

---

# UNIT 11 EVALUATING EFFICIENCY AND EFFECTIVENESS\*

---

## Structure

- 11.0 Objectives
- 11.1 Introduction
- 11.2 Concepts of Efficiency and Effectiveness
- 11.3 Evaluation of Efficiency and Effectiveness
- 11.4 Conclusion
- 11.5 Glossary
- 11.6 References
- 11.7 Answers to Check Your Progress Exercises

---

## 11.0 OBJECTIVES

---

After reading this Unit, you should be able to:

- Explain the meaning and importance of efficiency and effectiveness;
- Examine the ways efficiency and effectiveness contribute to the success of social and economic development; and
- Differentiate between efficiency and effectiveness.

---

## 11.1 INTRODUCTION

---

Efficiency and effectiveness are at the core of public provision and delivery of goods and services. More so, in the context of changing and growing demands on public administration by various stakeholders in the Third World. Demands for administrative capabilities have been constantly changing, while the time and resources available for it remain somewhat limited. Invariably, this means an accumulation of demands that have remained unfulfilled.

To meet the continuing demands made on the public administrative system in the developing countries and to equip it to tackle the emerging problems to the maximum extent possible, it is imperative to plan for creating and enhancing administrative capabilities. Efficiency and effectiveness are the two different aspects of administrative capability requiring urgent attention. They are crucial for social and economic development of the country.

It is not that the governments have not paid attention to these two aspects, the subject recedes into the background, as it gets overshadowed by the preoccupation with the day-to-day administrative concerns. The issues of efficiency and effectiveness come to the surface only when some administrative collapse draws focus to the helplessness of the state enterprises and administrative capacity.

---

\*Contributed by Dr. R.K Sapru, Professor of Public Administration (Retired), Panjab University, Chandigarh.

In India, there are many instances and reasons for administrative collapse. This is attributed to eroded administrative system caused mainly by increasing politicisation of the bureaucracy, police and paramilitary organisations. There is, thus, a dire need to give consideration to and evaluate the issue of efficiency and effectiveness in Indian administration. This Unit brings out the meaning of the terms 'efficiency' and 'effectiveness', and examines the relationship between the two. It also discusses their relevance to the field of public administration.

---

## 11.2 CONCEPTS OF EFFICIENCY AND EFFECTIVENESS

---

Efficiency and effectiveness are the defining parameters of the public administration system of developing countries. Efficiency can be simply defined as the process of doing any organisational task with great potency and expertise. It can be understood as the achievement of goals and objectives with optimum utilisation of resources without any wastage. When the use of few resources results in maximum output that is considered to be organisational efficiency. These resources comprise finances, human resources, natural resources etc.

Focusing effectively on employee training and education will surely help in attaining efficiency. Organisational efficiency is a process which assures final results by following certain potent steps of transparency, accountability and inclusiveness. Efficiency involves more effort when working towards a goal. It is more of a time and process-oriented strategy that focuses on how the results can be achieved using minimum inputs. So basically, it is figuring out how to maximize performance, while putting in the least amount of effort and money.

Organisational effectiveness usually refers to how useful something is and how much can be attributed to its contribution. It is not a time-oriented, process-oriented, or effort-oriented measurement of input. As long as the goals of the organisation are achieved, it is called effective. Measuring effectiveness is especially helpful for small businesses looking to curb losses; as being small in size, can they better their processes and utilize their resources easily. Sometimes, due the intangibility (qualitative nature) of organisational goals, it is difficult to evaluate the effectiveness of the larger organisations, especially large public organisations.

All schools of thought, right from 1920s have focused on the parameters of efficiency and effectiveness. The Classical School of public administration has paid attention on productivity or efficiency, which is meant as the ratio of output to input of an organisational unit. The efficiency increases when the ratio of output to input increases. Efficiency in organisation normally refers to technical efficiency.

