

Efficiency vs Productivity

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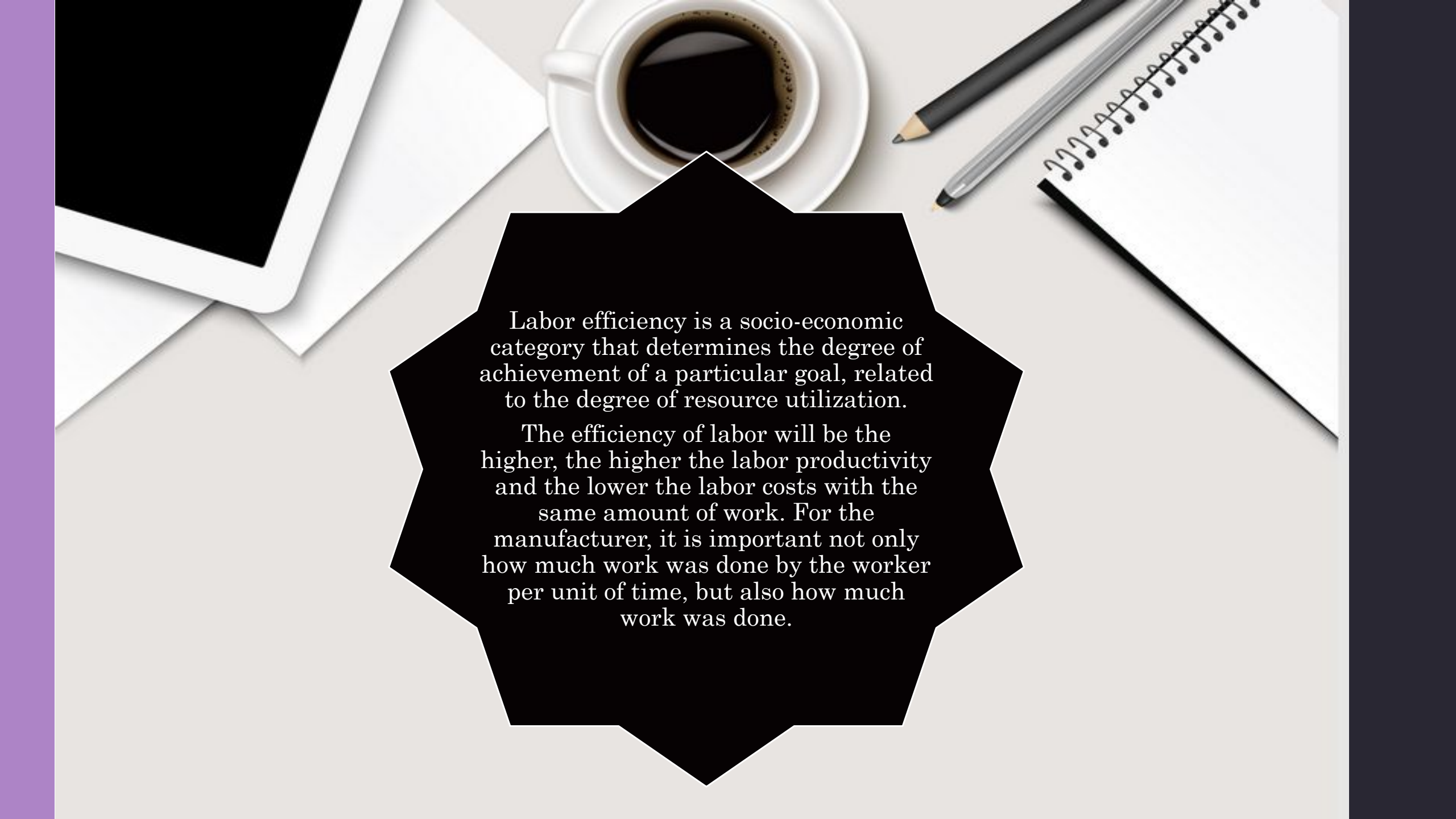
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Productivity and efficiency are two of the key goals of any business enterprise. But they are two very different things and often compete with each other. Improved productivity can come at the expense of efficiency and improved efficiency can reduce productivity. But what is the difference between them? In order to better understand the difference between them, we need to first find out what is Productivity and what is efficiency.

