'gross value added per worker'. For this you need three pieces of data: your turnover (or sales), your purchases of inputs (excluding investment), and how many people you employ:

$$\text{Gross value added per worker} = \frac{[\text{Turnover} - \text{Intermediate consumption (non-capital purchases)}]}{\text{Workers (employees and working proprietors)}^1}$$

A productivity mindset

Productivity is more than just another financial metric, it's also a mind-set and crucial for framing your business' future performance. Indeed, while efficiency is about doing the same with less, productivity is largely about doing more with the same, according to one useful framing².

That means understanding how to drive higher turnover by introducing new products and services, adjusting business strategies, adopting new management techniques, engaging in technological investment and driving innovation to extract more value from your business' workforce and processes. And so, measuring and monitoring your productivity against the industry standard is an important first step in assessing your performance³. This is important as around 80% of SME business owners believe their organisations are as productive or more productive than their peers, while many also tend to overestimate their management skills. This can impact long-term performance.

Harnessing a 'productivity mind-set', which focuses on the need for continuous improvement, is crucial in helping your firm to meet its priorities in the long-term. It encourages a more dynamic business-wide awareness – which is needed to manage risks, remain agile, and be competitive⁴ – than a single focus on headline accounting numbers. Meanwhile, solely targeting profitability can detract from making necessary, but costly, investments, which help to underpin long-term growth, while an emphasis on cost reduction, can divert attention from value creation.

How to raise your business' productivity: 5 top tips

Our community of experts have outlined key tips to raise your organisation's productivity. Check out their thoughts in-depth on page 7.

- 1 Measure and monitor:** Connect how you measure your performance to your strategy, and stay ahead of potential risks and opportunities by building networks and awareness of the wider trends outside your business. *Be introspective and extrospective.*
- 2 Invest in technology:** The right tools can boost competitiveness, speed-up operational processes, and drive higher sales. Support digital skills and drive a culture of technological awareness in your business, by tapping into external expertise.
- 3 Support employee wellbeing:** A happy crew is a productive crew. See your staff as individuals not just workers, to understand what makes them tick and how you can better support them.
- 4 Set goals:** Businesses need to have a direction, and a vision of how to achieve it, while a motivated workforce has clear targets that supports their growth and broader career development.
- 5 Build strong teams:** Effective collaboration is underpinned by strong communication, and flourishes in an environment that supports workers to think freely, challenge ideas, and develop each other.

¹ Office for National Statistics, How productive is your business? July 2018

² Great Companies Obsess Over Productivity, Not Efficiency, Michael Mankins, Harvard Business Review, March 2017

³ How productive is your business?, Office for National Statistics, July 2018, Be The Business, <https://app.bethebusiness.com/>

⁴ The Impact of Total Quality Management on Financial Performance: Evidence from Quality Award Winners, Singhal and Hendricks, March 2000

What is productivity ‘best practice’?⁵ An overview

Strong leadership and management practices drive more value from workers, products and processes. Technology such as Enterprise Resource Planning software can streamline operations, while websites can unlock additional sales online, and data analysis tools can help identify new business opportunities and help you monitor your performance. Meanwhile new strategies such as exporting can drive new sales and competitiveness.

While making individual improvements can improve performance, it is often a combination of IT, software, management styles, and strategies that deliver higher productivity gains. Small and younger enterprises are often more reactive to business developments. As they mature, many are able to take greater control of business processes and improve them by importing more, and innovating upon, best practice from outside their organisation:

