



**NORDIC  
PRODUCTIVITY:  
The facts,  
the fiction  
and the future.**

The facts, the fiction and the future.

# A MAJOR SURVEY OF NORDIC BUSINESS LEADERS.

In 2011 Celerant Consulting carried out a major online survey of 175 Nordic Business Leaders to establish the bottom line on Nordic productivity.

Profile: 30% Top Executives, 70% Senior Executives. 12 sectors with 50% from Manufacturing & FMCG. 15 functions with 36% from Operations & Production, 28% from General Management.

*'In Nordic society, the incentive to work is diminishing and the urge to put in extra effort is disappearing. This is in sharp contrast to foreign competition.'*

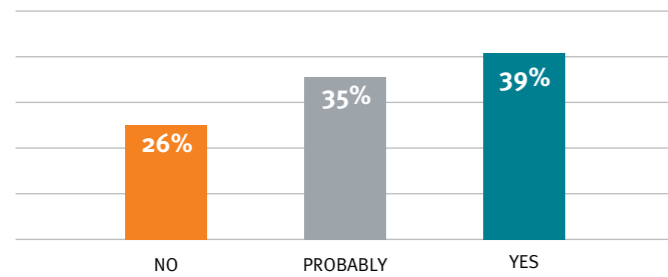
CEO Global Transportation.

*'People are creative and full of ideas. If you have the right staff, you get good input and good productivity.'*

CEO Consumer Goods & Services.

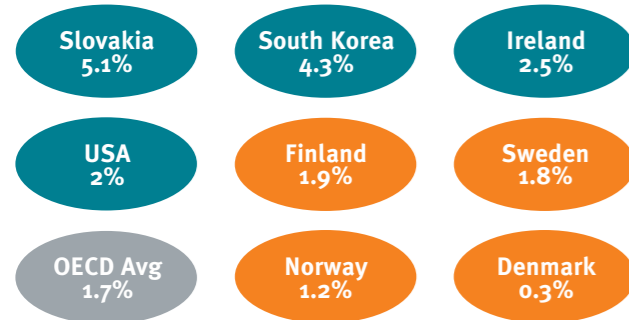
## 1 The Nordic Perspective I

Do you believe productivity levels in the country where you work are comparable with other countries?



## 3 The Global Reality II

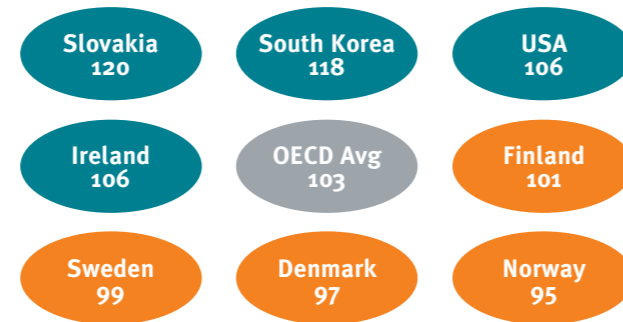
Productivity increases are significantly lower in Denmark and Norway – a worrying trend.



AVERAGE ANNUAL PRODUCTIVITY INCREASE 2000-2008 (%). SOURCE OECD

## 2 The Global Reality I

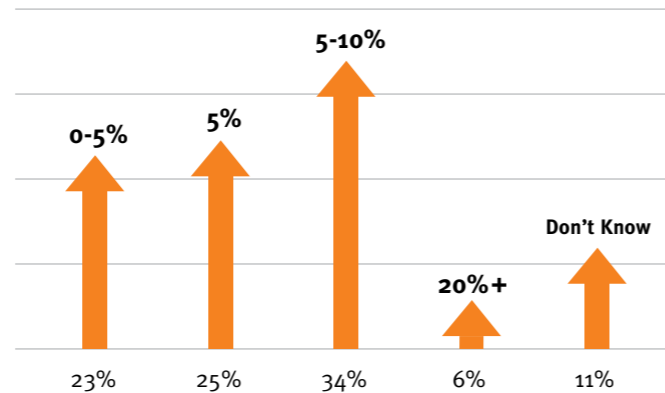
Productivity levels in Nordic countries are all below the OECD average.



