

SHK

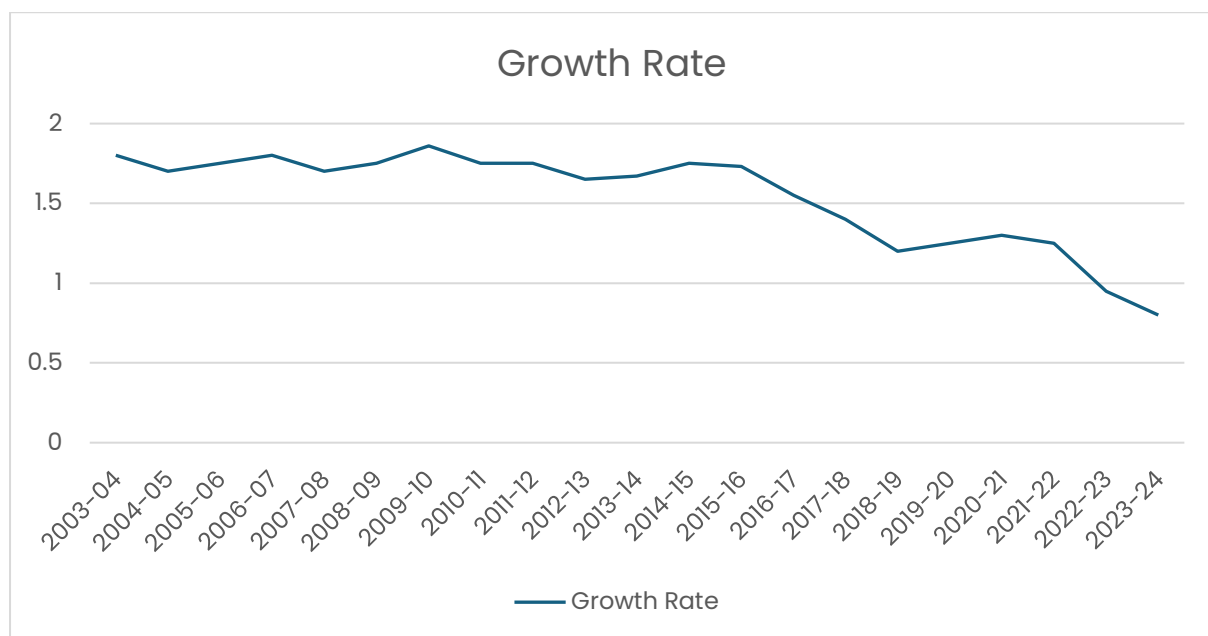
# Rethinking Productivity

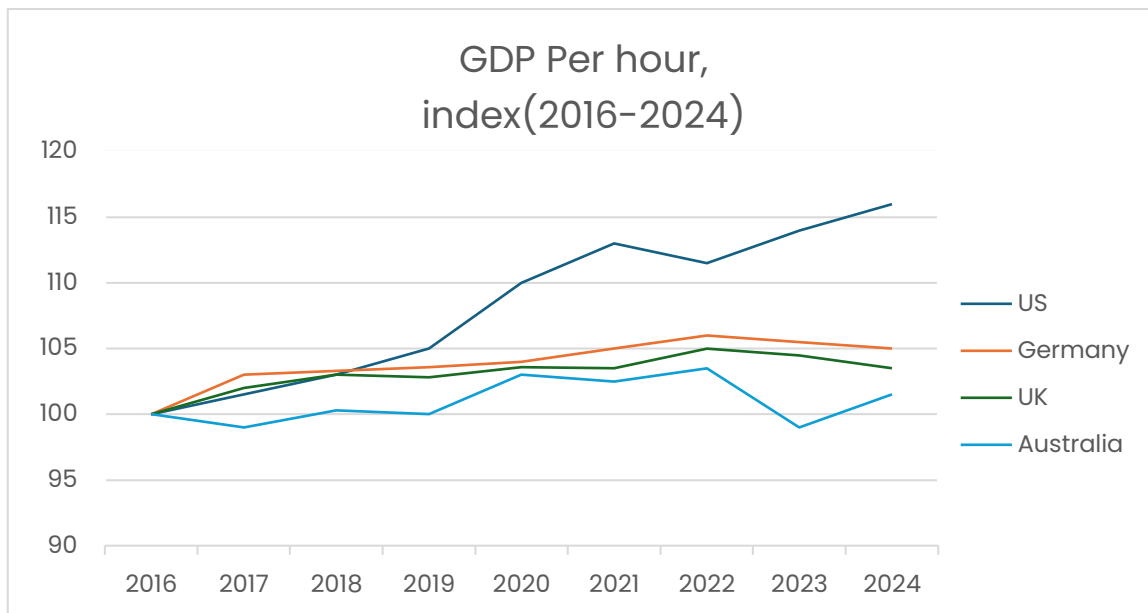
**WE KNOW WHERE**



## Rethinking productivity

Australia's productivity challenge has become one of the defining issues of the decade. While the global economy has moved through cycles of disruption, digitisation and demographic change, Australia's productivity performance has lagged. Over the past 20 years, labour productivity growth has averaged around 1.1 percent per year, well below the pace achieved in the 1990s. More recently, productivity has declined by more than 3 percent year on year, the sharpest fall the Productivity Commission has recorded in decades.





Source: UK Office for National Statistics (Quarterly GDP chain volume measures, seasonally adjusted, and total actual weekly hours worked millions), US Bureau of Labor Statistics (Labor Productivity), Australian Bureau of Statistics (ABS) (Catalogue 5206.0 Table 1 and Catalogue 6202.0 Table 19), Federal Statistical Office of Germany (National accounts—employment, wages and salaries, hours worked; National accounts—gross value added (nominal/price-adjusted), OECD Households’ economic wellbeing (real gross disposable income per capita of households and nonprofit institutions serving households)

This trajectory places Australia behind many OECD economies, particularly those that have successfully translated technology adoption and workforce transformation into sustained gains in output and competitiveness. Combined with persistent services inflation, higher operating costs and several years of stagnant real wage growth, the need for organisations to rethink how productivity is generated has never been clearer.

Importantly, this situation is not a reflection on the commitment or capability of employees. Across the organisations we support, individuals continue to demonstrate resilience and professionalism in the face of rapid change. Increasingly, it’s clear that productivity outcomes depend on the conditions leaders create. Clarity of purpose, alignment of effort, investment in capability and a culture that enables people to perform at their best. Productivity does not improve by accident. It improves when leaders create the environment in which people can do their best work.

