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## **ARTICLE** **ANALYTICS**

# The Paradox of Workplace Productivity

*by Ryan Fuller*

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At its most basic, productivity is the amount of value produced divided by the amount of cost (or time) required to do so. And while this equation seems simple enough on the surface, the strategies for optimizing it have evolved dramatically over the last two decades. Technology has enabled massive personal productivity gains — computers, spreadsheets, email, and other advances have made it possible for a knowledge worker to seemingly produce more in a day than was previously possible in a year. It's tempting to conclude that, if individuals are able to perform their work much better and faster, overall productivity must be soaring.

And yet there's a problem. [U.S. government data suggests](#) overall labor productivity has only grown 1-2% per year during the tech boom. With trillions invested during this time period, that's a hard number to reconcile. My strong hypothesis is that we're focusing on the wrong kind of productivity – and, in turn, the wrong kind of management. It turns out that *enterprise* productivity is different than just the sum of personal productivity. This difference matters. A lot. And an example from my company, VoloMetrix (now part of Microsoft), can help illustrate exactly how.

We recently worked with a multi-billion dollar technology firm, where the majority of the company's revenue comes through a large ecosystem of partners (e.g., resellers, manufacturers, etc.). They have enjoyed strong growth for many years, but recently made the decision to put more emphasis on growing profitably rather than just growing. One of the things that they wanted to understand was the cost of managing their partner ecosystem – they had a hypothesis that there might be ways to do so more efficiently.

They began by providing us a list of around 700 employees that they believed represented the population of partner-facing roles across their organization. They asked us to confirm that these employees were indeed partner-facing, and to let them know if they missed anyone. (For a bit of background context, we performed data mining on anonymized email and calendar header data, in combination with HR and customer relationship management data, to build a robust factbase of just how much time is spent in direct communication with each partner, by each team, across the entire organization, among other things.)

It turns out they were a bit off on the employee population involved. In reality, around 7,000 *employees* directly interacted with partners for at least one hour per week over the course of a year. Roughly 2,000,000 hours of time were spent in these direct partner interactions (emails, meetings). This equates to approximately \$200M of employee time per year, *which doesn't even include any of the internal discussions or preparations*.

This is a big number. Worse, it's an order of magnitude bigger than what company management had expected. In reality, they had no clue how their employees were collectively spending their time with regard to one of their single most important revenue-generating activities.

That said, big isn't necessarily bad given how much revenue comes through their partners. However, we were then able to look for correlations between time invested in each partner and that partner's success. We looked at growth, total bookings, strategic value and other outcome measures segmented by geography, partner type and length of relationship. Using some natural language processing we were also able to derive a decent estimate of the topics of each interaction (e.g., sales-related, product-related, program-related, etc.). The hope was that the time and cost invested in each partner paid dividends.

It didn't.

To be sure, some correlations with partner value creation emerged, but only when we got quite specific about the type of partner and the type of communication. After much iteration, the general conclusion was that at least 50% of the total time employees spent engaging with these partners had no correlation with enterprise value. That's one million hours annually (not including internal prep time), or the equivalent of 500 full-time workers. Every day, they were dedicated to activities that appeared to be at best redundant or potentially even value destroying, with multiple employees from multiple teams engaging with the same people at the same partners in an uncoordinated way.

But here's the rub: most of the employees at the company were doing their jobs and, by all accounts, doing them well. From an individual management perspective, they were highly productive, but from an organizational perspective their productivity was effectively zero or negative. Management had an inkling that they might be missing opportunities, but they underestimated the problem by an order of magnitude. This is a prime example of why measuring individual productivity on its own is insufficient.

To really improve productivity — and to be honest about what it means — you first have to gain a level of organizational self-awareness to understand what work actually drives value at your company, and then direct employees towards these tasks. This is pretty straightforward for manual work (e.g., assembly lines), but extremely complex when it comes to knowledge work. Knowledge work gets done through networks of individuals working together with frequently changing goals and varying degrees of context. The many great productivity-enhancing technologies referenced earlier (email and other technologies) actually contribute to making this task even more complex, as they've enabled companies to become ever more distributed, global, and real-time. How can you truly understand what your employees are doing at an enterprise level if you rely on a set of backward-looking, inflexible financial and operating metrics delivered to you weekly, if not monthly or quarterly?

To be clear, individual productivity is often a worthy goal. But leaders also need to stop thinking about productivity at an individual — or even team — level. It's time to start shifting to an organizational mindset and set of tools that can provide full visibility into what work is actually getting done in aggregate, and where it does (or doesn't) create value, however you define it. Approaching management in this way will require new approaches and won't always be easy, but the technology firm example indicates that deep understanding of what's really happening from day-to-day will likely have broad impacts on corporate structures, processes, and teams (indeed, the company in question is rethinking all of this).

The ultimate — albeit difficult-to-achieve — goal is a large organization in which all knowledge workers have full context, tools, and support to focus their time on the biggest value drivers of the business without being bogged down by overhead and bureaucracy. That's exciting not only for the actual productivity gains that will result at an organizational level, but also for each employee who will finally have a clear sense of what matters and how to be successful. A company will know that they've achieved this state when personal productivity gains actually do add up to enterprise ones.

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