

## Original Paper

# Efficiency and/or Effectiveness in Managing Organizations

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Received: May 9, 2020

Accepted: May 14, 2020

Online Published: May 25, 2020

doi:10.22158/jecs.v4n2p131

URL: <http://dx.doi.org/10.22158/jecs.v4n2p131>

### Abstract

*Does efficiency or effectiveness lead to successful organization management? Being efficient means investing as minimum resources as possible in order to get a desired result. Being effective by contrast means to achieve a desired result by using the right means or pursuing the right action. The question is not how to do this or that but rather, in what way the resources and efforts of a business should be directed to produce superior results rather than the usual efficient outcomes it can create. Organizational efficiency is the ratio between inputs and outputs in an organization. Organizational effectiveness is whether the organization fulfills its goals in doing the right thing. Concentrating on efficiency rather than effectiveness may limit an organization, so the argument of this article is that an organization should focus on effectiveness that is to pursue the right action. An effective organization is one that succeeds in adapting itself in place, time and content to a rapidly changing reality; such a business or public organization would succeeds over time in fulfilling and achieving its goals.*

### Keywords

*efficiency, effectiveness, managing, manager, organization, administration, integration*

## 1. Introduction

The terms effectiveness and efficiency are used as key indicators for managing an organization's activity. These terms are sometimes perceived as going hand in hand or overlapping terms that have a similar meaning, while few conceive them as having different meanings. Therefore, there is some confusion and inaccuracy in the use of the two terms (Jeong & Phillips, 2001). The confusion between the terms effectiveness and efficiency is due to the similarity between the words in English. The interpretation of the concept of efficiency is the use of as minimum resources as possible to achieve a desired result; this concept is usually measured in terms of finance, inputs or time. The effectiveness term by contrast indicates bringing about the desired result. Effectiveness is a type of activity that often leads to a change in administering an organization (Grimshaw, Thomas, MacLennan, Fraser, Ramsay,

Vale, & Wensing, 2004). If we ask the question of whether the organization can be effective but not efficient and vice versa, the answer would be that organizations and companies until the mid the last century had a low dynamic, so it enabled them to plan for the long term, and then achieving efficiency that usually led to organizational effectiveness. Today the answer is different because organizations are operating in a dynamic environment. Therefore, sometimes the processes could be done efficiently but not necessarily effectively. According to Keh, Chu and Xu (2006), an exaggerated emphasis on efficiency leads to a reduction in the chances of achieving effectiveness. An important factor in achieving an organizational effectiveness is the generation of knowledge. Sometimes the occurrence of a crisis in an organization as a result of excessive concentration on efficiency while neglecting effectiveness could lead to a higher chance of implementing a change in administering the organization in order to reach a balance between efficiency and effectiveness (Bower & Gilbody, 2005). Up to the late nineteenth century, the terms efficiency and effectiveness still had no meaningful difference because the competition was not great, the products were few in the world and the business realm was still static. During this period if a company was efficient, it was also considered effective vice versa. But in our current world we testify that all power passed to the customer and therefore we began to feel the difference in the meaning of the two concepts that set a new important goal for organizations that is to maintain the customer satisfied, while reducing the operating costs as much as possible to the lowest level. The concept of managing the organizations that deal with customers is based on the two terms and the distinction between them is in the form of measurement. For example, the term efficiency is measured from an intra-organizational perspective of utilizing the resources of the organization in order to produce the maximum amount of products. On the other hand, the concept of effectiveness is measured from the point of view of the product recipient that is the client, and whether he is satisfied or not from the product (Grimshaw, Thomas, MacLennan, Fraser, Ramsay, Vale, & Wensing, 2004).

Every organization strives to achieve a basic level of efficiency in which minimal depreciation occurs and that every worker is placed in the production chain and fulfills his task from within. While efficiency achieved at its best in a simple environment, effectiveness of the management style in the organization must be influenced by external factors, which require the company to create and develop appropriate responses to external challenges (Hobday, 2000). All the organizations and companies in our world feel the natural need to grow, increase and develop. The growth of an organization is of great value when it helps the organization achieving its goals. A large organization has many goals. Therefore, such an organization is resilient, which makes it less vulnerable. Big organizations have ability to regulate their environment and possess a great ability to withstand various pressures and be able to confront and identify threats and deal with them properly. Generally effective and efficient growth of an organization is becoming the main and most important goal in the lifespan of an organization, but it should be noted that the growth of an organization will not become an obsession and that it will not become the organization's sole goal. This may cause damage to the organization, because it will ignore the importance of its other goals (Bower & Gilbody, 2005).