AVERAGE LABOUR PRODUCTIVITY 2009 INDEX: 2005 = 10. SOURCE OECD

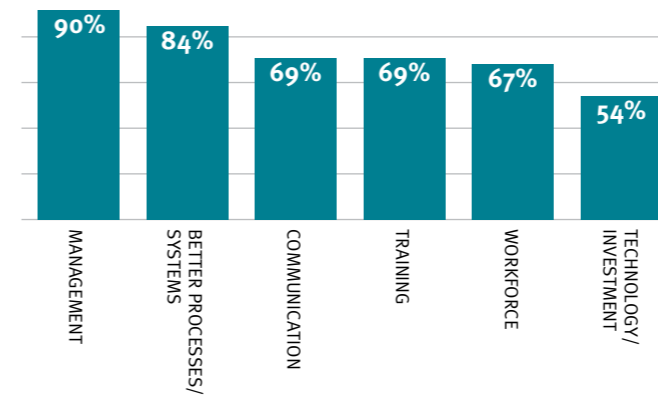
## 4 The Nordic Perspective II

How much has productivity increased in your business unit/department in the last year?



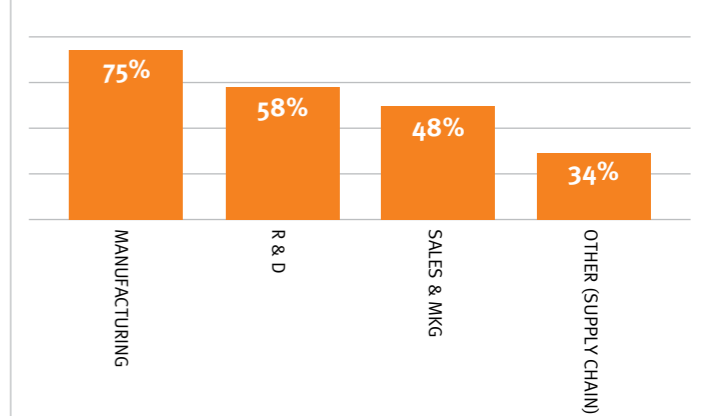
## 5 Productivity Levers

What do you think are the most important levers for productivity?



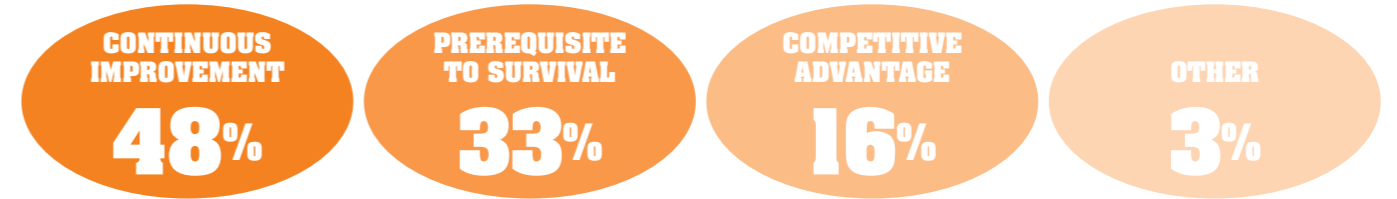
## 6 Improving Value Chain Productivity

Where do you see the biggest productivity increases coming from in your value chain?



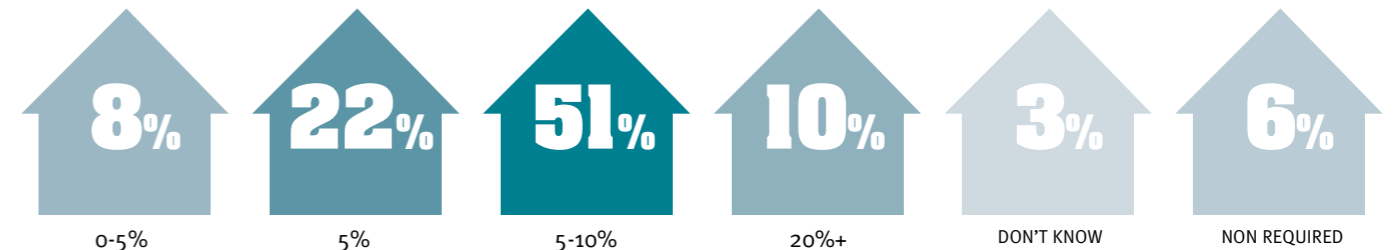
## 7 The Power Of Productivity

How do you classify productivity gains?



