TechVenture Solutions

"YOUR VISION - OUR PASSION"™

Is your business efficient AND effective?

Companies that operate in unattractive markets, target customers who do not want what they sell, or do not offer what customers want to buy, *WILL* go out of business: the only question is one of timing.

Efficiency is concerned with inputs and outputs. An efficient firm does what it does economically: it does things right. However, to be successful a company needs to be more than just efficient – it needs to be effective as well.

Effectiveness means doing the right things: operating in attractive markets, targeting the right customers and offering products that they want to buy.

The link between business performance and combinations of efficiency and effectiveness is shown in the table below. The essential difference between being efficient and being effective is that efficiency is cost focused, whereas effectiveness is customer focused. An effective company has the ability to attract and retain customers.

	Ineffective	**Effective**
Inefficient	Goes out of business quickly	Survives
Efficient	Dies slowly	Thrives / High Growth

A company that is both inefficient and ineffective will go out of business quickly.

One that is efficient and ineffective may last a little longer because it can survive longer on the dwindling sales and profits it is achieving.

Firms that are effective but inefficient are likely to survive because they are probably operating in attractive markets with products that people want to buy. The problem is that their inefficiency is preventing them from reaping the most from their endeavours.

It is the combination of both efficiency and effectiveness that leads to optimum business performance and success. Such firms do well and thrive because they target customers in attractive markets, with products and services that the customer wants to buy – and they do all of this efficiently.

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