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Decoding the productivity code: Towards an improvement theory for sustainable organizational performance

This thesis introduces a new perspective on how organizations can achieve sustainable organizational performance in a changing world. By integrating Lean, the strength-based perspective, and organizational development, the false dichotomy and struggle between rationalization and employee well being, that is, the productivity code of the 21st century, is dissolved. Today, organizations are pressured for operational efficiency, often in terms of productivity, due to increased global competition, demographical changes, and use of natural resources. Taylor’s principles for rationalization founded organizational improvement one hundred years ago, but were later criticized by the human relations perspective that placed human needs in the center. Most organizations initiate isolated programs that focus either on economic rationalization or on employee development. However, a single-minded rationalization approach often ends up with demanding intense employee focus to sustain improvement and engagement. Likewise, a single-minded employee development approach often ends up demanding rationalization to achieve the desired financial results. These ineffective approaches make organizations react like pendulums that swing between rationalization and employee development. The productivity code is the lack of alternatives to this ineffective approach. This thesis decodes the productivity code based on the results from a 3-year action research study at a medium-sized manufacturing facility. During the project period, the facility developed a continuous improvement capability by integration of rationalization and employee development. The study shows that sustainable improvement capability requires strategic considerations about integration of improvement realization and development of improvement competence. These considerations can be formulated explicitly to an improvement strategy. The study concludes that the researched facility developed continuous improvement capability over the time period and that it occurred through development of an organizational setting for improvement activities, termed the improvement system. The improvement system consists of five elements: The improvement process, participants, management, organization, and technology. The improvement system is not an organizational structure but rather a capability and readiness to organize the right improvement activities for a given challenge, i.e., to be prepared to initiate improvement. The study shows how the effectiveness of the improvement system depends on the congruent fit between the five elements as well as the bridging coherence between the improvement system and the work system. The bridging coherence depends on how improvements are activated, information shared, and the approach to implementation. Continuous improvement requires active leadership. The project shows how the improvement leadership approach determines if improvement activities exploit and optimize the existing system or explore new possibilities outside the existing assumptions. Improvement leaders can combine different improvement approaches, here problem solving and strength-based thinking, to achieve ambidextrous improvement capability that can balance exploitation and exploration. An organizational transformation is necessary to develop continuous improvement capability. The project identified four levers for organizational transformation: Initiation with a purpose-driven affirmative approach, utilization of strategic metaphors, engagement of everyone through large-scale events, and focus on continuous leadership development to support the transformation process. The project also showed that organizational transformation is not about changing people’s thinking or training them in new methods, but rather about the development of a coherent improvement system and the competence to initiate and management improvement processes in an organizational setting. The study additionally showed that the organization accelerated the development of improvement capability by development of a second order improvement system that continuously improved the improvement system.

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