## 8 2011-12 Nordic Productivity Targets

What is your target for improving productivity in your business unit/department this year?



## 9 Measuring Personal Productivity

How do you measure your own productivity?



The facts, the fiction and the future.

# Are Nordic countries aware that they are falling behind in terms of productivity and tough choices need to be made?



Sanna Suvanto-Harsaae  
Professional Board Member.

Peter Hertinge  
Senior Vice President,  
Global Manufacturing & Logistics,  
AB Volvo Penta.

Gunnar Syversten  
General Manager  
Northern Europe,  
HeidelbergCement Group.

Hans Lindeman  
Head of Celerant Consulting  
Nordic.

## ‘Wherever there are high labour costs there are great opportunities to improve productivity.’

Sanna Suvanto-Harsaae

**T**here’s no doubt that productivity needs to increase in the Nordic region, otherwise we won’t be able to fix the growing number of problems in our societies. My ongoing point is that where we really need to improve is in our service industries where labour costs are critical. They’re much higher in the Nordic region than in other leading countries because most people are paid quite well. If you take retail for example, a shop assistant in Sweden is paid around three times as much as one in Germany – but wherever there are high labour costs there are also great opportunities to improve productivity.

People know how to increase productivity in factories, but it’s much harder in service industries and most Danish productivity comes from service industries, so the challenge is huge. One of the companies I work with is a car repair company and their labour costs are very high, therefore the only way to improve productivity was to install the correct systems and processes so

that the mechanics can carry out repairs not just quicker, but smarter.

The statistics look particularly bad for Denmark. We always seem to be at the bottom of the list for productivity, but in many instances there simply aren’t enough incentives for people to increase their productivity from a macroeconomic point of view. Things are changing though. Let me give you an example. There are now a lot of government departments where people are awarded a bonus linked to the number of sick days they take. This is an attempt to cut back on the missing Monday mornings where people aren’t really sick, but don’t feel like going to work. The government has started using this tool to improve productivity and they’re getting fantastic results. It’s having a huge impact on productivity and costs because obviously they’re not paying for so much sick leave, they don’t have to employ temporary staff and having the same people who normally do the job means they do it quicker.

For me this is a pointer to the future because it shows that there are two distinct issues to raising productivity. The first is general opinion; people ask why should I bother increasing my productivity when I’m going to get the same salary anyway? People also feel secure in a lot of government or lower paid jobs, so they don’t feel the need to improve their productivity. The second issue is the general attitude to work. In the old days people were proud of their job and wanted to do it to the best of their ability. That’s not always the case now. It’s also quite a noticeable difference between Danes and Finns, for example. Finns working in Denmark take the least amount of sick days because they have a more old fashioned mentality that says if I’m not really sick, I’m going to work.

As far as Finland is concerned, all the tendencies that you see in the rest of the Nordic countries, Finland tends to follow, if I can put it like that, and I’m Finnish. Finland experienced some very tough years not so long ago and they were forced

to make some very hard choices, so using the system isn’t so easy in Finland. One of the things that most impressed me in the Celerant Consulting report was the Finnish Productivity Increase figure which is much higher than it is for Denmark. In my opinion, this difference is partially a result of the attitudinal differences between the two countries. It shows that when times get tough Finns say ‘OK, let’s get going. We’re used to this.’ Part of the reason for this is that Finland has always had much higher unemployment than Denmark and Sweden. Denmark has had exceptionally low levels of unemployment for many years and this has undoubtedly affected people’s attitudes to productivity.

Another important factor is the average number of hours worked in each Nordic country. Danes work less hours per week than other Nordic countries and this goes some way to explaining why they’re bottom of the productivity league. In Finland work hours are increasing and productivity is increasing, but in Denmark work hours are decreasing and productivity isn’t increasing that much.

I believe there’s always something good in the bad things and one of the good things to come out of the global economic crisis is that everyone is now focused on the fact that there’s less money to go round and this is forcing a debate across Europe about where that money gets spent. This is especially true for government budgets. Everyone now accepts that there simply isn’t enough money to do everything and difficult choices have to be made. It’s the same for Nordic industry. Governments can’t take care of everybody, so people who are seen to be using the system are coming under a lot of pressure. In Denmark we recently changed to a Social Democratic government and one of the things they talk about is that you cannot just ask for things from society, there has to be a correlation between what you put in and what you get out.