Technical efficiency is a sort of allocative efficiency in the sense that inputs or resources are allocated in such a manner that no shift will bring about an increase in output. When efficiency is expressed in monetary terms, it refers to the ratio of monetary income from output to monetary costs of inputs. This ratio means profitability, which is generally used as an indicator of the performance of public sector enterprises. For an industrial organisation or

project, the administrative efficiency may be measured by the mobilisation or utilisation of inputs to produce outputs or the highest possible national product.

The Classical School of public administration, whether in the study of bureaucracy by Max Weber or in the study of improvement of performance by the American Management School, has focused its attention on increasing productivity and efficiency through a formal bureaucratic organisation or through principles of organisation and methods. The idea of efficiency has been a unifying theme in the works of all earlier pioneers of Administrative Thought.

Frederick Taylor (1856-1915) rallied support to the study of improved administrative methods by way of efficiency. Later thinkers like Lyndal Urwick, Luther Gulick, Henry Fayol and Rensis Likert all laid premium on efficiency in organisations. Luther Gulick also emphasised that “in the science of administration, whether public or private, the basic ‘good’ is efficiency”. Max Weber (1864-1920) hailed ‘monocratic bureaucracy’ as “capable of attaining the highest degree of efficiency”. Broadly speaking, the Classical School of public administration underlined the importance of efficiency. According to this view, it is through a system of division of labour and through an appropriate system of organisation that the performance expressed, in the sense of efficiency of a public administrative system or an organisational unit, is to be raised to its fullest extent possible.

The Human Relations School (Elton Mayo’s Hawthorne Experiments were all about improving workers’ output and thereby the efficiency of organisations), the Behavioural School (For Herbert Simon, effective decision-making based on facts and values was the key to efficient organisation), the Socio-psychological approaches looked at motivation, leadership and communication to increase efficiency of organisations, the school of Public Choice talked of individual self-interest maximization that would eventually lead to organisational well-being or efficiency. Thus, all the other approaches in administration have held efficiency as their central focus. In spite of changes in the environment, the basic conceptions of the Classical theory of public administration have not changed fundamentally and Taylor, Fayol, Weber, and Gulick and Urwick remain its main proponents to this day. The New Public Management approach only reiterates the Classical School’s premium on efficiency.

Diesing (1973) has defined efficiency as the maximum achievement of a given end with given resources. Harty (1978) has observed that efficiency is the extent to which government produces a given output and least possible use of resources and effectiveness is an amount of end product, the real service to the public, that the government is providing. To Waldo (1984), the efficiency of administration is measured by the ration of effects actually obtained with available resources. Rainey (1997) has defined efficiency as producing a good or service at the lowest cost possible, while maintaining a constant level of quality. Wildavsky (1988) has argued that “it is goal attainment with least possible effort”. George Frederickson (2010) has stated “equitable, efficient and economical” as three pillars of public administration. He views it equitable as composed of qualities as fairness,

justice and equality, whereas, ‘efficient’ is to do the best or the most preferred, and ‘economical’ is to achieve it by least spending...” (Manzoor, 2014).

Efficiency is thus defined as the ability to accomplish something with the least amount of wasted time, money, and effort or competency in performance. The benchmarks of efficiency are the following:

- Setting clear-cut objectives;
- Stocktaking of resources;
- Streamlining personnel development processes;
- Reviewing performance;
- Auditing all processes;
- Inculcating transparency;
- Fixing accountability;
- Innovation; and
- Sustainability.

For all intents and purposes, efficiency and effectiveness are two buzzwords that are used in administration (generally for public sector) and management (generally for private sector). Effectiveness compliments efficiency. ‘Effectiveness’ is used as sufficient requirement to accomplish a purpose; producing the intended or expected results, whereas ‘efficient’ is used to mean as performing or functioning in the best possible manner in order to avoid waste of time and effort.

Effectiveness is defined as the degree to which something is successful in producing a desired result. While efficiency is the state of achieving the maximum productivity with least effort (resources), effectiveness is the extent to which something is successful in providing the desired result. Thus, the difference between the two is of ‘how’ and ‘what’. While efficiency is all about the methods and techniques to go about achieving the organisational goals (how are the goals met), effectiveness is the calibration of goals and outcomes (what goals are finally met).

