



Beating the UK's Productivity Crisis

Whitepaper 2018



NOTION LTD – GLOBAL EXPERTS IN TRANSFORMATIONAL CHANGE

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Introduction

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Productivity is a critical issue threatening the future competitiveness of the UK economy. In fact, recent government figures highlight the biggest gap between the UK and other leading western economies since records began in the early 1990's. Alarming, the UK lags far behind the US, Germany and France. This cavity has created leeway for other businesses and nations to exploit the UK's inefficiencies, putting the UK economy at further risk of decline.

Most economists tend to agree that productivity will remain sluggish into 2018, with no signs of marked improvement. And, although unemployment remains low, the average annual growth in output per worker has actually fallen. Yet, the TUC calls Britain's long hours culture a national disgrace – if this is true, how did productivity become Britain's Achilles heel?

Clearly working long hours does not have the positive impact on productivity that one might expect, therefore isn't it about time that organisations started to help their people to work smarter, not harder?

Indeed, as time scarcity has become a modern world phenomenon, people seem to have adopted a modicum of pride in being busy; a way of communicating to others that they are important and contributing to life in general. In part, busyness has been provoked by around-the-clock connectivity, yet it seems to be exacerbated by people (and organisations) compelled to justify and safeguard their place in a volatile and uncertain world, whatever the price.

However this association between being busy and being productive is misguided and is having a damaging effect on people in organisations and ultimately on their productivity.

So, enabling people with the skills to work smarter and to cope with the omnipresent pressures of disruptive politics, a highly changeable economy and the speed of change has got to be central to improving productivity.

Yet the damning account of the UK's productivity given in Autumn's budget suggests that organisations are failing to keep pace with change. Indeed, Chancellor Philip Hammond had no

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qualms attributing the £84 billion productivity loss to poor performing Managers, making management performance the subject of intense scrutiny for years to come.

Of course, many organisations have already tried to introduce measures to turnaround productivity but all too often these quick fixes backfire because of inhibitive organisational cultures and ineffective management behaviours that prevent real change from happening. This speaks volumes about the state of engagement in today's organisations.

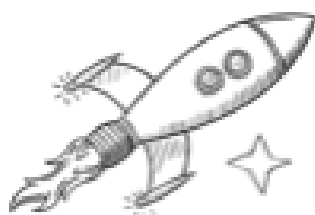
Let's put this into context. In 2017 a shocking two thirds (67%) of employees reported that they were 'not engaged'¹ and 38% of Millennials - the fastest growing demographic - said that they would leave their jobs within two years², 'regardless of the amount of change taking place'.⁵

The good news is that these figures include people who actively *want* to be engaged and have bountiful yet untapped talent and potential. The Millennials may be a difficult audience to please, but give them meaning, purpose and connection and organisations will benefit from their discretionary efforts.

And this is the key; by taking steps to introduce tools and technologies that can really affect behaviour change in a fundamental and sustainable way, organisations will be able to beat the productivity crisis and revel in the commercial benefits.

Consequently, the most competitive organisations in the modern world will be the ones that generate high levels of engagement, establish constructive cultures with enabling infrastructures and reinvent the way Managers respond and address performance.

Here we examine ways in which organisations can turn around the crisis by taking a fresh look at what's happening inside organisations. We examine the role of cultural and behaviour change in productivity improvement, and outline how Notion's proven tools and technologies help organisations to create superior cultures that foster higher levels of engagement, performance and productivity.



1 Turning the Crisis Around

Overcoming the productivity crisis is a particularly daunting challenge as there are so many factors at play; even the experts seem to find it difficult to provide a definitive reason for the crisis.

Brexit is certainly an aggravating factor. The political and economic uncertainty caused by the referendum and the ongoing exit strategy has created a heavy pessimism about Britain's economic future.

But Britain's productivity issues began long before Brexit, and despite some episodes of recovery, productivity levels have remained low since the banking collapse.

Against a backdrop of historically high employment, many UK citizens are now working long hours in low skilled jobs and organisations have very limited scope to hire more people in order to generate more productivity.