At a broader level, there is significant value in ensuring that policy settings support productivity. A business environment that encourages investment, reduces unnecessary regulatory burden and makes it easier for organisations to innovate and operate at pace has a direct and positive impact on performance. When policy frameworks enable rather than constrain, leaders can focus more fully on executing strategy, building capability and strengthening their organisations for the long term.

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Flexible and hybrid working models are now firmly embedded, and they can support high performance when underpinned by effective leadership and well-designed roles. Emerging technology, including AI, is becoming an increasingly important productivity enabler, but it functions most effectively when it complements engaged teams, efficient processes and a strong organisational culture. Technology will deliver efficiency, but only leadership can turn efficiency into performance.

## How organisations are responding

In this complex environment, we are seeing organisations take a multifaceted approach to improving productivity in ways that balance cost discipline, capability, culture and long-term sustainability. Across conversations with CEOs and senior executives, several consistent themes continue to emerge.

### 1. Redesigning operating models and simplifying how work gets done

We are seeing many CEOs reshape organisational structures to become more agile and cost efficient. This includes reviewing role clarity, decision rights and workflow design to remove unnecessary complexity. The aim is to ensure that teams focus on activities that deliver the greatest commercial and customer value.

### 2. Strengthening leadership capability and cultural alignment

Leaders are increasingly recognising that productivity is closely linked to leadership quality and cultural strength. There is a heightened focus on equipping leaders to set clear expectations, create alignment, build engagement and support accountability. Reinforcing culture helps employees understand their contribution and provides the support needed to perform.

### 3. Rebalancing the workforce mix with strategic use of interim talent

Organisations are becoming more deliberate in how they combine permanent talent with project-based or interim executives. We are hearing from many executives that interim talent is enabling them to access specialist capability when required, deliver critical projects, and accelerate transformation, while avoiding locking in longer-term employment costs during uncertain trading conditions.