Overall, I’m positive about the future for Nordic productivity because I believe that the tightening employment situation will drive it up right across the region. Productivity always tends to rise in a downturn because people are worried about losing their jobs. The problem is that this is

happening right across Europe, so we’ll have to work harder to close the gap, but there’s definitely more of a focus now in society about the need to improve productivity both at an individual level and a general level.

If I can put one final twist on the whole thing, what’s really interesting and at the same time scary is that we have a significant amount of young people in the Nordic region who don’t really want a higher education. In Denmark 31% of 16-28 year olds have nothing other than primary education (9th Grade). We often talk about the Nordic region being good at creativity and the knowledge based industries and so on, but we also have a significant part of the population who either do not want to or cannot participate in this kind of society, despite their ethnic background. They just want a simple job and a nice life. This will be a real challenge in societies where the number of low education jobs will continue to decrease and the monetary difference between low paid jobs and unemployment /government benefits is narrow. So we have to find ways to ensure that education and work have meaningful importance to everyone.’

## ‘We have always had to improve and find different and better ways of doing things. That’s part of our history.’

Peter Hertinge

‘When I talk to colleagues in Sweden about our productivity levels compared to other countries the general view is that productivity is rapidly increasing in places like Asia, for example, because they were quite a long way behind us to begin with. Most people here tend to believe that as countries develop and reach a higher standard of living productivity reaches a kind of plateau - the higher the living standard the slower the pace at which productivity increases. Sweden always comes amongst the best countries in the world for living standards, so people tend to say that as the situation improves in China or Vietnam or Mexico their productivity will flatten out, the drive for further improvements will begin to disappear and they will face the same sort of productivity problems that we face.

We know that we must always try to improve our competitiveness, but I think that people are

quite confident that we will be able to maintain our standard of living because although Sweden is a ‘safe’ country in many ways - we don’t take many risks and we have a high social security net – we’re also quite tough on the failing sectors in our economy. In the banking crisis in the 90s for example, quite a few banks disappeared and if you go even further back, we used to be strong in shipbuilding and clothes manufacturing, but over the years those industries have disappeared. These two things seem to live side by side in Sweden. On the one hand we have a social security network that makes everyone feel warm and cosy, but on the other we are prepared to let whole industries disappear when the competition gets too tough. Of course voices were raised that we should try to save these industries, but we sort of understood that we would never be able to beat the competition, so we weren’t going to fight to preserve the past, we were

going to look to the future.

That’s also part of how we’ve discussed things from a political perspective too. We have always said that some of the simpler tasks will be taken over by other countries that are emerging, so we have to continue to develop and educate ourselves in areas where they are not strong. We have to make more and more complex things. Over the years, we have generally moved out of day to day manufacturing and into systems integration. This was primarily driven by industry, but it was also driven by some sort of collective view in society. Our educational system with its free universities also played a big role, so when some of those simpler jobs disappeared from Sweden it wasn’t really a problem because there was still big growth in the more complicated jobs and we had a lot of people that we had trained and developed.

*The facts, the fiction and the future.*

Change has been always been supported from a political perspective. When the shipyards when down in the 60s for example, a lot of effort was put into taking care of the workers. There was a real effort to make sure that they were retrained and could move into other businesses. Instead of trying to save the shipyards knowing that they would eventually go anyway, the system embraced change. That may be one of the big differences between Sweden and many other countries. Sometimes when we see people in other countries demonstrating against changes that are taking place in their industries, as outsiders we can see that it's never going to remain the way it is. So we wonder why they can't just accept that the world is changing and instead of trying to preserve the status quo they need to find a way to cope with that.

One thing that has always been good for Sweden is that we're a small country, so it was never really possible for us to simply sell to ourselves, we had to look for external markets. We had to meet the challenge of different countries and different ways of working and that has been good for us. It's the reason we now have global leading companies like Volvo, Ericsson, Aga, Electrolux and H&M. We have always had to improve and find different and better ways of doing things. That's part of our history and I'm happy that we have it.

So yes, a lot of business people in Sweden, especially if they've worked overseas, would agree that productivity in Sweden is sometimes a bit lower than other countries. We can see that people elsewhere are very hard working.