**Check Your Progress 1**

- Note:** i) Use the space given below for your answer.  
ii) Check your answer with that given at the end of the Unit.

1. Define the terms ‘efficiency’ and ‘effectiveness’.

.....  
.....  
.....  
.....

---

### 11.3 EVALUATION OF EFFICIENCY AND EFFECTIVENESS

---

Continuing with our focus on efficiency and effectiveness, it would not be appropriate to use physical production alone to represent all organisational objectives or to use productivity and technical efficiency alone to measure

performance of an organisation. Performance must be linked with objectives and goals and not limited alone to efficiency. The performance of a public administration system or an organisational unit must be measured by its contributions to organisational objectives.

In other words, it has to be examined from the perspective of Management-by-Objectives (MBO) or from the standpoint of effectiveness, which has come to mean the degree of goal-achievement. In its simple version, effectiveness is defined as the degree to which an organisation attains its goals. Complexity enters the picture as soon as it is felt that most organisations have multiple and frequently conflicting goals. Kohan, Cummings, and Huber (1976) have found that structural differentiation in organisations is related to goal diversity and goal incompatibility.

The appraisal of effectiveness is considerably influenced by the nature and complexity of goals and objectives, but goals of most public organisations in developing countries are general rather than specific, making analysis difficult. Where economic growth or increase in national income *per capita* is the main objective of government, the task of estimating effectiveness is comparatively simple. However, it is pointed out that profit maximisation is not the sole criterion of the functioning of public sector enterprises and they have many social criteria to fulfill. However, this does not mean that they should continue to incur losses.

Efficiency and effectiveness do not necessarily move in the same direction. Much would depend on the nature of production, costs, time and goals, and objectives of the organisational unit. If, for instance, innovation is the objective of an organisational unit, there are cases in which an organisational unit becomes more efficient but less innovative and hence less effective. On the other hand, if the objective of an organisational unit is the invention and production of a new product with limited cost consideration, then effectiveness enters into the appraisal of the performance. The temporal dimension of effectiveness is seldom taken into account.

Richard Hall (1984) has observed: "Effectiveness in the short-run could lead to disaster in the long-run, while an emphasis on the longer-term could contribute to more immediate problems." Again, the comparison of performance with goals and objectives of an organisational unit should not be a mere mechanical exercise. Thus, often sub-standard or half-finished products are reckoned as achievements just to inflate performance.

In the private sector of the economy, the task of estimating efficiency and effectiveness is simple as money/profits is used as the common denominator. By converting all costs and revenues into money calculation is comparatively simple. However, in the public sector, it becomes difficult to convert social objectives, and a large number of operations related to it into monetary terms. Secondly, major goals and objectives of a government are often general rather than specific, often inconsistent with each other, and often change in the process of implementation or are subject to changing interpretations to suit changing situations.

For these reasons, the appraisal of effectiveness and efficiency of a public administrative system or an organisational unit is a complicated problem. Moreover, it is often inadequate for a public administrative unit to limit

its vision to its own unit and to appraise its effectiveness in the context of its own goals and objectives. For example, a public organisation, which is efficient and effective in producing goods and services that are inconsistent with nation's goals cannot be reckoned as effective from the standpoint of society.

In the context of politicisation of administration, Vohra (2020) has raised concern about the inefficiency in administration: "The unfettered interplay of corrupt and unlawful practices has severely eroded both the capacity and the credibility of the governmental machinery. It is regrettable that even the management of the day-to-day public dealing offices and agencies has been invariably entrusted, not to functionaries of proven merit and integrity, but to those generally selected on considerations of caste, community or proximity to the political masters. Continuing deficiency in the delivery of important public services has led to enormous dissatisfaction among the people."

Vohra has further observed: "Due to politicisation of the administrative system, a certain percentage of officials, of various services climb the political bandwagon and unawfully flaunt their loyalties to powerful elected leaders. Honest officials are invariably sidelined and the functioning of many others is severely constrained by the threats, which emanate from the 'criminal nexus' that conveys directions on how certain important matters should be decided."