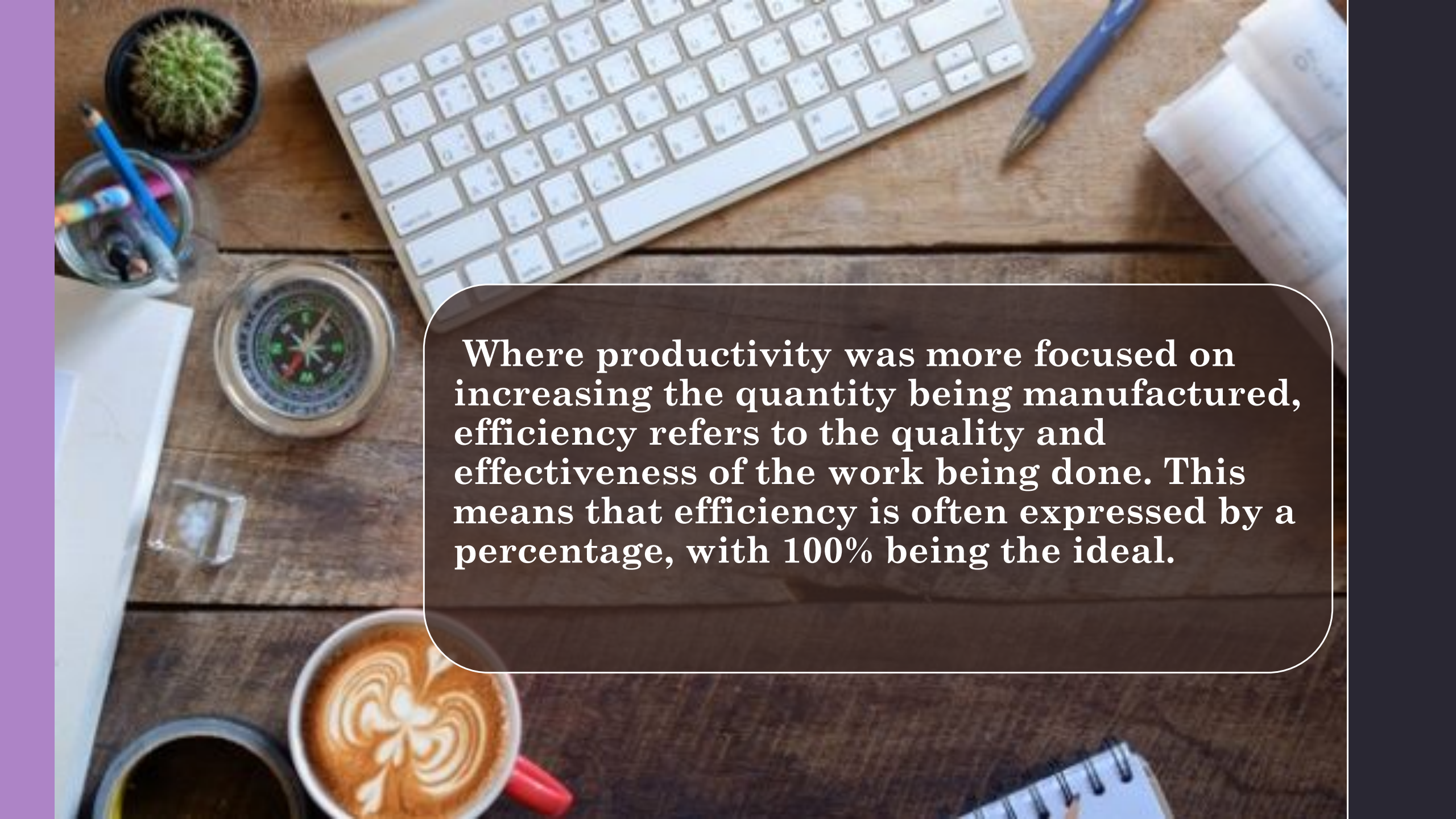


Productivity - the efficiency of the use of resources — labor, capital, land — in the process of producing various goods and providing services. As an economic category, productivity reflects the relationship between the quantity and quality of work performed with the cost of resources used. Productivity growth means an increase in business volume, subject to constant costs.