Organisational Enablers		Technological Enablers
Structured Practices: Monitoring, Incentives & Targets Leadership: Performance Reviews, Strategic Thinking, Driving Continuous Improvement Management: Staff Engagement & Wellbeing, Team Building Exercises, Strategic Recruitment Operations: Lean Processes, Flexible Working & Outsourcing Networks & Relationships: Connect with Other Businesses, External Support and Expertise, Your Supply Chain & Clients Training: Employee, Management & Leadership Development Innovation: Research & Development Internationalisation & Accessing Global Markets	Productivity-Boosting Opportunities Operational Efficiency Improvements Raising Output from Employees Enhancing Value Added Adoption of New Business Models Driving Business Agility/Ability to Pivot	Website E-commerce Mobile Technology Social Networks & Marketing Enterprise Resource Planning software: Customer Relationship, Human Resources, Supply Chain Management Accounting Software Data Analytics Software Cloud Computing Digital Leadership & Strategy Digital Skills, Outsourcing, & Training

⁵ Department for Business, Energy, and Industrial Strategy, Business Productivity Review: Government call for evidence, May 2018; McKinsey & Company, Solving the Productivity Puzzle, February 2018; Measuring and explaining practices across firms and countries, Bloom et al, 2014; Institute of Directors, Professional Development Competency Framework (2018); Enterprise Research Centre, Goldman Sachs, British Business Bank, Unlocking UK Productivity, November 2015

How can the IoD help you?

1

Professional Development:

The IoD's wide range of courses are delivered by experienced course leaders and enable directors to develop the competencies required for effective leadership. Bite-sized CPD content is available on the Academy website to allow for flexible learning.

www.iod.com/training

2

Information & Advisory Services:

Access to specialist business information and guidance, including legal and tax helplines, research support, confidential one-to-one expert advice sessions, and a comprehensive business library.

Factsheets for IoD members covering advice and checklists on productivity and business best practice, including setting key performance indicators, finding consultants, and managing time.

www.iod.com/information

3

A Network of Experienced Business Leaders:

Over 30,000 business leaders to exchange ideas, contacts and learn about 'best practice' through workshops and thematic events across the country.

Small businesses are more likely to adopt high performance work practices when they are part of an external business advisory network.⁶

Businesses with well-connected directors are likely to be more productive than firms with a weaker contact base.⁷

4

A Start-Up Network:

The 'IoD 99' community supports growth, expands networks and boosts skills and knowledge in start-ups.

Over the past year, the community is estimated to have created over 7,000 jobs and has generated over £150mn in investment, while around 1 in 4 joiners in the past year have doubled their turnover.

www.iod.com/99

5

Policy Advocacy:

Advances the case for tackling wider business environment and firm-level productivity challenges with government, parliament, the media and other influencers.

Sharing best practice advice with members in collaboration with our professional development course leaders.

www.iod.com/about/policy-team

Have your voice heard by contributing to our monthly survey on key policy issues:

www.iod.com/policyvoice

Read the IoD's productivity report:

Lifting the Long Tail: The productivity challenge through the eyes of small business leaders

⁶The adoption of High Performance Work Practices in small businesses: the influence of markets, business characteristics and HR expertise, Wu et al, 2014

⁷Bank of England, Andrew Haldane, The UK's Productivity Problem: Hub No Spokes, June 2018

Skills and the IoD Director Competency Framework

The IoD Director Competency Framework contains 15 core competencies – across the dimensions of knowledge, skills and mind-set – which are key to a director's successful performance and in effectively managing the people and processes to drive business productivity.

The IoD Director Competency Framework is built around three dimensions

Knowledge – the director's understanding and appropriate application of essential practical and theoretical information

Skills – the expertise that a director brings to their role

Mind-set – the attitude and disposition that shapes a director's responses and behaviour

Each of the 15 competencies is defined by a clear purpose and a set of demonstrable standards.

Although experience is an important route to gaining professional competence, the IoD's experience shows that high performing directors take support, guidance and training at various stages of their career.

Competencies may be achieved through a combination of experience and informal learning, as well as through formal training and IoD qualifications.

For more details see: www.iod.com/training



Advice from our community of experts:

Finance

Deborah Morton-Dare, *IoD Professional Development Course Leader, Qualified chartered accountant, extensive experience in corporate finance as a financial consultant and company director.*



Why is it important for businesses to measure their performance?

