

# EFFECTIVENESS AND EFFICIENCY: THE POORLY UNDERSTOOD

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*"Efficiency is doing things right; effectiveness is doing the right things."*  
PETER DRUCKER

There are a number of things we hear organisations say regularly. Things such as 'we have a system for that', or 'our system is very efficient'. Young managers are often 'raised' (more than trained) on awareness for budgets. 'Make sure that you do things efficiently' or 'make efficient use of your resources' are slogans often used by senior managers. Because of the constant pressure on the monetary effects of their decisions, managers often lose sight of the fact that they must be effective first, before they are attempting to focus on being efficient. Just have a listen around you and notice how regularly the word 'efficiency' is used and how comparatively rarely the word 'effectiveness' is used. And I find this a problem. Let's begin by defining efficiency and effectiveness in general terms:

**Effective** (adj.) – Adequate to accomplish a purpose; producing the intended or expected result.

**Efficient** (adj.) – Performing or functioning in the best possible manner with the least waste of time and effort.

The difference between effectiveness and efficiency can be summed up Peter Drucker's quote above. It is for instance entirely possible to do the wrong thing efficiently.

In training courses, I regularly use the example of a formula 1 race and the number of people used to change tyres (picture). Is this efficient? No, it is not! Is it effective? Yes, it is! The purpose of the team is to win the race; it is not about being efficient. In this example the race result is the objective. One second means the difference between producing the intended result or become second. Being efficient about it becomes second priority.



So, is thinking 'efficiency' all wrong? It certainly is not. But you should not be efficient without being effective first. First make sure that you do what is right for your operation; then do it the right way. Confusing? Consider the following table below which may provide an idea about the combination of effectiveness and efficiency.

While they sound similar, effectiveness means something entirely different than efficiency. An effective employee produces at a high level, while an efficient employee produces quickly. By combining effectiveness and efficiency, an organisation produces better products or service faster and with fewer resources. Organisations need to decide where they want to place themselves, similar to where they want to place themselves in terms of product/service quality. In the graph below, Rolls Royce will decidedly place itself on the right-hand side of the graph; they need to be effective first because it is their brand that represents quality.

A producer of mass consumption goods will very likely place itself on the left-hand side of that graph. They will want to be efficient, not so much effective; they will sell their products anyway.

Effectiveness is about doing (or using) the right things — things that yield positive results. Efficiency is simply about doing things right — i.e., completing a task cheaper or faster.

It is better to be effective first and then work on efficiency than playing the short game: Being efficient first before understanding that sustainable operations are all about being effective.

Pursuit of Appropriate Goals / Doing Right Things	Effective	Pursuing right goals, but inefficient (costs are high)	Pursuing right goals and efficient (high-ROI, cost-efficient)
	Ineffective	Pursuing wrong goals and inefficient (not producing enough and are expensive)	Pursuing wrong goals but is efficient (not producing enough but low-cost)
		Inefficient	Efficient

Use of Resources /  
Doing Things Right