## 2. Main Goals

### 2.1 Rationale behind the Research

I want to explore both terms effectively and efficiency because they both relate to the success of an organization because an organization that wants to succeed, its managers need to know how to manage it effectively and efficiently. And another motivation because we witness that there are many people who are confused between the meanings of the two terms effectiveness and efficiency; this confusion stems from the similarity in the translation of terms in English.

### 2.2 The Purpose of the Study

The purpose of the study is to investigate the relationship between the two terms of efficiency and effectiveness, because many researchers have written articles on these two terms but they have used them interchangeably efficient instead of effective and vice versa.

### 2.3 Research Question

Is efficiency or effectiveness more important in leading to a more management success of an organization?

## 3. Literature Review

There are many definitions to the concept of effectiveness, such as the ability to achieve a desired goal, the completion of a task and transition to the next task and the achievement of a defined goal (Hobday, 2000). The concept of efficiency, however, indicates maximizing organizational productivity in a particular task environment, so that efficiency is appropriate for achieving a defined goal in a relatively static environment. Many organizations use these terms and sometimes managers of organizations find it difficult to distinguish between the meanings of effectiveness and efficiency. Efficiency means doing things right, while the concept of effectiveness means doing the right things. Efficiency is expressed in the performance of tasks with minimal and optimal utilization of the organization's resources, such as budget, inputs and time. Such an efficient organization manages to achieve the defined results with less and less resources such as using less financing and fewer employees. An effective organization by contrast succeeds in bringing the desired results to the benefit of the organization (Crawford & Bryce, 2003). Crawford and Bryce (2003) point out that an efficient organization is asking how to achieve the best results? In contrast effectiveness-oriented organization asks what outcome should be achieved? Only after setting the outcome, an effective-oriented organization continues to plan the instruments to achieve this outcome. In this sense, effectiveness is a form of activity and measurement of an organization that aims at maximizing the results of the organization and its purpose is to achieve a desired outcome. Efficient-oriented organization, however, is an organization that best utilizes the means to achieve a task assigned to it. Such an organization aspires to implement its goals with minimal costs and maximum benefit. Every organization tends to be an efficient organization in order to survive. Because, an inefficient organization loses resources and stops functioning due to its inability to compete in the market. The efficiency of the organization benefits its clients because they get the

service and the products at the cheapest possible price, because the organization always aspires and seeks to use less resources and less processing time, and on the other hand it will generate high profits for the owners. Efficiency is an important goal for an organization, but the organization must be careful not to develop an obsession with efficiency that results in that organization losing the rest of its goals for which the organization was established and thereby losing its effectiveness. For example, an educational organization usually has many goals, such as raising students' achievements as well as moral goals and values. If this organization places its emphasis on only one goal and becomes obsessed and ignores the other goals, it may decline on social activities or trips. Thus, such an organization may lose its effectiveness. From this point, the loss of values among the students who are the customers of the educational organization should be taken into account, even though this was one of the important goals of the educational organization (Grimshaw, Thomas, MacLennan, Fraser, Ramsay, Vale, & Wensing, 2004). Efficiency by definition means performing the right tasks, while using the minimum resources to achieve the same results, even if such achievement does not advance us at all for the goals we want to realize. Effectiveness by contrast means implementing certain actions to get a desired result to further a goal (Keh, Chu, & Xu, 2006). Another definition refers to the concept of efficiency as the techniques of managerial practice in using a given amount materials. The efficiency of the organization creates an optimal division of labor, meet the budget constraints, all the workers in the organization invest maximum efforts, there is no redundancy in the organization's inputs, and there is no waste of time or budget or any other resources. The powers and responsibilities are clear to everyone (Crawford & Bryce, 2003). Another definition refers to the concept of effectiveness as the art of striving for dynamic goals, while working on materials that have not yet been formulated (Hobday, 2000). An effective organization is one whose systems can adapt to the changing environment, and it knows how to reinvent itself every time in a perfect timing. Effectiveness-oriented organization's goals are always achieved, while meeting the quality goals, and the managers delegate authority to their subordinates in the task of achieving the goals. The employees in an effective organization communicate freely with each other, and there is an excellent collaboration among all the teams in the organization, and the cooperation within each team is also excellent. Effectiveness is the ability to achieve a desired goal, while efficiency is the ability to do things without wasting time or energy (Grimshaw, Thomas, MacLennan, Fraser, Ramsay, Vale, & Wensing, 2004). Therefore, effectiveness deals with what should be achieved, whereas the efficiency is engaged in how to achieve the goals. Or it can be understood from their argument that effectiveness deals with substance, while efficiency deals with procedures (Bower & Gilbody, 2005).

