

A STUDY ON MANAGERIAL EFFICIENCY AND MANAGERIAL EFFECTIVENESS.

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Abstract: *The study on Managerial efficiency vs Managerial Effectiveness is based on Conceptual method, information gathered by way of a survey method of secondary data. This article will seek to explain the meaning of efficiency and effectiveness. It will compare and contrast these concepts by looking at the outcome each tries to achieve. On the whole it will throw more light on the meaning of these words which will help us to apply this wisdom in the way we do things so as to improve our bottom line. For the purpose of the study, both primary and secondary data is collected, to achieve the formulated objectives. Results revealed that both Managerial Efficiency and Managerial Effectiveness is important to achieve organizational goals..*

Key words: Managerial Efficiency, Managerial Effectiveness.

Theoretical Background:

Managerial effectiveness is a leader's ability to achieve desired results. How well he applies his skills and abilities in guiding and directing others determines whether he can meet those results effectively. If he can, his achievements are poised to help the organization gain a competitive edge against rival organizations heading into the future.

Gauging Managerial Effectiveness

Managerial effectiveness is gauged by the results a leader achieves. Results are generally believed to be influenced by the organization's established culture. A good leader must adapt to the organization's culture and make sure her skills are aligned with organizational goals in order to achieve positive results.

The Skills of an Effective Manager

A manager has a combination of technical, people and conceptual skills that can make him an effective leader, according to theoretical models of leadership. Technical skills include specialized training, skilled performance of specific tasks, expertise in a specific field or industry and the ability to apply specialized knowledge to tasks and objectives. People skills include the ability to work well with others, motivate workers, resolve conflicts, delegate roles and communicate objectives clearly. Conceptual skills are broader and more self-actualized. They include the ability to see the organization in the context of its industry, the ability to understand how each part of the organization functions as a whole, the ability to visualize a future course of action based on current organizational and industry trends, the ability to analyze and diagnose complex situations and the ability to understand the interrelationships at work in the organization.

Achieving Results

Senior management is responsible for identifying the core competencies of the organization and making sure those competencies are complemented by its managers and its overall workforce. It is up to senior management to strategically place a manager in the department where her skills and competencies will reflect the current and future needs of the organization in order to effectively achieve results that benefit the organization in the short- and long-run.

An Example of Managerial Effectiveness

The results of a marketing project spearheaded by a finance manager, for example, would not be as strong as the results achieved by a marketing manager who is well-versed in market strategy and research. Choices such as these significantly affect an organization's overall performance.

A Competitive Edge

In the long run, managerial effectiveness has the potential of creating efficiencies that create a sustainable competitive advantage against rival organizations and increase opportunities for future enterprise. It also fosters individual growth in the manager and her followers and, over time, generates shareholder value for the organization. Management is almost entirely concerned with getting things done and determining how to get things accomplished. In each manager's mind there is a debate over whether more concern should go into lowcost production or to disregard production costs and go after complete satisfaction of goals and objectives. These two paths are known as the decisions which separate "Effectiveness" and "Efficiency." Effectiveness means that the job was done correctly and was accomplished but does not regard if the job was done inexpensively or on time. Whereas, efficiency means that the job was accomplished cheaply and on time yet may not be a very thorough and impressive accomplishment.

Let us place in the simple example of creating a marketing brochure. To be effective the brochure must be colorful, informative, well-written, well-organized on the page, and presented on a common-sensical layout such as a tri-fold page, on decent quality paper. Effectiveness would be concerned with having the most colorful, most well-written, grammatically correct, most visually pleasing and interesting lay out possible, which may cost hundreds of dollars for merely a few dozen print outs. Yet, efficiency would accept minimal color, appropriate wording, a simple layout, on simple paper. The efficient brochure may yield two thousand dollars of business activity and only cost one hundred dollars, yet the effective marketing brochure may yield four thousand dollars but cost one thousand dollars to produce. There is some debate as to which is more desirable: a return of \$20 to 1; or an overall greater profit of \$1100. One marketing brochure was more effective with a lower rate of profit return, whereas the other brochure was more efficient but less profitable overall.

A simple analysis is to stretch out the comparison. Imagine if the efficient company used its same tactics and spend \$1000 on their campaign. The revenue return may have produced as much as \$20,000 (although the law of diminishing returns claims that they would have experienced a moment of less return for each continual dollar.) Whereas, the effective company only yielded \$4000 in revenue from \$1000. Let us view this scenario in the case of a military battle, known as the pyrrhic victories. A pyrrhic victory is a win that came at too great of a cost. The ancient king pyrrhus won two battles against the Romans, yet was left with a hollow army that could no longer fight. He was effective. He did win the battle, but he lost too many men to enjoy the victory. Most of his friends and closest military associates were killed in the conflict. We must take our notes from Sun Tzu on this matter. Sun Tzu claims that the military leader should not only win but should excel at winning with ease. "What the ancients called a clever fighter is one who not only wins, but excels in winning with ease." The ease part should align in our heads to mean low cost. A better analysis is to look at two promotional brochures which yielded \$4000 each in revenue but one cost \$500 and the other cost \$1000. Obviously, it is beneficial to create the same outcome with less inputs.