"If performance measurement is not effective then an organisation will be unlikely to achieve its strategy, it will not be capable of responding to challenges by taking the necessary time-sensitive decisions and it will miss an opportunity to engage and motivate employees."

What considerations do business leaders need to make?

"The commonest error is starting the data collection exercise by using information that is available, rather than measuring what is needed. Effective performance measurement starts with asking: What are our objectives? How will we achieve this through our strategy? How do we effectively measure this?"

"A common mistake is to simply target the revenue or profit line. This can result in employees losing sight of long-term customer value with an outright focus on sales, or in the latter case they can be rewarded for suggesting ways of improving profit on the sales to existing customers without necessarily having to drive more volume of sales."

"Employees need to be given ownership of the process. There should be a clear positive alignment as to how they are personally contributing to achieving the organisation's objectives. An effective feedback loop will allow both employees and the whole organisation to learn as employees share their ideas and solutions with management."



Connect performance measures to your strategy"

Risk

Janhavi Dadarkar, *IoD Professional Development Course Leader, Expert on commercial transactions, company law, corporate governance and intellectual property.*



Why is good risk management important for businesses?

“Risk mitigation is part and parcel of any company that wants to be prepared for the future. Too often it is seen as a cost, but in reality it can be a huge cost saver and also an opportunity for a premium if managed correctly.”

What considerations do business leaders need to make?

“Whilst eliminating surprises is a lofty goal, it’s certainly an aspiration when looking at your businesses strategy. Globally, corporate failures have often boiled down to some key errors in managing risk inappropriately either because of blindspots or lack of appropriate people to oversee and manage the risks in the organisation.”

“If risk materialises that was not seen or dealt with, there is greater chance that the organisation will experience major losses, damage to its reputation, or disappear altogether.”

How do businesses mitigate risks?

“Establishing a culture and tone of risk management from the top is crucial. Businesses need boards, or dedicated staff, to lead on regular SWOT analysis and horizon-scanning for market shifts. For less internally resourced SMEs, building networks with directors, experts, and gaining mentorship opportunities will be crucial.”

“The ability to simultaneously perceive opportunity and risk will enable companies to continue to thrive on existing success but also create value for the future and will allow for organisations to nimbly navigate uncertainty better.”

“For example, companies that have developed creative solutions to retain older workers or flexible working for younger workers with family commitments have been able to retain institutional know-how better than those companies who simply lose that know-how when people move on.”



Understanding risk and enabling a risk culture is a must for long-term sustainability”

Technology

Merje Shaw, *IoD 99 Member, Managing Director, Path 59*



How important is technology for my business' productivity?

"Successful businesses effectively deploy technology throughout their organisations. That's because it can help drive competitiveness, speed-up operational processes, and drive higher sales."

"Unfortunately, too many small business leaders assume technological solutions are beyond them and it is that belief which limits them as technological change requires embracing the unknown and can start with as little as implementing a CRM system to analyse customer trends. Huge gains can be reaped from existing technologies which don't necessarily need to be implemented at once. Start small."

How do I know what technology is best for my business?

"Deciding on one, primary area to master when it comes to technical best practice is crucial in staying ahead. Business leaders need to make sure they are tapping into the wide information and support offered online and through business networks whilst maintaining a keen focus."

"Installing modern software tools and upgrading hardware alone isn't what will drive productivity growth – business leaders need to ensure the technology actually works for their business. This means truly understanding what their organisational needs are and finding the right help to assist with matching what's out there to what the organisation needs."

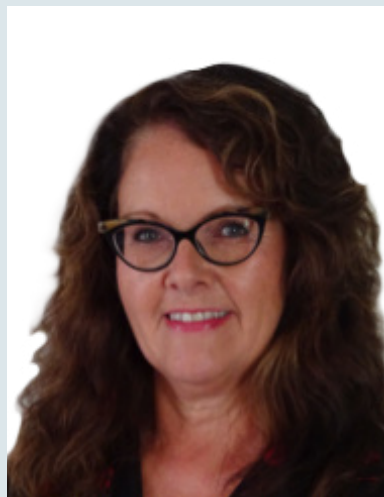
"Ensuring firms have an openness to trying new technologies is often the first line of defence in a fast moving field, as is ensuring training staff are trained in even basic digital and IT skills."