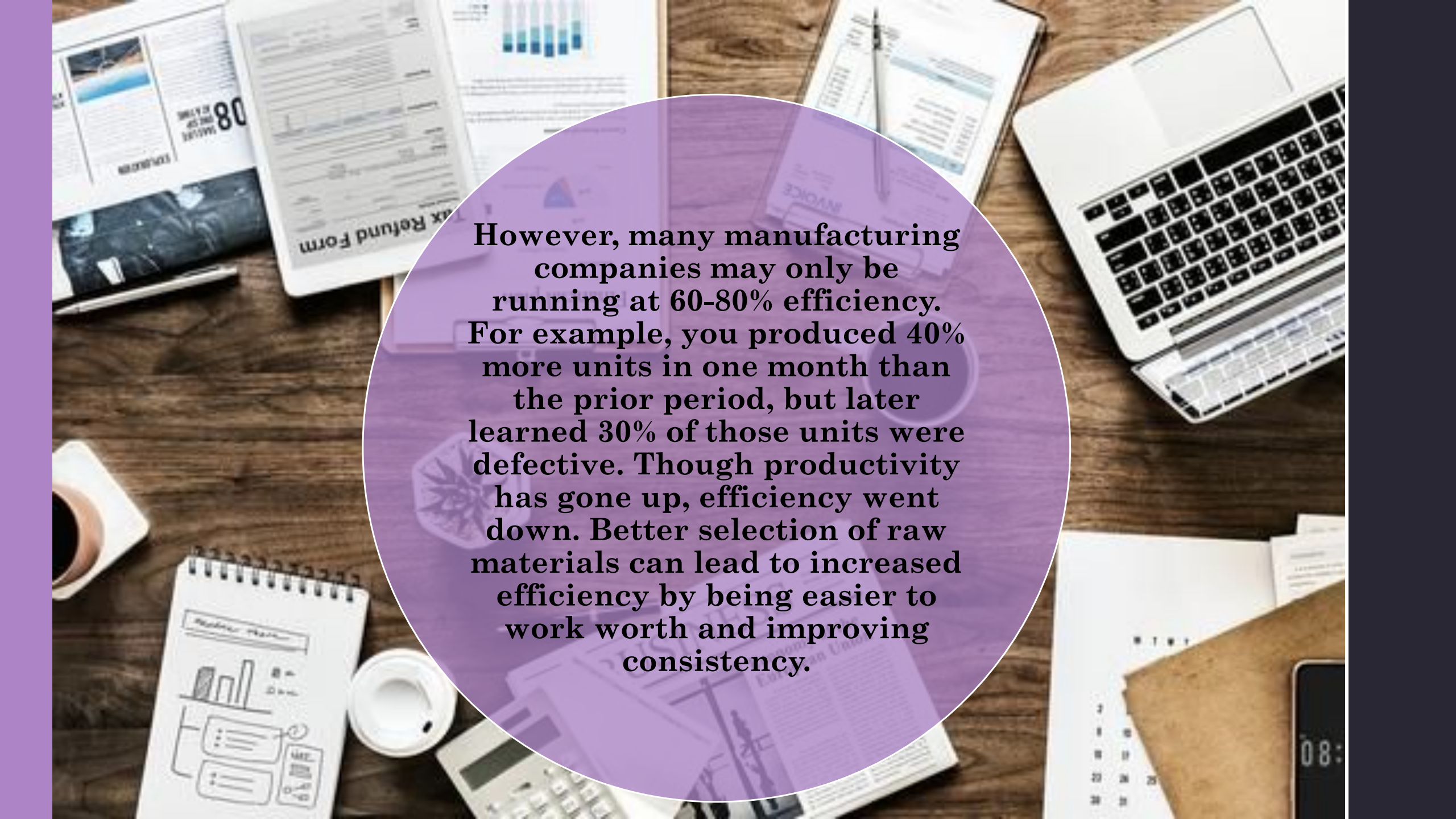
A top-down view of a desk with a white coffee cup on a saucer, a black pencil, a silver pen, and a spiral notebook. A black star-shaped graphic is overlaid on the center of the image.

Labor efficiency is a socio-economic category that determines the degree of achievement of a particular goal, related to the degree of resource utilization.

The efficiency of labor will be the higher, the higher the labor productivity and the lower the labor costs with the same amount of work. For the manufacturer, it is important not only how much work was done by the worker per unit of time, but also how much work was done.



Where productivity was more focused on increasing the quantity being manufactured, efficiency refers to the quality and effectiveness of the work being done. This means that efficiency is often expressed by a percentage, with 100% being the ideal.


A top-down view of a wooden desk cluttered with various office supplies. In the upper right, a silver laptop is open. To its left, several papers are scattered, including one with a bar chart and another with the text 'Tax Refund Form'. In the lower left, a spiral notebook shows a hand-drawn diagram with boxes and arrows. A white coffee cup sits in the lower center, and a calculator is partially visible at the bottom. The background is a warm-toned wooden surface.

However, many manufacturing companies may only be running at 60-80% efficiency. For example, you produced 40% more units in one month than the prior period, but later learned 30% of those units were defective. Though productivity has gone up, efficiency went down. Better selection of raw materials can lead to increased efficiency by being easier to work with and improving consistency.