Another study found a link between the concepts of effectiveness and efficiency and the managerial terms of "leader" and "manager". The study argues that efficiency contains the rational component of the personality of a dominant manager, while effectiveness contains the measure of intuition and interaction between it and the personality of the leader. The endless debate between a manager and a leader are similar to the debate between effectiveness and efficiency, but despite these arguments, we

can find that they overlap, and even have areas of completion. If we present both terms of manager and leader on one side and on the other side we pose the terms effective and efficiency, we can have four basic options as we can see in Table 1.

**Table 1. Effectiveness, Efficiency, vs. Manager and Leader**

	Manager	Leader
Effective	Effective Manager	Effective Leader
Efficient	Efficient Manager	Efficient Leader

It must be understood that an efficient organization manager is the one who performs things correctly and fulfills predefined duties and goals, emphasizes the process and the inputs, and makes sure that there are low costs, while achieving the intended results. The manager of an effective organization creates new standards, identifies new goals and emphasizes the results of the goals in his organization. He also puts emphasis on outputs, because higher outputs increase profits (Bower & Gilbody, 2005).

The terms effectiveness and efficiency are two key indicators that are often used to administer organizational and business, as well as personal and technological organizational activities. For the most part, these concepts are perceived as opposing concepts, and on the other hand they are sometimes perceived as parallel or overlapping ones. Efficiency is considered to be a measure of the performance of an activity in an organization; the activity of this organization intends to produce an output or the results obtained from investing in different resources. The inputs are resources or time, money and energy, while the output of the organization can be anything required or generated by the input factor (Bower & Gilbody, 2005).

If the overall output of the organization is greater than the sum total of output of per factor of production, then the efficiency is positive, and if it is smaller than the efficiency is negative. This means that inefficacy indicates an insufficient utilization of the resources in the organization, such as capital, human, or technological resources and the result of which is that the organization pays full cost on capital products but on the other hand it receives less return on the organization's own investments.

The concept of effectiveness according by contrast is measured in the success rates in achieving the goals set in the organization, and on the other hand it does not measure the investment required to achieve the goals of the organization. These goals can be in a variety of shades and in all areas of activity such as growth or volume of sales and market share. In other words, effective activity is one that has succeeded in achieving its goal. In other words, the result is that it defines the effectiveness or ineffectiveness of the activity carried out in the organization in terms of whether the goals were achieved or not achieved regardless of the inputs invested.

#### 4. Discussion

Organizations in our era comprise the vast majority of social and economic activities in the world. For example, in the United States, almost 79 percent of businesses are organizations, and most organizations have the same interest. Each organization aspires to be efficient and effective, which means that the organization seeks to maximize output and achieve the goals with minimal possible investment (Jeong & Phillips, 2001). As mentioned above, efficiency is a means for achieving a goal, or in other words, a means for achieving effectiveness. And that when production is organized more efficiently, the work in the organization becomes more effective; once efficiency maximizes the organization's capabilities in realizing the organization's mission, it is clear to the organization that it was the means for achieving effectiveness (Keh, Chu, & Xu, 2006). An organization is unable to execute and take effective and short as well as long-term processes without efficient- and supportive-activity, because the efficiency of this activity affects the business output of the organization. So the connection between these two terms is a combination of effectiveness and efficiency, because the success of the organization is to achieve the right goals by making the right moves at the right time (Bower & Gilbody, 2005). It is important to note that there is no contradiction in principle between effectiveness and efficiency. An effective organization manager can also be an efficient manager. Such a manager would say that these are of two separate goals, but it is important to note that the combination of them can significantly contribute to the success of the organization (Bower & Gilbody, 2005). Further, a successful organization can combine the two terms. The business organization must be both effective and efficient so that it can meet the goals it set for itself. Therefore, the organization must invest in product and market, employee development and innovative technology and customer retention (Crawford & Bryce, 2003).