When it comes to digital transformation; start small"

Mental Health

Sylvia Bruce, *IoD Member, Performance Coach, Mental Health Champion*



What is the link between mental health and business productivity?

“‘Happy’ employees overcome challenges, are resilient, motivated, manage change and uncertainty, maintain healthy relationships, and often achieve beyond expectations. They buy-in to company ethos and direction. Many with mental health conditions, with the right support, productively perform in the workplace.”

What are your experiences of how it impacts businesses?

“Poor mental wellbeing can potentially affect performance levels generally if staff aren’t working to their best ability. It can lead to presenteeism – people at work not fully functioning – or worse, it can drive absenteeism. These have significant ripple effects on business productivity, through organisational disruption, demotivation, and by raising workloads and workplace adjustments.”

“The importance of mental health is often overlooked. Yes, there are great processes, products, and innovations but individuals make it happen. Also jargon and a lack of compassion tend to depersonalise employees. Yet if managers are to set the right targets and responsibilities, they need to see workers less as ‘headcount, resources’ and more as people, individuals.”

What can business leaders practically do to improve their productivity through mental health best practice?

“Treating people well isn’t just about pay packets. Leaders need to: create a top-down, open, culture of talking about mental health, put themselves in their employees’ shoes, ask regularly how they are, connect and communicate well -- unknowns often create anxiety.”

“A preventative, rather than curative, approach is key: businesses should empower individuals by sharing tips on things like stress management on intranets, well-being portals, and through general signposting and broadcasting of available support.”

“Workplaces also need to be equipped to support individuals through appropriate workplace adjustments, and flexible working. Staff need to be seen as individuals, that way line managers and colleagues are better placed to see if someone’s not their ‘normal self’.”

 **A happy crew is a productive crew”**

Communication

Murray Eldridge, *IoD Professional Development Course Leader, Over 40 years experience in sectors including shipping, telecoms and energy.*



Why is good communication important for business?

"In modern organisations, where knowledge-based and service-based work is integral to adding value, performance can only be achieved through people. That means excellent communication is essential."

"In day-to-day business, leaders who fail to communicate fully, and in ways that their employees accept, risk extremely high levels of disengagement – and can also stifle change."

"In any change management programme, if 60% to 70% of the people do not understand the change, the change process and, most importantly, actively 'buy into it', is unlikely to happen. Communication is the key ingredient in change."

What does good communication look like?

"Failure to take time to address people's personal, group and organisational needs creates uncertainty and confusion. In practice, this means communication needs to be continuous, transcend hierarchies, and use a wide range of mediums. And while modes of communication are important, so is its quality."

"It cannot flow in one direction, its needs to be two-way, and multi-path. Good communication needs feedback mechanisms to make sure the right message is being acted on in the right way. At the same time, good organisations know it is very easy to bias messages and should seek to avoid doing so. And ultimately, there must be trust. Imparting biased, untrue or just plain information does little to empower staff or instil their belief in their leaders."



Communication is the key ingredient in change"

Leadership

Deborah Benson, *IoD Professional Development Course Leader, Experienced MD, over 20 years experience as a Director and NED across sectors.*



Why is good leadership important for businesses?

“High-quality leadership drives the success of SMEs. This starts with developing, defining and communicating a clear over-arching ‘vision’ for your business, encapsulated in a simple mission statement, describing what the company will be doing. It articulates your ambitions for the organisation, including its ‘purpose’ and is underpinned by ‘values’ – the standards and behaviours you expect from your staff. The vision, purpose and values are the driving forces that turn ambitions into reality and help define the culture of the organisation.”