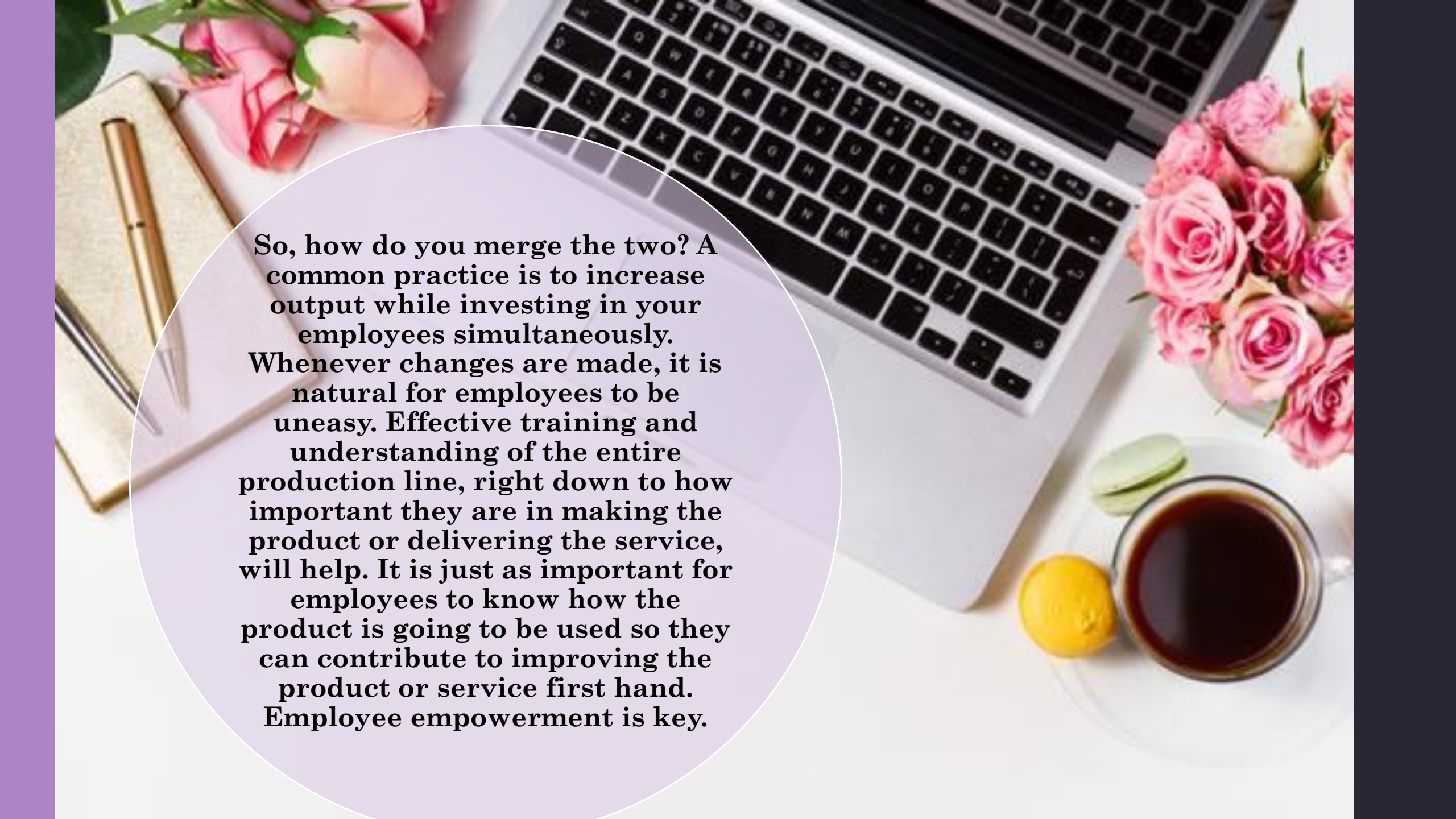
A top-down view of a desk with a silver laptop, a white coffee cup, a notebook, and a small green plant.