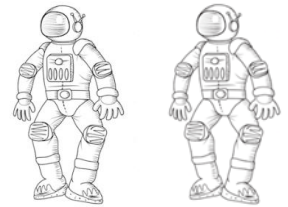
So, are organisations at the mercy of these external forces or is there something they can do to change their fortunes?

Capital investment, better machinery and improved technology will all impact on output per worker but these interventions won't necessarily change what people are actually capable of – or their ability to contend with a VUCA world.

Consequently, turning around the productivity crisis, requires organisations to find better ways to improve productivity by harnessing the talent already available in their organisations.

“Enabling people with the skills to work smarter and to cope with the omnipresent pressures of disruptive politics, a highly changeable economy and the speed of change has got to be central to improving productivity.”

Organisations must re-evaluate what it means to BE an organisation and challenge their deep rooted assumptions about what good performance looks like in order to better leverage its human capability.



A Very Human Challenge

This very human challenge requires an equally human response. Organisations that ignore the emotional and psychological needs of a predominantly Millennial workforce, do so at their own peril.

Millennials are typically unapologetic about their needs; those that struggle to find meaning and purpose in their work will soon leave. So, to successfully increase the productivity of a Millennial workforce, Managers must find ways to elicit their discretionary effort by empowering them, involving them, and then giving them the support and space they need to continuously grow and learn.

Organisations have to tear up their rule books on everything they know about old school hierarchical management models, bureaucracy and conformity. No longer can they rely upon the command and control of a few appointed Managers. A new way of harnessing human capital is needed – something more fluid, flexible and relevant – at the heart of which is realising potential, releasing resourcefulness and increasing productivity.

To recover productivity levels, a different way of interacting, communicating, co-creating and problem solving is needed. Managers need to build and flex new muscles that help them to continually question and re-assess. They need to become masters of reinvention to enable them to deal with the barrage of change that comes their way. But, they can't do it on their own - they also need to enable these behaviours in others. And, this calls for a new approach to performance management.

PEOPLE: THE FORGOTTEN VARIABLE IN THE CHANGE EQUATION

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How to Manage Performance for Higher Productivity

The new challenge will be for organisations to find a solution that engenders a performance mind-set that resonates with the needs of its employees. This will mean casting traditional performance management models aside in favour of a continuous form of performance management.

This takes performance management out of the office and off the annual calendar and into a 'live' environment where creative thinking happens, decisions are made and actions are transformed into results. The advantages of a more continuous approach to performance management is evidenced in Companies that set performance goals quarterly – they generate 31% greater returns than those who do it annually – imagine what would happen to productivity levels if the goal setting process became the very essence of daily interactions.

So, rather than managing performance, which relies on hierarchy, systems and processes, the focus must shift onto *enabling performance* which is much more about creating an engaging culture that changes the conversation within the organisation. Replacing an infrequent, often remedial performance management tool, with a means to continuously enable performance, establishes the foundations for a generative outcome based dialogue.

Unlike the traditional annual performance review, this cannot be 'done' to someone – it can only happen by invitation. Inviting people to think about what will help them to perform, adapt and become resilient in a more uncertain world is an evaluative process of self-exploration which raises self-awareness. What people soon begin to realise is that it's not what they know that assists survival but the *questioning* of what they know.

Engendering high levels of curiosity in an organisation puts 'enquiry' at the heart of its culture. By taking an '**Enquiry-Led Approach**', Managers can perform better in their roles, help others contribute at a higher level and improve how they engage with people at work and more broadly, in life.

Unquestionably, for many Managers, this begs a significant change in behaviour – a rewiring of what they think they 'know'. However, people can and *do* adapt and

learn. Beliefs *can* change and people can become attached to new mental models - this is central to **enabling people**.



Insightful questioning (put simply the ability to ask better questions) is a skill set that is largely missing and without it organisations are bounded by the capacity of the few, rather than the unbounded talent of the many.

Enabling the workforce to be more self-reliant, to question the status quo and to be empowered to step-up and contribute at a higher level are the virtuous benefits of encouraging more of an 'Enquiry-Led Approach' to leadership and management. Set this within the context of an emerging 'coaching culture' supported vocally by leadership, and you begin to see how untapped potential is unleashed. Higher performance and productivity is the most welcome outcome.