Effectiveness and efficiency are nearly inseparable in business strategy, but they command two distinct points of view. Let us look at two multiple growing department store chains. One may choose to open more stores in new locations, one may decide to start manufacturing its own products and putting its own label on these products. The first motion of the company would be to decide which would be the most effective tactic, then it should perform that maneuver in the least expensive and quickest fashion while still completely achieving the goal. The new stores must be built soundly not just merely quickly. The new products must be made well not just cheaply. The continual mental gaming associated with deciding between effectiveness and efficiency is continual and often frustrating. It can be the habit of the new manager to always press hard for efficiency, getting down fast and keeping costs down. Various departments within a company may have different perspectives upon these two competing concerns. The marketing department is usually not concerned with efficiency but is largely concerned with the effectiveness of the campaign; whereas production is almost always concerned with efficiency and low-costs on its continual effort to produce enough.

As the famous Peter Drucker has stated, Effectiveness is about "doing the right job." Efficiency is about "doing the job right." Is there a relationship between efficiency and effectiveness? How do you differentiate between them so as to maximise your productivity? In today's business environment individuals are encouraged to be more intentional in the way they solve problems. You may choose to see the problem or the solution. The path you choose may be due to a default on the way you think or a learned behaviour. You may choose to improve our productivity or performance by becoming more proactive as per the outcome you want. Hence, you can be efficient, effective or both.

What is efficiency and effectiveness?

This article will seek to explain the meaning of efficiency and effectiveness. It will compare and contrast these concepts by looking at the outcome each tries to achieve. On the whole it will throw more light on the meaning of these words which will help us to apply this wisdom in the way we do things so as to improve our bottom line.

Efficiency and Effectiveness: Is there a relationship?

What do these words mean to you?

The website: reference dictionary.com describes efficiency and effectiveness thus:

Efficiency described

1. the state or quality of being efficient; competency in performance.
2. accomplishment of or ability to accomplish a job with a minimum expenditure of time and effort: The assembly line increased industry's efficiency.
3. the ratio of the work done or energy developed by a machine, engine, etc., to the energy supplied to it, usually expressed as a percentage.

Effectiveness described

1. adequate to accomplish a purpose; producing the intended or expected result: effective teaching methods; effective steps toward peace.
2. actually in operation or in force; functioning: The law becomes effective at midnight.
3. producing a deep or vivid impression; striking: an effective photograph.
4. Prepared and available for service, esp. military service.

From the above definitions, it is clear that both words are words of performance or productivity. For our discussions, the first definitions are apt. Efficiency is the state or quality of being efficient – competency in performance. Effectiveness is an attribute; being adequate to accomplish a purpose – producing intended or expected result.

From the management standpoint, effectiveness seeks to do better what is already being done. It focuses on costs. On the other hand the effectiveness focuses on what to do. It focuses on opportunities to produce revenue, to create markets and to change the economic characteristics of existing products or markets.

Types of questions asked to elicit effectiveness and boost productivity

If you want to be more efficient in a performance driven market you need to frame your questions thus:

Don't focus on the process where you ask; how do you do this or that?

Seek to focus on the identity of the product; and ask which of the products really produce extraordinary economic results or are capable of producing them?

Which of the markets and/or uses are capable of producing extraordinary results?

To which results should therefore the resources and effort of the business be allocated so as to produce extraordinary results rather than the 'ordinary' ones which is all efficiency possibly can produce?

Difference between Efficiency and Effectiveness

In book on Managerial Effective, Bill Reddin describes the difference between managers who concentrate on efficiency and effectiveness:

Efficient and Effective managers compared

Efficient Manger	Effective Manager
Do things right	Do the right things
Solve problems	Produce creative alternatives
Safeguard resources	Optimize resource utilization
Lower cost	Increase profit

From the forgoing differentiation, it seems that being efficient seems to ask; “what else?” kind of question in a given situation or circumstance. Ultimately, the idea is to find how best to add value in that particular circumstance.

Illustrate efficiency and effectiveness

The diagram below will be used to graphically illustrate the difference between efficiency and effectiveness in an industrial environment.

Efficiency and Effectiveness have impact in internal and external environment in any organisation and therefore can influence the bottom line. The diagrams above are five departments in an efficient company and five departments in an effective company. The steps from efficiency to effectiveness are made by finding the common purpose to which people can align so that everyone pulls in one direction. You can see from the diagram that whereas the organisation in terms of the efficient department is scattered, the efficient department is much focused and all actions of the different departments are aligned to the company's goal.

How do manage for results?

In his book, *Thinking for a change – 11 ways highly successful people approach life and work*: John C. Maxwell said that, “Bottom-line thinking has to be built into the system of working and relating and achieving.” From the on set you have to decide the type of result you want to achieve and therefore set strategies and systems in place to achieve it. In his book he described five steps you need to reap the results of bottom-line thinking:

1. Identify the real bottom line Get to the results you are really looking for, the true essence of the goal.
2. Make bottom-line the point Your purpose must serve profit not the other way round.
3. Create a strategic plan to achieve the bottom-line Identify the core elements or functions that must operate properly to achieve the bottom-line. This is the leader's responsibility.
4. Align team members with the bottom-line

Team member must know the overarching goal of the organisation as well as their individual role in achieving it. See the Fig.1 above on effectiveness.

5. Stick with one system and monitor results continually

Develop a system to monitor progress continuously. Keep track of changes and adjust as deemed necessary.

Conclusion

This article has tried to differentiate between efficiency and effectiveness. Basically they are used to express productivity- relationship between input and output. The ratio effectiveness divided by efficiency is the productivity index. The output the effectiveness can be improved by through good management of resources consumed.

We can intentionally decide to be more effective in the way we do things so as to improve our productivity.

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