The UK is missing a great opportunity to improve productivity: people data

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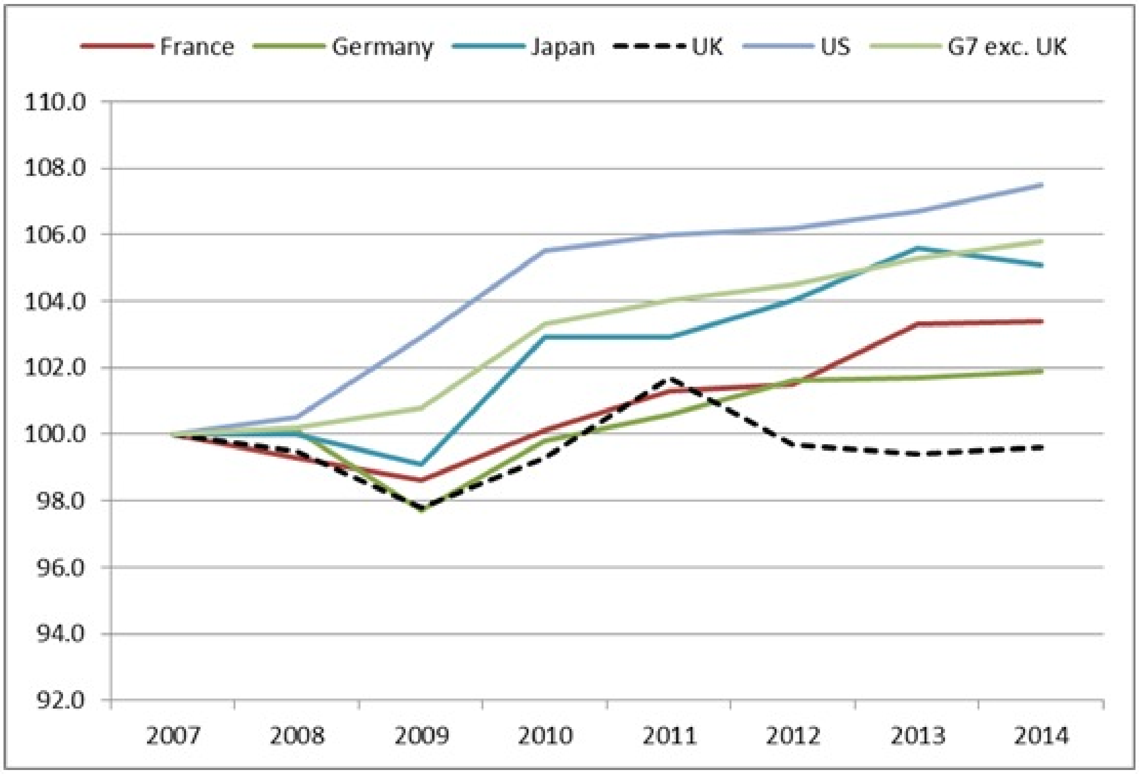
It seems that we're hearing only one message from politicians about UK productivity – George Osborne says Britain has to "raise its game" while Jeremy Corbyn looks to "cultivating a robust, productive economy".

The OECD are not impressed, but we believe that there is another, faster way to address the problem, a way that harnesses the data that most companies already have at their disposal.

If we look at the complicated graph (from ONS statistics) we can ignore most of it, but one thing is clear, everyone's productivity growth is better than the UK.

Figure 1. UK productivity growth has lagged other countries since 2007



Note: Derived from ONS figures (International Comparisons of Productivity, 2014 – First Estimates – released 18/9/2015)

Happily, much of the 'theoretical' solution has been agreed on – it's all about investment. The moment should be right – we have revenue growth (to invest), low interest rates and firms are hanging on to people rather than letting them go. Perhaps the mood music of austerity is damping the instincts to invest – but that aside… why are we not seeing an improvement?

Many say, and we agree, that there is a lack of "innovation and discovery" The Parliamentary briefing gives an overview. We observe however that 'lack of innovation' is not something confined to 'product' or 'process'.

We also see a severe lack of innovation when developing business strategy – and a particular resistance to change in the HR strategies of the people-heavy service sector. The noted failure to invest in training, adapting recruitment and people more broadly is down to a widely held belief that it takes years to see the change. We have consistently shown this to be a damaging and false belief – smart, rapid and impactful change can be found in all businesses from smart use of data analytics.

