

PRODUCTIVITY AND LOGGING

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This seminar is all about the business of logging. We all enter business for different reasons but the common denominator is to make a profit - to run a successful business. Productivity is the key to a profitable, successful business and understanding productivity is the first step to the process.

I will be explaining the key factors you need to know about productivity and I want to give you some practical ideas that you can implement right away that will help you to improve your own and your business's productivity.

Productivity is like physical fitness. Nearly everybody wants to be fit but not everyone knows what to do, or is willing to make the necessary commitment. Productivity is a measure of business fitness and like physical fitness, the more you do the better and better you get and the more profitable and successful your business will become.

The dictionary says that productivity is "the quality or state of being productive". Productivity in an economic sense means the creation of goods and services. This accounts for the output but only implies the existence of inputs. Many of the interpretations of productivity today focus more on the act of producing rather than considering equally the resources or inputs consumed.

The time honoured equation for productivity is simply

$$\text{Productivity} = \frac{\text{OUTPUT}}{\text{INPUT}}$$

It is not a measure of production or output but rather a measure of how well resources are combined and utilised to accomplish specific, desirable results.

The equation can be rewritten as:

$$\text{Productivity} = \frac{\text{OUTPUT}}{\text{INPUT}} = \frac{\text{RESULTS ACHIEVED}}{\text{RESOURCES CONSUMED}}$$

It looks so simple but the result from this equation is meaningless until it is associated with reference points such as performance expectations so you know how well you are doing. A basic productivity ratio we are all familiar with is production of logs per man hour but the result is meaningless unless we compare it with some target or expectation.

Productivity can be measured in a multitude of areas in business such as labour, machines, capital, repairs and maintenance, downtime, even debt collecting. You name it and you can measure it!

As business people we are concerned with knowing whether we are doing better or worse now than say last year, last month, last week, or even

yesterday. Profits don't always tell you that. In fact it is possible to increase profits and have falling productivity - and that is simply bad management yet it happens over and over again simply because people don't measure what is happening.

Productivity growth is the long term answer. Every business, every industry, every country needs a planned productivity growth strategy. Do you know how NZ fits in with global productivity growth patterns? let alone the NZ forest industry? How does the NZ logging industry's productivity growth compare with that of our competitors? These graphs spell it all out. As a productivity specialist I know that I could work with any logging business in NZ and get at least a 20% improvement in productivity and that's probably a conservative estimate. Now, I don't mean 20% more production or that you should work 20% harder or that you should employ 20% fewer people.

You can improve productivity in two ways, firstly by increasing output using the same resources or by maintaining output using fewer resources. There are far better gains to be made in the NZ logging industry by taking the second option.

What are the factors affecting productivity? Where are the opportunities to improve productivity?

There are 3 main areas:

1. **Methods and Equipment.** Work methods can always be improved. The adage that "there is always a better method" must be held true but how often do you see inappropriate, inefficient work methods being used? In logging, correct work methods is the key to safety, which gives rise to improved productivity. Mechanised equipment and sys-

tems in NZ are still not really accepted yet what are our competitors doing?

2. **Utilisation of resources capacity.** There are 3 major resources in any business:

- labour
- machinery & equipment
- capital

There are huge opportunities to improve productivity in each of these areas by simply matching the capacity for accomplishing work with the amount of work to be done. A very simple example is balancing workloads within a logging gang.

3. **Performance levels or the "people" factor.** The success of any productivity improvement programme depends on the attitudes of people. Research confirms that over 90% of the success in productivity improvement programmes comes from the positive attitudes of the workforce. If your people aren't positive, willing to change, trained, or have a strong team spirit or goal and change oriented, then the probability of success is greatly diminished. People develop better methods, more effective equipment, utilise their time better and above all, they make it happen.

How do we measure productivity? We know that we can measure anything by adopting the ARM theory - every Activity that has a Result can be Measured. We must concentrate on measuring the results, not the activity. In a logging business we can

measure items such as

- machine hours
- labour hours
- fuel used
- downtime
- quality
- and a host of others

These measures will give you a basic benchmark to work from. The figures are meaningless at this stage because you have nothing to compare them with. All they tell you is where you are now.

We now move on toward achieving productivity growth. This is simply the difference between where we are now, in all the above areas, and where we want to be in, say, one week, one month, one year, five years.

Every business plan must have written goals and objectives that are measurable plus a defined strategy as to how you will achieve those goals. Successful businesses are the ones that have those productivity goals that continually push them further and further ahead. Setting goals allows you to control the process of change and productivity growth is all about change. In business today you are doing one of two things ; moving forwards or going backwards, there is no standing still. By having clear defined productivity goals plus a written action for the accomplishment of those goals your business can move

forward.

By the same token if you're in business and you don't have a burning desire to succeed then the probability is you're going to fail and you'll just end up as part of the increasing NZ statistics of business failures.

We have to ask ourselves the question here at this seminar - where do we want the NZ logging industry to feature on this graph in one year, in five years, and in ten years' time? Having determined that we must resolve how we are to achieve that, both individually and collectively. Productivity growth is about quality management in all areas including planning, finance, production and people management. It starts with measuring where you are now and comparing your performance to some target or standard.

Productivity growth will involve change - it will take you out of your comfort zone and it won't be easy. You'll need a strong commitment to make it work but I know it can be done. I could liken a productivity growth strategy in the NZ forest industry to a survival strategy and that may well be true. The future of the NZ industry depends on us, the production industry, being able to improve our productivity. I have shown you some simple ideas that you can use right now that work, all you have to do is implement them.

