

The True Measure of Productivity

Business productivity rating (BPR) is about the most critical Key Performance Indicator in your management tool kit.

The best method of calculating labour productivity is simply this:

$$\frac{\text{Hours sold (i.e. invoiced) to customers}}{\text{Hours available to be sold}} \times \frac{100}{1}$$

This is a straight-forward, uncomplicated, calculation.

BPR is not calculated using hours worked or charged but hours INVOICED:

In reality these are the hours you QUOTED on a job

Of course, to maximise hours sold you need a good time recording and bookkeeping system to record and sell the hours worked

- * And provide a strong basis for accurate quoting.

Why we use QUOTED (not worked or charged) hours:

The reason is simply because you can only sell the hours quoted to customers, NOT the hours actually worked!

If a quote is given then (generally) only those quoted hours are sold; of course, there may be 'extras' due to unforeseen circumstances.

- * Thus "invoiced" hours in this case = quoted time + extra time.

There are two exceptions to this 'quoted time' rule:

1. If STANDARD times are used:

- * Some jobs are standard so there may be a standard or 'menu time' charged
- * For example, a grease & oil change may be set at a standard 45 minutes; replacement brake pads at 90 minutes.

2. If ACTUAL times are used:

- * Sometimes no quote is required or given; you simply 'capture' all the time spent on the job and invoice it
- * Of course this requires a good time recording system.

The bottom line: PRODUCTIVITY is all about time: time IN and time OUT.