

# Innovation *insights*

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OFFICE OF PLANNING AND  
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## Doing the Right Things Right: Enhanced Effectiveness and Cost Savings

Throughout the history of its strategic plans and strategic planning process, Penn State has addressed issues such as enhancing academic excellence and enriching the educational experience, as well as aligning missions, programs, and services with available fiscal resources and reducing costs. These goals address both effectiveness and efficiency. This *Innovation Insights* explores the concepts of effectiveness and efficiency, the relationship between the two, and how to incorporate both into your planning and improvement initiatives.

### Effectiveness and Efficiency – Basic Concepts

Effectiveness is often referred to as *doing the right thing*, while efficiency is *doing things right*.

Effectiveness is an external measure of process output or quality. It can and should be evaluated the way stakeholders, clients, customers, or other recipients of the service or product evaluate it. In the academic environment, effectiveness can be indicated by items such as students learning what they need to know, or providing the optimum mix of cocurricular opportunities.

Ineffectiveness can be due to lack of focus, poor communication, or otherwise being out of touch with stakeholders' needs and expectations. Effectiveness is critical for organizational success in a competitive environment. Additionally, in a competitive environment,

there may be times when it is necessary to reduce efficiency to achieve effectiveness and meet expectations.

Efficiency is generally thought of as an internal measure of process operations, although improving efficiency may benefit stakeholders as well as the organization. In the academic environment, efficiency can be related to items such as classroom usage, or ease and time to register, or textbook availability. Inefficiency can be caused by process errors, inaccessible information, bottlenecks in the process, variation in the process, or costly or non-value added steps in the process. Improving efficiency leads to improved utilization of resources, and can also lead to reduced costs or time to deliver a product or service.

Involved in the concepts of effectiveness and efficiency are:

- processes: a sequence of steps or operations that result in an outcome of a product or service; for example planning and teaching a class, or preparing and serving a meal
- organizations: a combination of people, materials, facilities, other resources, and processes that produce products or services; for example, an office, a department, or a library
- stakeholders: those who receive the product or service, or are otherwise interested in the operations and activities of the organization; for example, students, faculty, staff, parents, local residents, or donors

## The Relationship between Effectiveness and Efficiency

Effectiveness comes first in analyzing an organization or process. It is critical to ensure that the services or products being provided are what the stakeholders want and expect.

Is a university providing academic and cocurricular opportunities consistent with its mission and structure?

Only then is it time to look for ways to streamline the processes. If what is being provided is not what stakeholders are expecting or looking for, it doesn't matter how quickly it is delivered or how low the cost.

Stakeholders will vote with their feet and go elsewhere.

However, complaints from stakeholders should be looked on as learning and improvement opportunities. Complaints received and errors in the process indicate opportunities to enhance effectiveness and/or efficiency.

## Effectiveness and Efficiency in an Academic Environment

What does this mean at Penn State? It means that the University is committed to improving those processes, practices and functions that matter most to its stakeholders. It means that it is important to focus on those activities that are central and critical to the University mission.

Sometimes you may see this referenced in literature as "value added."

In one example, as a result of its accreditation process, the University drafted an Assessment Plan for Student Learning and developed an Assessment Academy for faculty. In another example, as a result of internal surveys, Penn State designed development programs for leaders and managers at different levels in their careers. These plans and programs can lead to individual and organizational improvements in both effectiveness and efficiency.

As part of the strategic planning process, Penn State established a Cost Savings Task Force to identify cost

savings and opportunities to enhance non-tuition revenue. The goal was to look for ideas that would enable Penn State to continue to provide the same or better level of quality and service (effectiveness) in an environment of limited resources (efficiency).

Using technology, Penn State converted the annual employee benefits process from paper forms to online. This reengineering transformed a manual process to an automated one. Significant cost savings occurred as documents were moved online and printing and postal costs were reduced. Employees across the university now receive more personalized services as individual online entry of benefits data protects privacy and enables benefits office staff to spend their time in benefits counseling instead of data entry.

## What Can You Do?

How do you capitalize on opportunities to improve effectiveness and efficiency and better serve your stakeholders? The remainder of this *Innovation Insights* provides an overview of a tool, and two sets of questions that can help start a conversation about effectiveness and efficiency within your unit.

The place to begin is to consider whether what you are doing adds value to your stakeholders and is central to the mission of your unit.