Another model refers to the profile of managers, which contains four attributes that the organization can exist in them. The model of PAEI argues that the organization at its best is supposed to maximize all four attributes. The first feature of the model is marked with the letter "P", which denotes Producer, or the ability to remove obstacles and achieve the goal, because the organization should remain dedicated to realize the task. This feature emphasizes the division of labor in the organization, and what is planned and carried out. In fact, it can be combined with the concept that it is effective, because it is measured in terms of the success rates in achieving the goals and objectives that were set in the first place. The second feature is the letter "A" which denotes "Administrator". It has the order, method and efficiency, and it also has the thoroughness and conservatism that regulates the processes of production in a calculated manner. The emphasis of this feature is on handling details. This feature emphasizes the way things are and should be done. The definition of this attribute is parallel to the definition of efficiency and what efficiency deals with. Efficiency deals with the question "how", and that each worker has a clear role and the division of authority and responsibility in the organization is also clear to everyone. The third feature is the letter "E", which denotes Entrepreneur, that is the initiative and creativity. It has the ability to identify the future needs of customers. The emphasis of this feature is on

bringing enthusiasm, charisma and feeling to the organization, focusing on the next step and not merely on the present. This parallel feature is the concept of effectiveness that completes the task and is suitable for a dynamic and changing environment (Crawford & Bryce, 2003). The organization can adapt to a changing environment and should be aware of how to reinvent itself every time in perfect timing (Drucker, 1989). Drucker (2012) refers to the concept of initiative, which indirectly highlights the term effectiveness. The entrepreneurial approach focuses on effectiveness, that is, on deciding what to do, and on income-generating opportunities. The fourth feature is the letter “I” from the word integrator. This means inclusion, sharing and integration. This is an important thing for the consolidation between the employees, the ability to find a balance between the needs of the employee and the needs of the organization, and the ability to reach a compromise and agreement. This fourth feature is also analogous to the efficient concept. One of the goals of an efficient organization is team collaboration, where everyone invests his maximum efforts and cooperates so that the projects will be completed at the exact time set (Drucker, 1989).

**Table 2. Model PAEI between Effectiveness and Efficiency**

	Long range	Short range
Effectiveness	(E) Entrepreneur	(P) produce and goals
Efficiency	(I) Integrator	(A) Administrator

## 5. Conclusion

Concentrating on efficiency rather than on effectiveness can be limiting, but also dangerous, so the two concepts must be combined in order to have a successful organization.

An organization that strives to achieve its goals in order to succeed must be aware of how to manage its organization both effectively and efficiently. In our current dynamic world of globalization, it is important to combine the two concepts of effectiveness and efficiency with other two concepts of manager and leader in the workplace. From this we must understand that efficiency in the organization requires a certain organizational order, and on the other hand creativity and effectiveness in the organization need an evolving system that keep developing and one that can conserve on energy and natural resources. An effective organization preserves its own way of interacting and exchanging vital resources in order to survive in the market. It is important to be aware that the efficiency of the organization supports and strengthens its effectiveness to a large extent, so that a business organization cannot be ineffective over the long term, because efficiency means doing what is required in the right manner and at the lowest cost. But it is important to understand that if the low cost will harm the organization's benefit, then this is not an effective operation. Therefore, an organization that lacks effectiveness is an organization without growth and without business development.

It is therefore necessary to combine effectiveness with efficiency, because achieving efficiency usually

results in achieving effectiveness, and as a result, the organization's capabilities and productivity can be maximized.

## 6. Recommendation

The challenge of an organization manager is to maintain a balance between the two concepts of sufficiency and effectiveness. The key to determine the balance between these two indicators in the context of the field of activity in the organization. There is always a need to know what the organization needs to adapt to our current dynamic business environment, and it is important that the organization should have clear and focused tasks in front.

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