Efficient Productivity in a Business

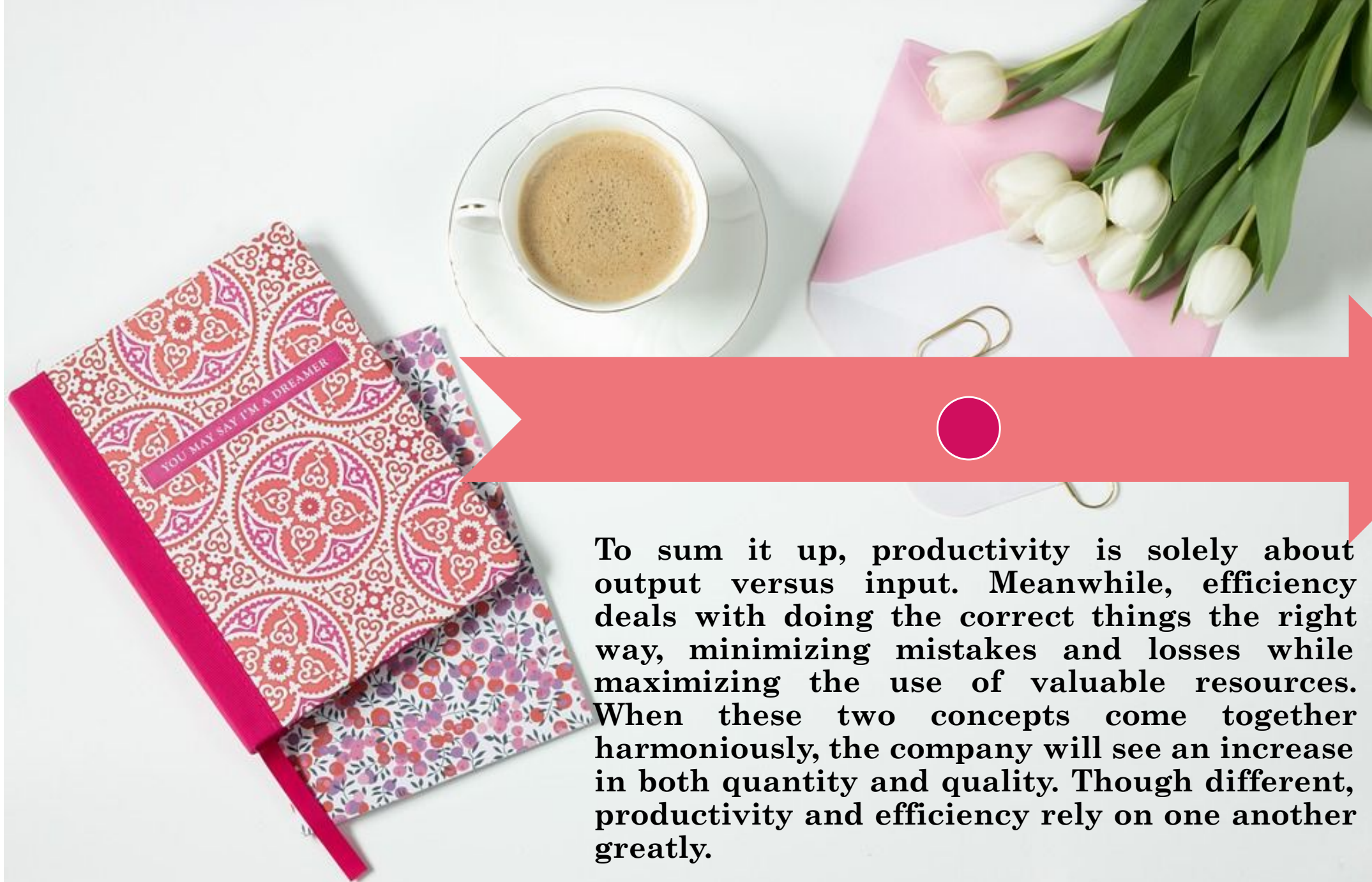
Some businesses measure productivity by including only quality output. For example, if a production plant produces 10,000 units in March and only 9,000 units in April, productivity in March is not necessarily higher. If the 10,000 units produced in March included 1,000 that were defective and couldn't be sold and another 1,000 that came back for service, the productivity for the production plant in March is 8,000 units. If only 500 of April's units were defective or returned, productivity in April is 8,500.



Finding a steady balance between productivity and efficiency is crucial to making your manufacturing company function at its best. Emphasizing one over the other is a dangerous game to play. Imagine ignoring the quality output of your items just to simply churn out enough to meet the demand, only to realize that quality is poor? Now you have lost money and the trust of your consumers.



So, how do you merge the two? A common practice is to increase output while investing in your employees simultaneously. Whenever changes are made, it is natural for employees to be uneasy. Effective training and understanding of the entire production line, right down to how important they are in making the product or delivering the service, will help. It is just as important for employees to know how the product is going to be used so they can contribute to improving the product or service first hand. Employee empowerment is key.



To sum it up, productivity is solely about output versus input. Meanwhile, efficiency deals with doing the correct things the right way, minimizing mistakes and losses while maximizing the use of valuable resources. When these two concepts come together harmoniously, the company will see an increase in both quantity and quality. Though different, productivity and efficiency rely on one another greatly.



Thank you
For
attention