SOS POLITICAL SCIENCE AND PUBLIC ADMINISTRATION,

JIWAJI UNIVERSITY, GWALIOR

MBA HRD II SEM

PAPER - HRD 202

SUBJECT NAME: WAGES & SALARY ADMINISTRATION

UNIT: V

TOPIC NAME: PRODUCTIVITY CHALLENGE

Productivity Challenge

Productivity is the ratio of outputs (goods and services) divided by the inputs (resources such as labor and capital)

The objective is to improve productivity!

Important Note!
Production is a measure of output only and not a measure of efficiency

The Economic System

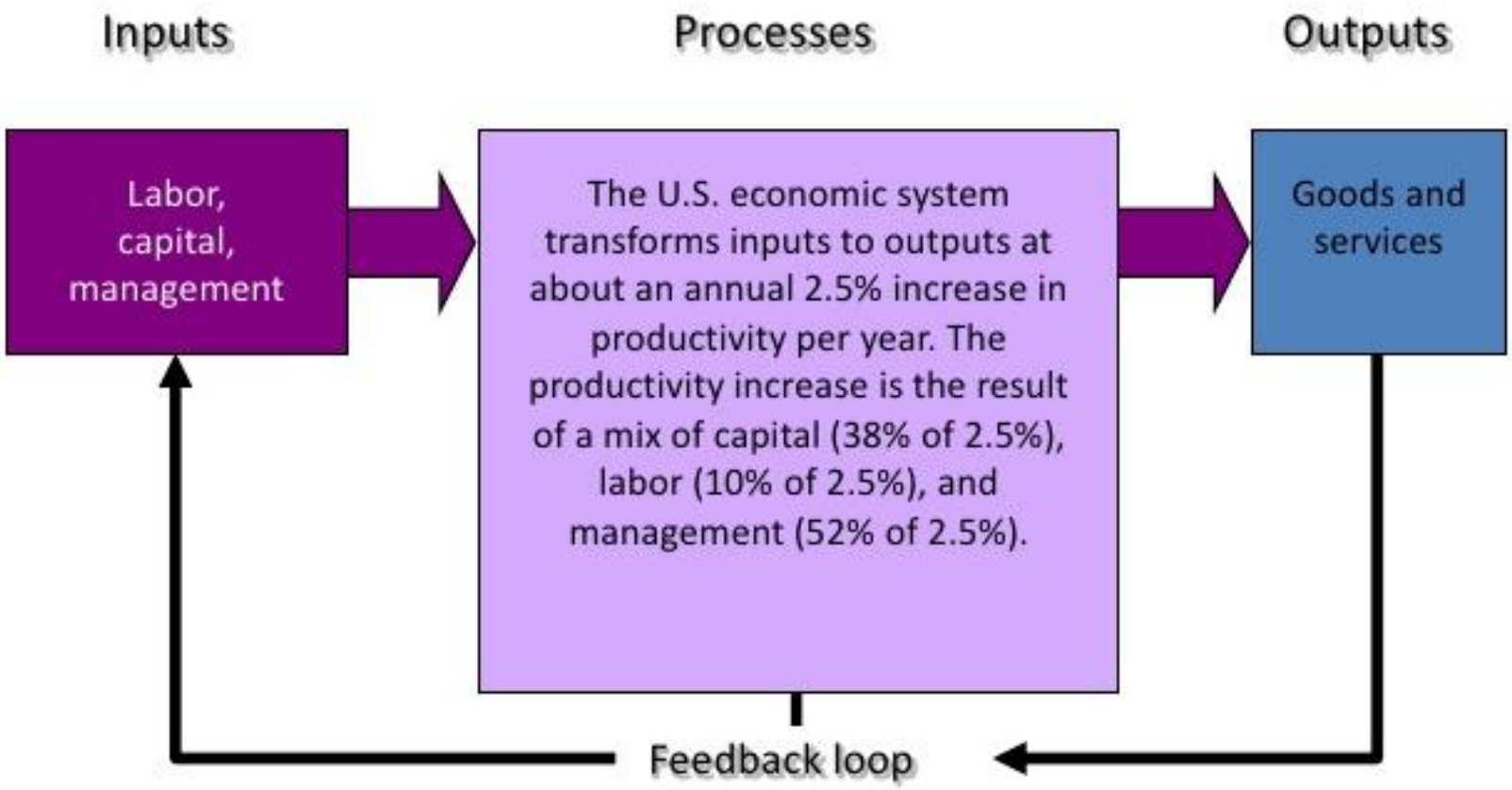

Figure 1.7

Improving Productivity at Starbucks

A team of 10 analysts continually look for ways to shave time. Some improvements:

Stop requiring signatures on credit card purchases under $25	⇨	***Saved 8 seconds per transaction***
Change the size of the ice scoop	⇨	***Saved 14 seconds per drink***
New espresso machines	⇨	***Saved 12 seconds per shot***

Improving Productivity at Starbucks

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per shot

Operations improvements have helped Starbucks increase yearly revenue per outlet by $200,000 to $940,000 in six years.

Productivity has improved by 27%, or about 4.5% per year.

Productivity

$$\text{Productivity} = \frac{\text{Units produced}}{\text{Input used}}$$

- ☑ Measure of process improvement
- ☑ Represents output relative to input
- ☑ Only through productivity increases can our standard of living improve

Productivity Calculations

Labor Productivity

$$\text{Productivity} = \frac{\text{Units produced}}{\text{Labor-hours used}}$$

$$= \frac{1{,}000}{250} = 4 \text{ units/labor-hour}$$

One resource input ⇨ single-factor productivity

Multi-Factor Productivity

$$\text{Productivity} = \frac{\text{Output}}{\text{Labor} + \text{Material} + \text{Energy} + \text{Capital} + \text{Miscellaneous}}$$

- ☑ Also known as total factor productivity
- ☑ Output and inputs are often expressed in dollars

Multiple resource inputs ⇨ multi-factor productivity

Measurement Problems

- ☑ Quality may change while the quantity of inputs and outputs remains constant
- ☑ External elements may cause an increase or decrease in productivity
- ☑ Precise units of measure may be lacking

Productivity Variables

- ☑ Labor - contributes about 10% of the annual increase
- ☑ Capital - contributes about 38% of the annual increase
- ☑ Management - contributes about 52% of the annual increase

Key Variables for Improved Labor Productivity

- ☑ Basic education appropriate for the labor force
- ☑ Diet of the labor force
- ☑ Social overhead that makes labor available
- ☑ Maintaining and enhancing skills in the midst of rapidly changing technology and knowledge

Service Productivity

- ☑ Typically labor intensive
- ☑ Frequently focused on unique individual attributes or desires
- ☑ Often an intellectual task performed by professionals
- ☑ Often difficult to mechanize
- ☑ Often difficult to evaluate for quality

Productivity at Taco Bell

Improvements:

- ☑ Revised the menu
- ☑ Designed meals for easy preparation
- ☑ Shifted some preparation to suppliers
- ☑ Efficient layout and automation
- ☑ Training and employee empowerment

Productivity at Taco Bell

Improvements:

Results:

- ☑ Preparation time cut to 8 seconds
- ☑ Management span of control increased from 5 to 30
- ☑ In-store labor cut by 15 hours/day
- ☑ Stores handle twice the volume with half the labor
- ☑ Fast-food low-cost leader

Ethics and Social Responsibility

Challenges facing operations managers:

- ☑ Developing and producing safe, quality products
- ☑ Maintaining a clean environment
- ☑ Providing a safe workplace
- ☑ Honoring community commitments

THANK YOU