

H4 Consulting Brief

Efficiency

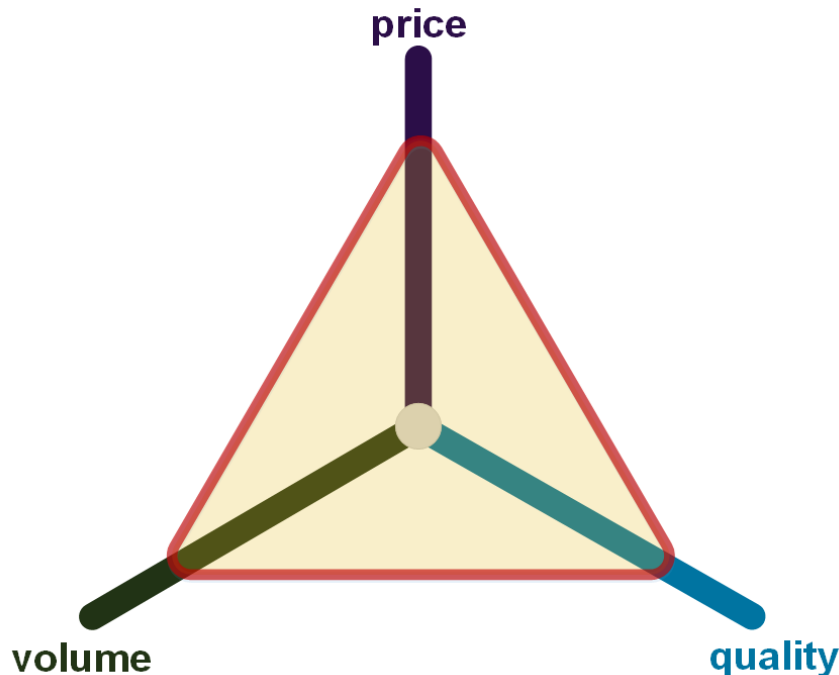
Every decision in an organisation is a financial decision because every decision has financial consequences. Balancing limited resources with infinite demand requires publicly funded organisations to continuously reduce or contain costs while maintaining public value. One way to do this is by improving on three dimensions—price, quality, and volume—to increase efficiency so that each unit of input delivers more of the intended outputs.

Most people working in publicly funded organisations have experienced 'efficiency dividends' or other demands for continuous increases in efficiency while maintaining public value. This can be frustrating for dedicated staff who worry about compromising delivery and are committed to maximising outcomes.

The three dimensions below can help to identify actions that contribute to, or detract from, efficiency. Changes that achieve better prices, quality, or volume can all contribute to efficiency. A change that expands one dimension without reducing the other two increases the total public value gained from spending.

The price dimension can be improved by delivering the same volume of outputs to the same quality standard, but at a better price. This might mean reducing input costs, such as by negotiating bulk purchase discounts, or by ensuring that highly skilled and expensive staff are not doing less skilled work.

Quality can also be improved, while maintaining volume and price, by making fewer mistakes, requiring less rework, and creating less waste. Reducing medical errors, for example, leads to shorter stays in hospital and lower costs, as well as healthier and happier patients.



Greater service volumes can be delivered at the same quality and price. Police might achieve this by using mobile devices in their pockets to access information, saving time walking back and forth from patrol cars. Increased service volumes are often enabled by technology or other practice innovations.

A single dimension can change without affecting the others, but it is more common for them to interact. The relationship between dimensions can be negative. For example, delivering something of high quality very quickly often comes at a premium price, while quality may suffer to meet urgent needs very cheaply.

The interactions can also be positive. Fewer errors can directly reduce rework, and increased service volumes derive more value from costly infrastructure.

Technological innovation can sometimes improve all three dimensions, like a new construction technique that is faster, better, and cheaper all at once. But in most cases we make trade-offs, seeking to maximise the size of the triangle, and to maximise public value.

Improving efficiency is not the opposite of creating public value. It is one of the ways we can stretch our finite inputs to cover a little more of the infinite demand for better outcomes.

To find out more about how you can use this approach in your organisation, contact us: info@h4consulting.com.au
Find additional resources at www.h4consulting.com.au/resources