## Productive efficiency

Productive efficiency is measured by the number of units of output that can be produced from given quantities of inputs.

Organisations depend upon the skills of their operations (production) managers. They need to be able to organise operations to produce products that satisfy consumers. You may have heard peoples say that production is at the 'sharp end' of business activity. What this means is that if production does not produce the right goods, then the organisation will suffer. Targets have to be met and standards kept up. Failure to meet targets and standards can be disastrous.

Production management involves controlling and co-ordinating the organisation's resources such as finance, capital equipment, labour and other factors. Timetables and schedules will need to be set out to show how these resources will be used in production.
The kind of operations an organisation carries out, will depend on what is being processed.

A useful distinction is between operations, which focus on processing:

1. Materials

2. Information

3. Customers.

The following table shows how different organisations can be grouped under these headings:
Each of these organisations can develop performance indicators to measure efficiency e.g. output per machine (manufacturing), letters sorted (Post Office) etc. However, you should be able to see that in the services sector it is more difficult to measure efficiency. For example, do we measure the efficiency of a hairdresser by the number of cuts per hour, or of a hospital by the number of patients seen by a doctor?

Productivity is measured by the output of a firm divided by a given quantity of inputs.
e.g. (Outputs / Inputs) x 100

Efficiency would be measured by comparing the productivity of a business, and comparing it with different time periods and with other similar businesses.