### 4. Strengthening internal mobility and building leadership depth

A growing number of organisations are prioritising structured internal mobility pathways, identifying high potential leaders earlier and supporting them to step into broader roles. There is a recognition from executive leaders that the biggest gains in productivity

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come not from more people or more effort, but from sharper focus and better alignment. We are seeing internal mobility succeed when organisations pair it with meaningful investment in executive coaching and leadership development, which prepares emerging leaders to take on larger or more complex responsibilities. Organisations that treat capability development as optional are finding it far harder to build the teams and leaders they need for the next decade.

## 5. Using technology and AI to reshape work and redirect focus toward higher value outcomes

AI and automation are evolving quickly, and leaders acknowledge that many organisations will reduce headcount in a number of areas as these technologies mature. Significant role redesign and workforce changes are realistic and expected. However, the most forward-thinking organisations we speak with are approaching AI not simply as a cost-reduction lever, but as a means of removing low value tasks and enabling people to focus their time and expertise on activities that deliver greater strategic, commercial and customer impact.

## 6. Prioritising critical capabilities over broad headcount expansion

Rather than adding roles to respond to increased workload, leaders are becoming more targeted in how they build capability. We are seeing organisations invest intentionally in the specific skills that most directly support long-term performance, ensuring that resources align closely to strategic priorities and productivity is strengthened through smarter allocation of talent.

# Our perspective

Our work with CEOs and senior executives highlights that leadership, culture and the capability of teams are central to how organisations rethink their approach to productivity in a changing environment. Technology, structural change and supportive policy settings all play important roles, but it is leadership and culture that determine whether these factors translate into sustained performance.

At SHK, much of our work focuses on identifying and assessing senior leaders who can drive this agenda. These are leaders who combine commercial acumen with the ability to shape culture, develop talent and execute strategy in environments that are increasingly complex and fast moving.

We continue to work with organisations through periods of transition, including temporary leadership gaps, shifts in workforce structure and times of organisational change. Supporting individuals during these moments through outplacement or career transition services helps maintain momentum, clarity and dignity through uncertainty.

Similarly, we see growing emphasis on developing leaders from within. Many organisations are investing in coaching and structured development to prepare high-potential individuals for broader roles. This focus on internal mobility, retention and succession reflects a broader recognition that building capability from within is critical to long-term performance and stability.



## Looking ahead

Australia's productivity challenge is unlikely to shift quickly, yet there is considerable scope for organisations to make meaningful progress over time. Many leaders are reassessing how their structures, technology, capability and culture can evolve to support more effective and sustainable performance.

Productivity is not simply an economic measure. It reflects how well an organisation enables its people to perform at their best. Leadership plays a central role in creating the clarity, alignment and conditions that allow teams to contribute effectively. Organisations that continue to refine these elements and remain adaptable in a changing environment will be better placed to convert today's challenges into tomorrow's productivity advantage.

## About the author



Tim Morden is Managing Director of SHK with responsibility for strategy development and the growth of the firm's national people advisory offerings. For more than 20 years he has worked with organisations to support the development of people strategy, providing advice on leadership, talent acquisition, learning and capability building, and career transition. Tim was a part of the team that founded SHK in 2007. Prior to that, Tim held consulting roles with a global human capital firm.

Tim has extensive experience in the search and selection of executive leadership and general management positions, with a particular strength in the CFO portfolio. He has fostered strong industry networks and has conducted more than 150 leadership appointments across a wide variety of complex public and private sector organisations, sourcing talent from within Australia and across international markets.

Tim is experienced at aligning talent management strategies with organisational objectives, providing clients and executives with practical, balanced and candid advice. Tim will invest the time to build relationships that create long-term value.

Tim brings a global perspective through his role on the Board of Panorama Leadership, an amalgamation of 25 independently owned executive search and advisory firms with a global community of over 400 leadership experts. He is also the Chair of the AI committee for Panorama.

Tim holds a Bachelor of Commerce degree from The University of Melbourne.

 +61 448 543 677

 [tim.morden@shk.com.au](mailto:tim.morden@shk.com.au)

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