

## Improvements as key component in a productivity management process

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**Abstracts:** *This report presents the idea of the influence of the improvements on a productivity management process. It's shown that improvements is the most important in the management cycle.*

**Key words:** *productivity, management process, management cycle, improvements*

### INTRODUCTION

No company or organisation can continue to exist unless it maintains a competitive level of productivity. Companies that do not succeed in this are doomed fail through stagnation and then bankruptcy. Productivity is the most important long-term resource, not only for the success of organisations, but also for the national economic growth. There is no economic activity that does not benefit from improved productivity. It is proved that national GDP grows faster, when productivity is higher. The significance of productivity in a national social welfare is now widely-recognised too. Productivity improvement results in direct increases in the standards of living and social development. In addition, productivity is also reviewed as indicator that measures a manager's efficiency [0, p. 6]. In other words, nowadays productivity is the important, world-wide recognised source for better economic performance of any organisation, national real economic growth, social progress and improved standards of living.

### STATEMENT

In Ukraine, reforms that undertaken in the economy sector are virtually destroyed the national productivity management system that prevailed during the former Soviet Union's regime. A productivity was the key source in the economic growth both organizations and the state in general, as well as social welfare of its citizens. However, in today's economic realities, which are characterized by globalization process, the world economy openness, rigid market competition, permanent global financial and economic crises, Ukrainian organizations have no alternatives instead of the productivity management paradigm abolished since the USSR has crashed. It should be mentioned that in the field of productivity management there is today a number of theoretical developments and practical experience accumulated abroad. Particular attention should be paid to Japanese practice on productivity management in organizations, which may be useful for Ukraine.

Productivity is overall appraisal of the ability to produce goods or services. More specifically, productivity is the measure of how specified resources are managed to accomplish timely-defined objectives in terms of quantity and quality. Productivity may also be defined as an index that measures output (goods and services) relative to the input (labour, materials, energy, etc., used to produce the output) [0, p. 700].

Generally speaking, productivity could be considered as comprehensive measure of how organisations satisfy the following criteria [0, p. 6]:

- objectives* (the degree to which they are achieved);
- efficiency* (how effectively resources are used to generate outputs);
- effectiveness* (what is achieved compared with what is possible);
- comparability* (how productivity performance is recorded over time).

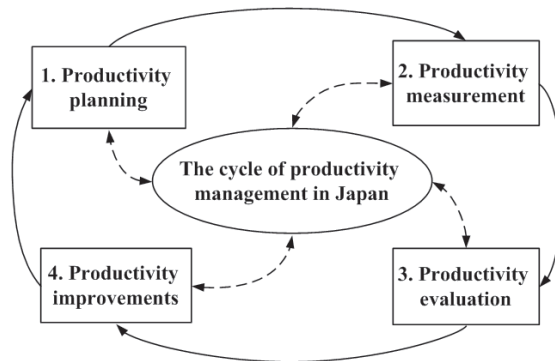
Higher productivity means accomplishing more with the same amount of resources or achieving higher output in terms of volume and quality for the same input. Productivity can also be defined as the relationship between results and the time it takes to accomplish them. The less time taken to achieve the desired result, the more productive is the system.

*Productivity management* can be seen as: management subsystem; the purposeful, organizing impact on an organization's internal and external environments at all stages of the product life cycle to achieve the highest productivity growth; a component of the overall organization managing process consisting of planning, organizing, motivation, guidance, controlling and regulation etc.

Productivity management in Japan is a decision-making procedure that is practiced by Japanese managers at organizations in an informal manner. Productivity management is a continuing and cyclical process that can be briefly formalized and pictured at *Figure 1*.

As it can be seen at *Figure 1* productivity management process consists of four phases: planning; measurement; evaluation; improvements. The last component (improvements) is the most important in the cycle: the Japanese place a greater emphasis on productivity improvement. The Japan Productivity Centre, which is the largest in the world, follows three guiding principles for productivity improvement, such as [0, p. 6]:

- increase of employment;
- labour-management co-operation;
- a fair distribution of productivity gains.



**Figure 1.** Productivity management cycle in Japan's practice [0, p. 5]

Incremental improvements (*kaizen*) in the productivity management in Japan are perceived as a dynamic and ongoing process that focused on seeking improvements for any product's and any service's aspect, from design and operations to sales and maintenance. The aim of improvements is to optimize life-cycle costs.

The Japanese consider that productivity is not merely an output/input ratio, human capital, which is a 'sole natural wealth' of Japan, impacts significantly on productivity management process.

The Japan's philosophy of productivity management is based on the integration of three components: management; labour and customers. This thinking links productivity and quality. The Japanese were the first who developed customer-driven quality concept. To meet customer expectations and to improve productivity they use widely high modern technologies, reduce the time for goods productions and services delivering, employ highly qualified employees.

Obviously, the Japanese success in productivity management is embodied in corporate thinking. In fact, many progressive ideas that now widely introduced in manufacturing processes in many industries around the world have been originated in Japan. Another feature of Japanese productivity management is that they use less of any resource, including time, compared to mass production. The process focus is on creating conditions in which employees can contribute to improvements. Productivity is seen as a process, in

which employees become a 'source' of improvement rather than a 'resource'. In other words, productivity management in Japan is focused on long-term gains and synergy.

Regarding productivity measurement as productivity management's element (see *Figure 1*), it may seem oddly enough, but the Japanese are not vitally interested in productivity measurement at the corporate (micro-) level. In contrast to the Western productivity in Japan is understood not only an output/input phenomenon, it focuses on the elements within outputs and inputs apart. For outputs, they embrace quality, quantity, delivery and price, and for inputs – labour, facilities and materials. Rather than measure the output/input ratio, they concentrate on the indicators of the various elements. Regarding to the services provision, the Japanese concentrates on quality, cost and delivery, as a basis for improvements [0, p. 4-6].

### CONCLUSION

Based on the results that derived from the above-conducted analysis, it can be drawn the following conclusion. In contrast to the economy practice in Ukraine, productivity management is widely recognized source for better economic performance both any organisation and the national economic growth, as well as for a social welfare. Productivity management as economic category has been unjustified abolished in Ukraine since the USSR crashed. Under the today's conditions of globalization, a rigid market competition, permanent global financial and economic crises productivity management concept should be updated and introduced into the economy practice in Ukraine.

On the basis of the findings it was revealed that productivity management is an essential factor in the Japan's economic development, which can be characterised as a continuing and cyclical process divided into the following four integrated and cyclical stages : lanning, measurement; evaluation; and improvements.

In the cycle improvements (*kaizen*) are the most important component in the Japan's productivity management system. It aimed at optimizing of life-cycle costs and it is focused on seeking improvements for any product's and any service's aspect, from design and operations to sales and maintenance. It is closely linked with :

human capital that determines productivity performance; high modern technologies; reduction of the time for goods productions and services delivering; employment of highly qualified employees.

It seems that these determinants of productivity management are to be introduced into the Ukraine's practice in the national economy sphere.

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