They're working long hours and it looks as though they're very efficient, but one thing I noticed when I worked overseas, which I think is a real advantage for Sweden, is that when it comes to the way of working we sometimes have an easier way to communicate in Swedish companies. People tend to have more of an open channel directly to the top management and information seems to be more transparent. In my experience there tends to be less politics going on in Swedish companies. I had the opportunity to live in Australia for 6 years and there, even if people were working hard, some of their energy was wasted on politics. Here in Sweden it might look like we're a bit more relaxed at work, but at the same time we're not wasting so much time on politics.

before and none of my former Finnish colleagues would like to see that happen again.

When it comes to the average hours worked per week you can make statistics tell pretty much any story you want, so although it may appear we're at the bottom it doesn't mean that the whole country operates like that. We have certain sectors that work extremely hard and are very, very productive. Another thing you have to consider when you look at these statistics is our rules and regulations. We have a legal 37.5 hour work week, but when you go in and take a look at how much people actually

work you'll find that many are working much more than that, within legal limits.

I sometimes get asked if I think that the Nordic social model is helping or hindering productivity? Well, I'm of the opinion that most people in the Nordic region are in favour of maintaining our school systems, our hospital systems, our welfare systems and they are willing to pay taxes for this. I don't feel our social safety net gets in the way of productivity, I actually think that it's the backbone of our democracies - the fact that in order to maintain the welfare system you have to contribute. It's true that a lot of people think

that some of us are putting in quite a bit more effort and money than other people, but I believe that's just part of democracy.

The key message for me is that if we are to maintain our welfare state, if we are to maintain our living standards, we simply have to be more productive. That's why the most surprising statistic for me in the Celerant Consulting Survey was that 25% of respondents said they did not measure their own personal productivity. All I can say to that is I wish them well. Productivity and quality is the name of the game.'

## 'If we are to continue to have salary increases of 3%, 4% or 5% every year, when our competitors can only afford half that, we have to increase our productivity every year. It's as simple as that.'

Gunnar Syversten

'I have to say that I'm surprised by the OECD Average Productivity and Productivity Increase figures for Norway. Our income based on GDP is extremely high, so most people would say that the only reason we can still be internationally competitive in certain sectors with such high salaries and cost structures is precisely because we have been able to increase our productivity.

I'm not saying that we have fantastic productivity improvements right across our economy, far from it, but in my opinion, if you look at the bottom line of quite a few Norwegian companies, they're doing very well. They're still able to sell their products on the international market. Of course some industries, for example our pulp and paper industry, are struggling, but I know for a fact that those companies work incredibly hard when it comes to improving productivity. In my business we are a unit producer and we are going all out for productivity. It's one of the key measures for our success, so one of the main points I make to my people, my union representatives and my staff is OK, if we're going to continue to have salary increases of 3% or 4% or 5% every year, when our competitors can only afford half that, we have to increase our productivity every year.

It's as simple as that.

In my opinion we have a 3 way split in our economy. First, there's the oil and gas industry where as we say: 'If you go to the west coast of Norway, the price of every service you want to buy is about twice that on this side of the mountain.' If you look at anything and everything related to the offshore industry these companies are able to compete in the international market because the oil economy is totally different to other industries. They are very successful, business is fantastic and the pressure on salaries is huge.

Secondly, there's the rest of the private industrial activity in Norway. Some of it is locally based and serves the local market, so it's not as pushed by international forces/trends, but the other industries which are competing outside of Norway are having some difficulties, there's no question about that. They simply cannot afford to keep up with the kind of salary increases we have in Norway unless they increase their productivity. That's also why all those companies already have a tremendous focus on improving productivity.

infrastructure, our government officials, our bureaucrats and they have been largely unaffected by the financial crisis that has battered the rest of the world. The only thing they have seen has been considerable increases in their salary and low interest rates. Things are absolutely fine because the Norwegian state is very rich. Of course there are a lot of hard working, dedicated and competent people in the public service sector, but in most areas the pressure on them to increase productivity is nowhere near as strong as it is in the private sector. So when you speak to people about increasing their productivity, it all depends who you ask because you will get very different attitudes towards it.