Our solution is to use what you have, but to innovate ruthlessly. Especially with information that you already own. We know (through our own work, but verified by the Economist) that "executives at the helm of organisations today are experimenting with ways that big data can be used to strategically add business value… [and a] need for better understanding will only grow as the application of big data across a wide array of corporate activities increases beyond customer- facing functions."

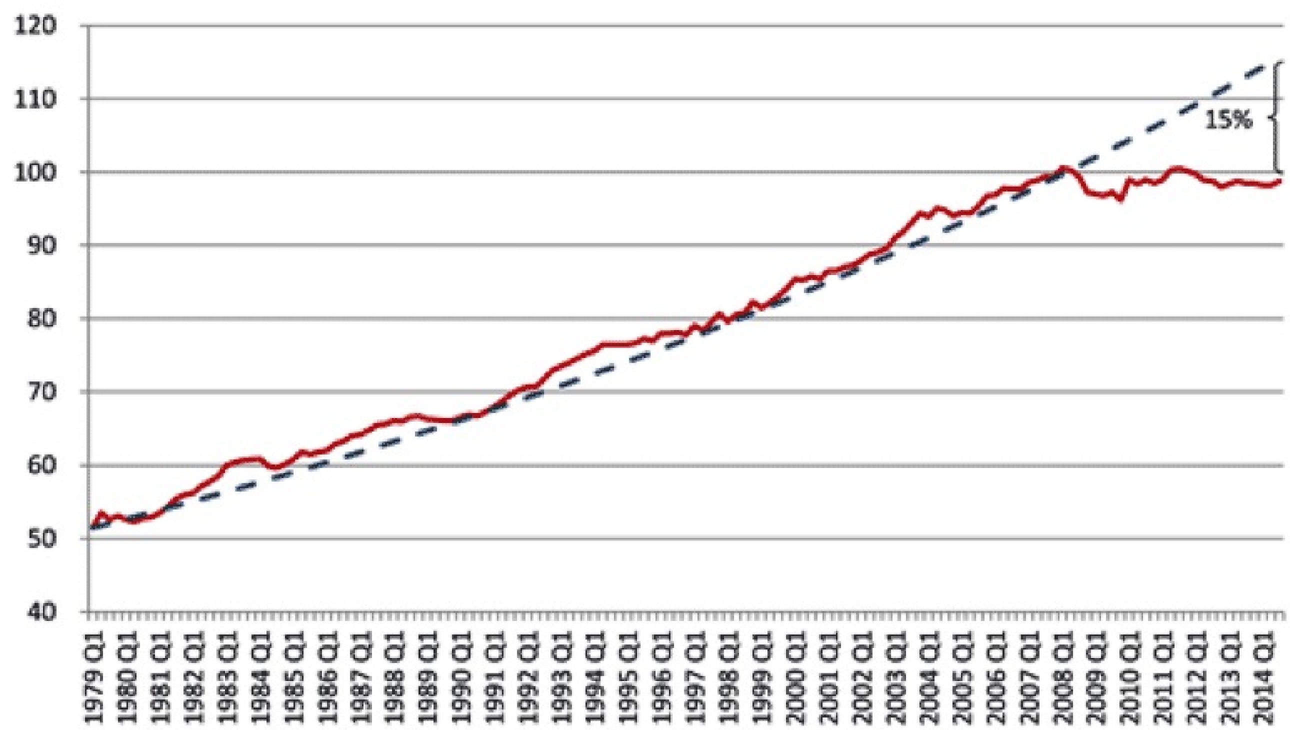
We have shown that in terms of productivity through people, innovative use of analytics is a real game-changer:

- it gives organisations an ability to tailor strategies that can make a difference in months, not years,
- creates tight management control: clarity on what should be done, and exactly where to focus (function, locality, level)
- offers a clear investment decision, with well described outcomes that, with simple but smart tech, can be monitored in more or less real time

- provides information from ongoing analytics that can reshape strategy if it is seen to fail – or improve even more where successes are found to be replicable.

So if the graph below represents the current impact of the information revolution it seems business leaders fall into two camps: … those who use the data they already have to drive their businesses forward … and those hanging on to archaic disciplines and might as well go back to the slide rule. Sadly, for UK productivity – and the businesses themselves – the first group are still very much in the enlightened minority.

Figure 2. Whole Economy GDP per hour worked, seasonally adjusted (2011=100).



Source: ONS Statistical Bulletin, Labour Productivity, Q3 2014

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Notes:

- *This post gives the views of its authors, not the position of LSE Business Review or the London School of Economics.*
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