It would appear that behaviour change is the key. And coaching is an effective way to help people to unpack the last vestige of old habits in order to clear the way for genuine behaviour change. So by helping people to adopt coaching related behaviours, organisations can stimulate a level of questioning that comes from a place of genuine interest, and confidence that people have all the resources they need to self-generate.

Enquiry encourages better answers and better outcomes for individuals, teams and organisations. A coaching style of engagement that is multi-directional within the organisation will prove to be an invaluable skill that builds independence, enables performance and ultimately provides endless opportunities to increase productivity.

RE-INVENTING PERFORMANCE MANAGEMENT FOR COMMERCIAL SUCCESS

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2 Managers - The Culprit or the Fall Guy?

One school of thought puts poor management at the heart of the issue. According to the Financial Times, "there is a strong correlation between highly-engaged and motivated employees and productivity" and "there is an urgent need to train middle management so that they can inspire and coach their teams. Too often they are dealing with pressure from above and below and are not well trained or equipped to cope".

This view was plunged firmly into the foreground by Chancellor Philip Hammond during the revelations of his Autumn Budget. The Chancellor challenged British businesses to invest more money in training and development in response to a whopping £84bn loss in productivity, caused by poor performing Managers. His message was clear. Industry leaders need to address the performance issues within their organisations to increase productivity and to improve their competitiveness.

Is it too easy to cast blame on this portion of the workforce? In reality, these 'underperforming' Managers are operating in the most volatile and uncertain times ever experienced before. Change is fast and relentless and there are few precedents that can light the way through such high levels of complexity and ambiguity.

Consequently, the once useful skills and know-how of many Managers suddenly become insufficient or irrelevant when faced with navigating new challenges in a VUCA environment. But, perhaps the Manager is just the fall guy. In fact, doesn't slumping productivity and competitiveness strongly indicate that despite all the economic signs, organisations are yet to change the way their workforces are organised or managed.

So how can organisations encourage higher levels of contribution, harness talent, and equip Managers with the skills and behaviours that will help their organisations outperform others?

The answer may be that organisations need to re-frame the practice of 'management' itself. As the Chancellor urged, organisations **do** need to invest more in training and development;

however sadly, management and leadership development training often fails to address the underlying, day-to-day behaviour of Managers and Leaders. Put simply, traditional training and development doesn't necessarily prepare Managers to keep up with the pace of change.

Unfortunately, in today's organisations, Managers can no longer be expected to hold all the answers. This command and control model of leadership fails to unleash the creativity and resourcefulness of an entire workforce.

Notion's Managing Director, Dominic Ashley-Timms believes that organisations can strengthen performance, engagement and productivity by proactively investing in changing organisational culture and management behaviours. He explains that by adopting an 'Operational Coaching' approach, Managers will be able to change momentum in their organisations. He asserts, "if we are to reverse the productivity decline and urgently address these critical matters, a new approach is needed - we have found that by reframing Manager's away from some of the (often) negative connotations associated with having to 'Manage' others, we can begin to build an entirely new set of behaviours that help the Manager become an 'Enabler' of others."

These more helpful and authentic behaviours, when ingrained in the culture of the organisation, have the potential to unleash the talents of everyone in the organisation. Indeed, rather than cementing over the cracks, organisations that address both the culture of the organisation *and* its associated management behaviours, massively increase the chance of creating the shift that is required to increase productivity and outperform in today's challenging economy.

3 Creating Cultures That Drive High Productivity

So now the 'what' has been established, 'how' do organisations deliver high levels of productivity?

Notion asserts that to create the conditions necessary high productivity, high performance and high engagement, a three-pronged approach is most effective:

1. **Create a sustainable coaching culture** – Employees will see through superficial actions. Simply swapping one process for another may at best have a short term impact but is unlikely to create the change sought by the organisation. Authentic behavioural change is important for sustainability and this requires organisations to go deeper.
2. **Develop an 'Operational Coaching' style of management** – Executive coaching models will prove insufficient. However, an on the fly, 'in the moment' coaching solution will perfectly match the unabated nature of continuous performance management.
3. **Integrate bespoke 'just in time' training tools** – Traditional workshops sit comfortably with the annual performance review - continuous performance management needs a new training partner that is easily accessible and completely bespoke.