What does good leadership look like?

“Most of all, leadership is more than maintaining correct governance standards, and generating and implementing strategic plans in pursuit of the vision, it requires making your own enthusiasm infectious, sharing that entrepreneurial spark to create the motivation that differentiates a thriving success from other organisations.”

“The real motivational drivers are simple things like personal growth, achievement, recognition. So get the basic pay and conditions to an acceptable level, then spend some of your very precious time remembering to say ‘well done’, take a moment to mentor someone, give them small challenges that grow their skills (‘stretch targets’) and help them to be the best they can. Let your flair and inspiration become theirs.”



**...vision, purpose and values
are the driving forces that turn
ambitions into reality”**

Strategy

Simon Haslam, *IoD Professional Development Course Leader, Specialist in organisational strategy and strategic marketing, and a member of the advisory council for the Institute of Consulting.*



Why is strategic thinking important for businesses?

“Strategic thinking is the ability to understand how your business relates to the world outside -- to think ahead about the organisation you need to create in order to remain relevant. It’s more important than just writing a strategy down. That’s because the world is becoming pacier, more complex, and so much of importance changes in real time.”

What does good strategic thinking look like to businesses?

“First, businesses must be clear about what, and why, it is seeking to achieve something, and second, businesses must keep challenging assumptions and beliefs. We have to work hard to avoid complacency or being surprised by the disruptive moves of others. Great strategic thinking often uses the phrases ‘what if’ or ‘how about’ to help reflect on current assumptions and become more sensitive to threat and opportunity.”

“Businesses need people who are encouraged to spend more time connecting with the outside world, and its trends, so when they meet managers they can bring external perspectives and help align them to long term developments. This should spur leaders to modify their business models and product portfolios effectively, as a result.”

How can strategic thinking deliver productivity gains?

“A business that doesn’t think strategically can waste money by having features in their products that customers don’t value or have inefficient operations that don’t reap the benefits of learning through experience. Strategic thinking, followed by appropriate action, enables the business to develop fruitfully.”



How does your organisation relate to the world outside?”

For more information on productivity best practice, check out the Be the Business website:
www.bethebusiness.com

Be the Business

Be the Business was launched in 2017 as a key part of the government's Industrial Strategy, and is building a movement of British businesses by bringing together companies large and small, to make the UK home to the most ambitious firms in the world and transform our competitiveness as a nation.

Whether it's finding new ways to incentivise and engage with your staff, taking an honest look at your own leadership and management style or investing in the kind of tools and technology that will help prepare your business for the next stage, there is no better way to tackle these kind of challenges than learning from others who have done it all before.

Led by some of the UK's most senior business leaders and supported by the UK government, Be the Business has this year launched a series of major programmes to help businesses improve their productivity. This includes: 'Mentoring for Growth' – a new programme that matches SME leaders with experienced mentors from some of Britain's most prominent companies to help them expand and improve their businesses; [Productivity through People](#) – a flagship programme for SME leaders to improve management and leadership delivered by some of the UK's leading business schools, and; communities of businesses in Cornwall and the North West where firms share challenges in common and coalesce around finding practical solutions. Better and more confident leaders are more likely to invest in their business, export for the first time or introduce innovative working practices – all of which boost productivity.

Businesses wanting to improve can start by [benchmarking](#) their firm. Benchmarking allows you to find out how your business compares to best practice. At bethebusiness.com you can get instant feedback and an action report that provides tips and guidelines around areas to improve.

Institute of Directors

For further information on this report, please contact:

Tej Parikh
Senior Economist
+44 (0)20 7451 3263
tej.parikh@iod.com

The Institute of Directors

The IoD has been supporting businesses and the people who run them since 1903. As the UK's longest running and leading business organisation, the IoD is dedicated to supporting its members, encouraging entrepreneurial activity and promoting responsible business practice for the benefit of the business community and society as a whole.

iod.com

Training
Events
Networks
Mentoring
Research
Influencing