Furthermore, most public offices whether in the secretariat, department or field, do not produce marketable goods and services. The staff working in these offices and expenditure on their salaries, travels, etc., is met from the budget and is in no way connected with the cost and benefit analysis. It is, therefore, a complicated problem to deal with efficiency and effectiveness in precise and quantitative terms.

In spite of these limitations, one may use efficiency and effectiveness as the factors of performance. In the public office, efficiency is appraised in terms of the disposal of papers or cases. A quick disposal of cases in the public offices is the mark of efficiency in public administration. Often there is a stress on disposal of papers or cases on a time-bound basis. Very often, the insistence leads to overlooking of the requests or rejection of proposals. Such a drive may be conducive to reduction of pending cases, but it may not have any positive effect.

Most civil servants in India and in developing countries find themselves primarily creating procedures and red tape and not showing results. It has been time and again reiterated that there is a need to put premium on results over procedures and simplification of rules and procedures to effective decision-making. There is a need for evolving new and production-oriented concepts of efficiency in public administration. In every public organisational unit, it is necessary to fix specific objectives and tasks, measurable goals and targets, which result in achievements in various fields.

Thus, offices connected with education must have an action programme, which will result in the increase of literacy rate, and production of qualified man-power required for national development. Similarly, the action programme of the Ministry of Industry must be related to the increase in the

production of manufactured goods in the country. What is needed is to fix clear-cut objectives, tasks and targets, as well as action programme, which will result in achievement in every public organisation. It is not enough to just fix efficiency norms and objectives, there should be clear accountability and better monitoring for the achievement of these objectives.

Accountability is the foundation of the Rule of Law and Constitutional governance. The working of the governmental apparatus shall become efficient only when the working of each minister, and of all public servants working in the departments become accountable. However, barring a very small percentage, most of the elected persons who become ministers have no earlier experience in administration, much less of formulating and implementing policies. Also, sadly, most of them do not have the motivation, and perhaps not even the capacity to put in the required effort to adequately understand the working of the departments placed under their charge. Consequently, efficiency and effectiveness of administration on which depends the progress and prosperity of the country are bound to suffer.

### Check Your Progress 2

**Note:** i) Use the space given below for your answers.

ii) Check your answers with those given at the end of the Unit.

1. How does efficiency differ from effectiveness?

.....  
.....  
.....  
.....

2. Examine the role of efficiency and effectiveness as factors of performance.

.....  
.....  
.....  
.....

---

## 11.4 CONCLUSION

---

A.D Gorwala Report on 'Efficient Conduct of State Enterprises' (1951) pressed on the need for efficient public enterprises with due attention on recruitment, modern techniques, new traditions, economy, quality, audit, terms of employment and control. The foregoing analysis in this Unit suggests that it is difficult to deal with efficiency and effectiveness in precise and quantitative terms. But one can still determine, in general terms, whether a public administrative system or an organisational unit is actually doing well in the sense of performing what it ought to do efficiently and effectively. However, efficiency and effectiveness are not the only factors for the appraisal of performance. Besides these two indicators, performance comprises productivity and profitability, as well as social justice in terms of their ultimate effect on the society as a whole. This Unit discussed some of these concerns.

---

## 11.5 GLOSSARY

---

**Efficiency:** Efficiency means the ability to achieve something with the least amount of money and energy.

**Effectiveness:** Effectiveness is defined as the degree to which some process is successful in producing a desired purpose, goal or result.

**Evaluation:** Evaluation is concerned with what happens once a decision or policy has been put into effect.

---

## 11.6 REFERENCES

---

Etzioni, A. (1974). *Modern Organizations*. Englewood Cliffs, N.J.: Prentice-Hall.

Gvishiani, D.M. (1972). *Organizations and Management*. Moscow: Progressive Publishers.

Hall, R.H. (1984). Effectiveness Theory and Organizational Effectiveness. In Barry Bozeman & Jeffrey Strassman (Eds.), *New Directions in Public Administration*. California: Books Publishing Company.