In spite of an increasing awareness and far wider usage of Coaching in organisations, it has yet to have the transformational impact it is capable of.

Research conducted by Notion showed that typically coaching only reaches the top 5% of organisations.⁴ So how can organisations achieve a transformative coaching culture that help to improve productivity?

Laura Ashley-Timms explains that, "it's important to create a shared understanding of what coaching actually means to the organisation. Many people automatically think of a 1-2-1 executive coaching relationship; others might see it as part of a leadership style and an alternative way to lead.

Both perspectives are valid but for cultural change to occur, coaching has to find a way to breach the constraints of the 1-2-1 relationship and become a way in which people do things in everyday circumstances and not simply in those extraordinary moments."

To really drive cultural change, organisations will benefit from adopting a highly 'Operational Coaching' model such as Notion's STAR® model.

The benefit of STAR® is that it can be quickly acquired and applied in spontaneous 'in the moment' settings, removing obstacles of time, distance and productivity costs. Instead of using coaching as an intervention, 'Operational Coaching' will integrate into 'the way things are done around here.'

Focus on sustainability

A short burst of enthusiasm for a new initiative will be insufficient to create sustainable change. A comprehensive programme of change is required that unites business processes, establishes a common language and weaves seamlessly into the very fabric of organisational culture.

6 STEPS TO SUSTAINABLE CHANGE

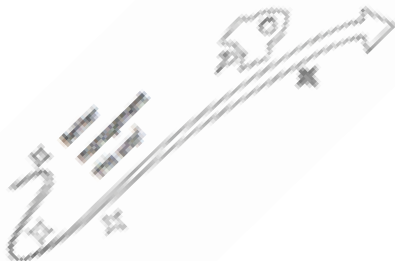
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An 'Operational Coaching' approach reinforced over time helps to increase the time spent 'coaching' from as little as 4 hours per month to 80 hours. This will significantly increase the likelihood of coaching being embedded in the psyche of the organisation.

Notion's STAR Coaching Model®

A simple, 4-step operational coaching model that you can use 'in the moment' to deliver effective coaching at work



4 Behaviour Change is the Key to Unlocking Organisational and Individual Potential

After several years of research and development, Notion's STAR® model, designed in collaboration with a team of world class Coaches, became the first 'Operational Coaching' model designed **solely** to help managers to develop coaching as a habitual behaviour.

Unlike other coaching models that focus on the Coachee, STAR® puts the Manager's actions in the spotlight and focuses on changing how the Manager behaves and responds in everyday, operational settings.

The STAR® model provides the framework for an alternative way of thinking that helps to re-programme unhelpful management responses and revolutionises the way people engage with each other. The resultant commercial outcomes are remarkable and provide the reward needed to reinforce the new behaviour.

Already used within programmes for FTSE organisations, the STAR® model has successfully improved engagement, performance and productivity and has repeatedly demonstrated its ability to generate up to 100X ROI.

So what makes Operational Coaching so different?

It's very quick and often unstructured

Operational coaching is often unstructured. It could occur in a chance encounter and it could take as little as 30 seconds. Operational coaching conversations can sometimes be exactly one question long. By using an 'Enquiry-Led Approach' the Manager creates an opportunity to pull from someone a different, unexpected and perhaps unique response.

It focuses on outcomes

When using the STAR® model, Managers quickly discover that the people they work with have genuinely creative ideas and solutions that can generate even better results, when leveraged effectively.

This releases Managers from the pressure of always having to hold the answers and gives them the capacity to

relate to others in a new, more engaging way.

It happens in the moment

Life moves at a hundred miles per hour - more so now than ever before - and the stark reality is that Managers are time poor. However, by using an 'Operational Coaching' approach, the Manager can coach in a split second, in every interaction, on the fly.

It deals with the "matter at hand"

Coaching conversations that happen on the fly always deal directly with the "matter at hand" and allows solutions to be implemented immediately.