At the end of the day though, quite a few people in Norway do understand that we can't just keep floating like a champagne cork in these rough economic seas. We may have the highest paid 18 year olds in the world for example, but the next generation is really going to have to learn to work because they may hit some hard economic times one of these days. Looking at productivity in the rest of the Nordic countries, it doesn't surprise me that Finland is doing the best because they have been through incredibly hard times once

## 'Hard work and ingenuity created our present. Now they must protect our future.'

Hans Lindeman

The bottom line is that to maintain their standard of living all Nordic countries are going to have to work harder, smarter and add more value to everything they do. Business leaders know this and our survey shows that 51% have a target of improving productivity by 5-10% in their business unit or department this year. Another positive is that our respondents believe that we have many of the traits that are necessary to improve our productivity such as high education, political stability, creativity and global experience. So how do you create a performance based business culture? One that is continually challenging people to learn, to grow, to improve productivity, freeing up information, democratising problem solving and giving people the autonomy to be successful?

### Increase Value Added work

A critical lever is to work smarter - and the quickest way to work smarter to improve productivity is to get everyone in the organisation to increase their Value Added work - and stop doing things that don't Add Value. The Celerant Consulting Workforce Impactability Study 2011 demonstrated the dramatic impact this can have. It tracked the daily activities of 200 middle managers from 6 different industries in the US and after assessing more than 11,000 work hours, demonstrated that operators generate a stunning 50% more value than supervisors.

It also showed that 43.5% of a supervisor's daily work load can be effectively impacted, so to really drive productivity companies must review supervisor activities in detail and

determine which portions of their day can be altered to make more effective use of their time. This means examining specific roles to ensure that the right employees are performing the right tasks. Loosely defined roles and ineffective practices create a frustrating daily work experience, with a great deal of lost time. Implementing a simple architecture with clear roles and responsibilities is the first step in breaking this cycle and improving productivity.

### Change behaviours

Celerant Consulting's Operational Transformation Service Line has a track record of improving productivity by changing behaviours - and what changes behaviours is simultaneously addressing management systems, processes, people and skills. Our robust MCRS® Management System creates alignment from the boardroom all the way down to the lowest person on the floor and back again. This enables an organisation to create accountability at the lowest possible level. Creating this holistic perspective and process allows Managers to make the right decisions, improve communication and reduce the negative effects of errors from one department or function to the next. In addition, a team that understands its contributions and feels connected to the entire programme is more motivated to improve performance.

### Go back to the future

Developing this culture of working harder and smarter is the biggest challenge facing Nordic business leaders today and our survey shows that they believe that the Top 6 drivers to achieving

this are Management, better processes and systems, better communication and training, an engaged and motivated workforce and investment and the overall economy.

At Celerant Consulting, we believe that more management won't help, but better management will - and when it's combined with better systems and processes it will actually have a profound effect. There is also no doubt that in the medium to long term, communication and education will have a very positive and lasting effect.

Many people in the Nordic region appear to have become complacent about competition, believing that somehow because our companies and corporations have been world leaders in innovative practices, technological advances and value creation we're immune to the challenges of global competition. Such complacency has been seen before. Take for example, the Japanese economy. From the 60s to the 80s the Japanese led the world in innovation, technology and improving productivity. Today, that advantage has all but disappeared as the country has stagnated.

The Nordic region is definitely not immune to global competition and we're going to have to rediscover our ambition and drive. Hard work and ingenuity created our present. Now they must protect our future. We're going to have to work much harder and much smarter to keep all the benefits that we enjoy in our societies, so involving, motivating, leading and above all rekindling the hunger in our employees has never been more important.

*For 25 years, Celerant Consulting has delivered successful, sustainable change for world leading companies. Our expertise covers the entire spectrum of the Operations Management ecosystem, with a core focus on Performance Improvement and Behavioural Change Management. Every project is a long term partnership where we get down on the ground to identify and analyse a Client's most significant business challenges, then work with them to drive up results. We provide operational strategy and implement customised operational solutions that capitalise on existing systems, processes and people - and deliver substantial benefits. We change business for good and over 90% of our Clients say they would be pleased to work with us again.*

Please contact Celerant Consulting Nordic for a presentation on our Operational Transformation service line and how it can deliver significant results for your organisation.

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Oman • Sweden • United Arab Emirates • United Kingdom • United States of America**

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