Kohan, T.A., Cummings, I.L. & Huber, G.P. (1976). Operationalizing the Concepts of Goals and Goal Incompatibility in Organization Behaviour Research. In *Human Relation*, Vol. 29, 527-44.

Manzoor, A. (2014). A Look at Efficiency in Public Administration: Past and Future. *Sage Open*. 4(4).

Perrow, C. (1976). The Short and Glorious History of Organizational Theory. In James I. Gibson and other (eds.), *Readings in Organizations: Behavior, Structure, Processes*. Texas: Business Publications.

Vohra, N.N. (2020). (15<sup>th</sup> September, 2020). Politicisation of administration. *The Tribune*. Chandigarh.

Weber, M. (1947). (1947). *The Theory of Social and Economic Organization*. Trans. by A. M. Handerson and Talcott Persons. Glencoe, The Free Press.

---

## 11.7 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

---

### Check Your Progress 1

1. **Your answer should include the following points:**

- Efficiency and effectiveness are the defining parameters in public administration in developing countries.
- Efficiency increases when the ratio of output to input increases.
- Efficiency in public administration system normally refers to technical efficiency.
- Technical efficiency is a sort of allocative efficiency in the sense that inputs or resources are allocated in such a manner that no shift will bring about an increase in output.
- When efficiency is expressed in monetary terms, it refers to the ratio of monetary income from output to monetary costs of inputs.

- For an industrial organisation or project, the administrative efficiency may be measured by the mobilisation of inputs to produce output or the highest possible national product.
- Efficiency is defined as the ability to accomplish something with the least amount of wasted time, money, and effort or competency in performance.
- Effectiveness is defined as the degree to which something is successful in producing a desired result.
- While efficiency is the state of achieving the maximum productivity with least effort (resources), effectiveness is the extent to which something is successful in providing the desired result or goal.

## Check Your Progress 2

### 1. Your answer should include the following points:

- Effectiveness has come to mean the degree of goal-achievement.
- The appraisal of effectiveness is considerably influenced by the nature and complexity of goals and objectives.
- Goals of most public organisations in developing countries are general rather than specific, making analysis difficult.
- The new economic policy lays the foundation for faster privatisation of some of the PSEs and will help the government generate the much needed cash in the years ahead.
- Even though profit maximisation is not the sole criterion of the functioning of public sector enterprises, they should not continue to incur losses.

### 2. Your answer should include the following points:

- Efficiency and effectiveness do not necessarily move in the same direction.
- Much would depend on the nature of production costs, time and goals, and objectives of the organisational unit.
- Innovation is the objective of an organisational unit.
- There are cases in which an organisational unit becomes more efficient but less innovative and hence less effective.
- If the objective of an organisational unit is the invention and production of a new product with limited cost consideration, then effectiveness enters into the appraisal of the performance.
- In the private sector of the economy, the task of estimating efficiency and effectiveness become simple by using money as the common denominator.
- In the public sector, it becomes difficult to convert impact on human life, impact of pollution and a large number of operations into monetary terms.

## Organisational Issues

- Major goals and objectives of a government are often general rather than specific, often inconsistent with each other.
- It is often inadequate for a public administrative unit to limit its vision to its own unit and to appraise its effectiveness in the context of its own goals and objectives.
- In the context of politicisation of administration, it has been observed that the unfettered interplay of corrupt and unlawful practices has severely eroded both the capacity and the credibility of the governmental machinery.
- Due to politicisation of the administrative system, a certain percentage of officials, of various services have climbed the political bandwagon and unawkwardly flaunt their loyalties to powerful elected leaders.
- Most public offices whether in the secretariat, department or field, do not produce marketable goods and services.
- The staff working in these offices and expenditure on their salaries, travels, etc., is met from the budget and is in no way connected with the cost and benefit analysis.
- In spite of these limitations, one may use efficiency and effectiveness as the factors of performance.
- In the public office, efficiency is appraised in terms of the disposal of papers or cases.
- Accountability is the foundation of the Rule of Law and Constitutional governance.
- The working of the governmental apparatus shall become efficient only when the working of each minister and civil servant becomes accountable.