In fact, Notion analysed 500 coaching conversations in one client and found that 76% were directly related to business: technical issues, cost savings, revenue and improving operations.

This helps the organisation to demonstrably link every coaching conversation to commercial results which will be translated into increased productivity.

5 Sustainable Tools and Technologies That Really Work

As discussed, the sheer pace of change has rendered traditional hierarchical organisational structures, old school management models, and prehistoric performance management tools, obsolete.

Now, an entirely different set of management skills are needed to ensure organisations can survive and thrive.

But taking large chunks of time out for management training is increasingly unappealing in the current productivity crisis and won't be well received by the new, highly connected breed of learner. Millennials and Centennials crave just in time solutions and learning opportunities that they can easily access, self-direct and share.

Of course, organisations need to account for other demographics too and aim to provide an effective solution for all. However the consequences of failing to win the hearts and minds of the largest growing proportion of its population are considerable.

So, getting 'training' right is essential to any change effort.

It needs to be:

- **Scalable**, to reach and impact on the 95% rather than the 5%
- **Flexible**, to meet the needs of the multi-generational workforce
- **Cost effective**, to survive through the harshest of economic conditions
- **Adaptive**, to keep pace with the fast past change
- **Sustainable**, with the ability to deliver significant ROI

And ultimately it has to have the ability to **Drive large scale transformational behaviour change.**



Notion's range of behavioural change programmes are designed specifically to help Leaders and Manager's to adopt a new style of leadership in an agile and immediately transferable way.

In fact, the same high quality transformational journey can be undertaken in a variety of formats from Executive Coaching with expert Coaches to in-house training programmes that repeatedly generate up to 100 X ROI,

And now, Notion can deliver their transformational programmes right to your desktop.



STAR® Manager Rockets Productivity

Using the latest technological innovation in the area of behaviour change Notion have designed **STAR® Manager** to eliminate the high costs and loss of productivity associated with 'physical' attendance at training workshops.

STAR® Manager, is a brand new blended learning programme that exists within a virtual environment that can be accessed and followed on an individual basis - at any time, in any place, using any device, and at the learner's own pace.

The ability for **STAR® Manager** to reach an almost unlimited audience perhaps achieves the greatest transformational effect on productivity across the whole organisation; making these new behaviours, 'the way we do things around here'. Simple, cost effective, development programmes like Notion's **STAR® Manager**, can help organisations to increase productivity within a matter of months and can help to support this level of improvement in productivity, performance and engagement levels in a sustainable way over many years.

6 Conclusion

The UK productivity crisis is here to stay; organisations can no longer bury their heads in the sand and assume that things will get better once Brexit is completed, or hope that they will be eventually saved by some uncontrollable external force.

That is a dangerous waiting game that will surely end in disaster. While we are waiting for fate to resolve our productivity problems, other nations will use their stronger competitive position to move into markets that the UK no longer have a stronghold over. Meanwhile the standard of living in the UK will continue to fall, despite the fact that the unemployment rate is at its lowest since 1975, creating even more problems with employee engagement inside organisations. Then, what for productivity?

Instead, organisations need to take control of their own destiny by helping their workforces to work smarter. When organisations take steps to change the culture of their organisations - the way that people relate with each other, generate ideas, solve problems and deliver results – they will soon acknowledge how investment in 'people'

is as important (perhaps far more so) than investment in machinery, in the race to improve productivity.

Adopting a new leadership style that can help to facilitate the development of new behaviours that are conducive to high performance, engagement and productivity will be the most effective way in which Leaders and Managers can take back control.

So, finding relevant and agile solutions that help Leaders and Managers to develop these behaviours will be crucial to ensure sustainable change and organisational and individual resilience in today's volatile world.

Notion has repeatedly demonstrated the effectiveness of their programmes to increase performance, engagement and productivity in organisations and they can now offer the same transformational experience to a wide audience, at the exact point of need, and at a fraction of the cost.

Thanks to Notion, the productivity crisis just started looking less alarming!

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- 5 AON Global Trends in Employee Engagement 2017

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