

Effectiveness and Efficiency Relationship Leading to Cost Benefit

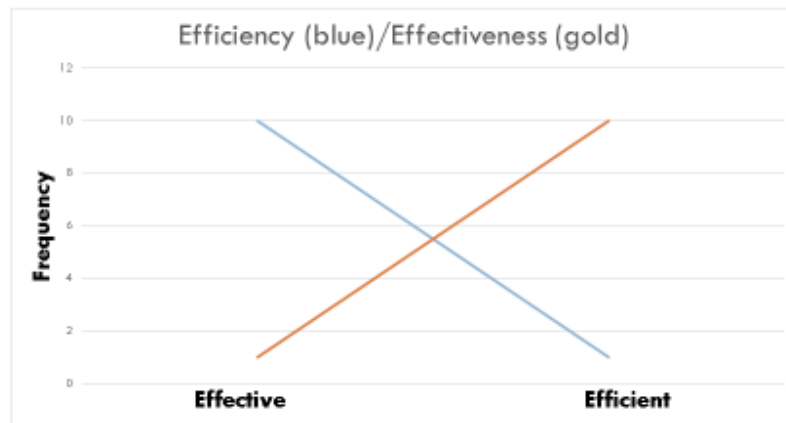
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In management science and economic theory in general, the relationship between effectiveness and efficiency has been delineated in terms of two mutually exclusive processes in which you have one but not the other. This brief technical research note will outline an approach which mirrors the relationship in economics between supply and demand and how effectiveness and efficiency can be thought of as images of each other giving way to cost benefit analysis in order to have the proper balance between the two.

The proposed relationship between effectiveness and efficiency is that as one increases the other decreases in a corresponding and proportionate way as depicted in the graphic below. This relationship is drawn from my work in regulatory compliance/licensing systems in comparing data collected in comprehensive licensing reviews and abbreviated licensing reviews where only a select group of rules/regulations are measured. When comprehensive reviews are completed these reviews tend to be more effective but not very efficient use of resources. When abbreviated reviews are completed these reviews tend to be more efficient but are not as effective if too few rules are measured for compliance.

Effectiveness & Efficiency Relationship



Effectiveness deals with the quality of outputs while efficiency deals with input of resources expended. The Theory of Regulatory Compliance is finding the right balance between

effectiveness and efficiency in the above graphic. Where is the balanced “sweet” spot of inputs to produce high quality outputs. As one can see where the effectiveness line is at the highest point and efficiency is at the lowest point, this is a very costly system that is totally out of balance. But the same is true where efficiency is at the highest point and effectiveness is at the lowest point, this is a very cheap system that is totally out of balance producing low quality. The key to this relationship and the theory of regulatory compliance is finding that middle ground where effectiveness and efficiency are balanced and produce the best results for cost and quality and leads us directly to cost benefit analysis.

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