## Enhancing the Effectiveness of Your Programs and Services

To assess the effectiveness of your unit's programs and services, it may be necessary to learn more about your stakeholders' needs and expectations to determine the extent to which your programs and services directly benefit your stakeholders. A thoughtful discussion of the following questions can help you identify programs and services that might benefit from streamlining or redesign. In this discussion, you may also identify activities that could be eliminated because stakeholders no longer find these

activities of value or they do not directly contribute to the mission of your unit, and you may identify new programs and services that are needed.

- Who are our key stakeholders or who benefits from services, programs, or products we provide?
- What do our stakeholders require and expect from us?
- What programs and services do we routinely offer or perform?
- What do our stakeholders think about these programs and services? How do we know what they think? Do we have data to support what we think?
- Which of these programs and/or services contribute to the core mission of our unit? Which do not directly contribute?
- How do our programs and/or services directly benefit our stakeholders? How do we know?

## **Streamlining Work Practices to Gain Efficiencies**

Often the place to start looking for cost savings is to identify routine work practices that have been in place for some time and have not been studied for improvement. You also want to identify where the most resources are being spent and where there are the most significant improvement opportunities.

One tool you can use is Activity Based Analysis. Begin by listing all of the major work activities in a week or month, and estimate the amount of time spent on each work activity.

Once you have listed all these activities, select for improvement work activities that:

- Take large amounts of time; or
- Are not productive; or
- Do not add value to the product or service

Once you have determined that an activity is indeed essential to the mission, and streamlining the activity will free up significant resources, the next step is to look for opportunities to make the process more efficient. To begin the conversation about identifying efficiencies, consider these questions:

- Why are things done the way they are? Have we based our decisions on assumptions that are no longer valid? What can we stop doing or do differently?
- What would we change if we were starting from scratch?
- What can we redesign to make faster? Are there bottlenecks, unnecessary wait states, and unnecessary complexity in any of these activities?
- Could any of the activities be done with fewer people?
- How could streamlining or technology make them more efficient?
- What are the resource implications for each of these activities? What does each cost in terms of time, people, equipment, and facilities?
- To what extent do these activities generate revenue or other resources? Are there ways to generate additional revenue to offset the costs?
- Who else offers similar programs and/or services? What opportunities are there for mergers, partnering or consolidation?

If you identify a large number of improvement opportunities, prioritize them by determining the ease of implementation and the potential payoff from implementation. Look for the easy improvements that will yield “low hanging fruit” as well as a large payoff.

When you have narrowed the number of ideas to a manageable few, create an implementation plan by identifying the specific actions, person responsible, and timeframe for tracking progress. It is also useful to identify measures of success. For example, are you looking to increase stakeholder satisfaction? Reduce complexity?

Improve the time for delivery of the service or activity?  
Improve the quality of the product? If the process or service to be streamlined or redesigned involves more than one person or unit, it is a good idea to form a short-term team of those people who know the most about the process or service and who will be responsible for implementing any changes.

## Determining the Impact of Your Efforts

It is important to measure the impact of your unit's efforts to enhance effectiveness and efficiency. This allows you to gauge the return on your improvement efforts, and also enables you to articulate the success of your efforts to your stakeholders.

To measure the impact of effectiveness and efficiency initiatives, you need pre- and post-measures that are appropriate to your efforts. Efficiency is usually measured more quantitatively. **Financial measures** could include annual or one-time cost savings, increased revenue, or reduced space needs. **Time saved**, measured through the reduction of cycle time and the elimination of steps in your unit's processes, can also be measured financially in terms of pay and benefits for the time saved, but should be thought of as freeing resources to work on other initiatives and improvements. **Stakeholder satisfaction**, often determined through the use of surveys, interviews, and focus groups, could include measures of student learning or alumni surveys, and indicates the effectiveness of your product or service delivery. Don't forget to measure the satisfaction of your unit's faculty and staff (internal stakeholders) as well as stakeholders external to your unit.

## For Further Information and Support

The Office of Planning and Institutional Assessment is available to assist you with the identification of opportunities for greater unit-level efficiencies and effectiveness. We also can assist you with change management and implementation planning for your improvement initiatives. For further information, please contact the office at 814-863-8721 or [psupia@psu.edu](mailto:psupia@psu.edu), or visit our web site [www.psu.edu/president/pia/](http://www.psu.edu/president/pia/).