What’s More Important for Your Business, Productivity or Efficiency?

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As a leader, and someone who’s all about productivity, I have a confession to make. I’ve been guilty of exchanging the terms and actions involved with productivity and efficiency.

While that may seem harmless, the fact of the matter is that they’re quite different from each other. And, if you aren’t aware of this, then you may be focusing on the wrong metrics for you, your team, and business.

What’s the difference between productivity and efficiency?

Arguably the biggest difference between the two is that productivity focuses on the quantity work produced by an individual, team, or business. Efficiency, on the other hand, is more concerned with the quality of work.

Think of it this way. You wrote spent all day writing articles for your blog or a publication like *Entrepreneur.* Overall, you were able to churn out an impressive six articles. On paper, that looks like you had one heck of a productive day. But, what if half of those pieces were rejected because they didn’t meet the standards of the site? Wouldn’t have it been better to spend the time and energy on three outstanding articles

instead of six subpar ones?

How else do the two contrast? Well, productivity is performance, while efficiency is how well you perform. Also, efficiency takes into account underlying costs, such as raw materials. That never even crosses productivity's radar.

And, finally, productivity is a raw measure. On the flip side, efficiency is more refined.

To sum all that up for you, one is about working harder, while the other is all about working smarter.

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Should you focus more on productivity or efficiency?

That depends on who exactly you ask. "Suppose you are producing maintaining a high output rate," notes Nidhi at Thrive Global. "But your work is full of too many errors and you require additional time to make it right." Even though "the productivity is higher here, it is of no use as you were not efficient enough to meet your target," Nidhi says. "This is why, in most cases, *efficiency matters more than productivity*."

Efficiency isn't just how you do a task – it's also about how it impacts your efficiency. For example, you might actually get more done by taking frequent breaks to refresh, getting into a flow state, and scheduling work around your production peaks.

Micheal Mankins, however, argues in an *HBR* article that leaders should move away from an efficiency mindset and embrace a productivity one.

"For most of the last three decades, senior executives have

been encouraged to take an efficiency mindset to their business," explains Mankins. "Today's business environment requires a different worldview. Continuing to wring out greater profits through efficiency has become the managerial equivalent of attempting to squeeze blood from a stone."

Research also shows that organizations that put an emphasis on productivity, are *40 percent* more productive than others. Obviously, that's great for sales, profit margins, and growth.

While both writers have valid points, the reality is that both strategies are important enough that they each deserve your attention. And, believe it or not, you can achieve this by striking a balance.

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How to improve each?

Before we go any further, I think we need to take a moment to pinpoint what effects each. Knowing this will allow you to step up both your productivity and efficiency games.

Factors affecting productivity.

- **Management.** As noted by a *Business Insider* piece, studies show that "how productive you are is a direct result of the training, development and encouragement you receive from your manager – and how productive your manager is as a worker."
- **Workspace.** A 2011 study found that improving an office's physical environment can improve productivity by up to 22 percent. You can do this by investing in ergonomic furniture, decluttering your workspace and considering factors like noise, lighting and temperature.
- **Breaks and downtime.** You might have a million things to do. But, it's not feasible to work 24/7. You need time

away to refresh and recharge.

- **Health and wellbeing.** Neglecting your physical and mental health won't just influence your productivity, it can also lead to serious medical conditions. Get enough sleep, engage in physical activity, eat healthily and find ways to relieve stress and anxiety.
- **Work capacity.** There's only so much you can do in one day. If you're already fully booked, don't accept any more responsibilities.
- **Meetings.** Meetings, when not necessary, can severely zap your time. If they don't serve a purpose, reject the invite or find alternatives like a quick phone call.
- **Tools and resources.** Make sure that you have the right technology and materials for the right job.
- **Procrastination.** Even if you've addressed the factors above, procrastination can remain a problem. One way to fight back is to create more motivating deadlines.

Factors affecting efficiency.

- **Working hours.** A Standard study found that productivity declines after working 50 hours per week. And, if working up to 70 is pointless. Instead, do less by focusing only on your priorities.
- **Compensation and rewards.** A decent salary and incentives can encourage efficiency. Mainly this is because it acknowledges your accomplishments and encourages you to repeat the behavior.
- **Competency**. You can't be efficient if you aren't the right person for the job. If you don't delegate or outsource to someone who is.
- **Multitasking.** In theory, this sounds like a good idea. However, the human brain isn't capable of multitasking. In fact, it can reduce efficiency by up to 40 percent. Just do one thing at a time.
- **Technology and data.** Think of how machines have improved assembly lines or replaced tedious tasks. Or, how

machine learning and predictive analytics can make smart suggestions on pickup inefficiencies. All of this can help produce a higher output.

- **Work environment.** It could be the physical layout, where you waste time moving back and forth. Or, a toxic environment where collaboration and communication aren't embraced.
- **Goals and targets.** Let's say that you're at work from 8 a.m. to 5 p.m. Surely, you're getting things done, right? Not if you don't know how you're spending your time. The night before, plan how you're going to get the most out of tomorrow by setting realistic goals and targets.
- **Map processes.** This simply means seeing what's necessary so that you can remove whatever is not

Striking the right balance to achieve true productivity.

In my opinion, balancing productivity and efficiency is all about working smarter and not harder. How can you do this on a daily basis? Well, my Calendar Co-Founder John Hall suggests doing the following:

- **Keep your to-do-lists lean.** Only write "down your three to five most important, urgent, and challenging tasks, aka your Most Important Tasks (MITs). Once you've crossed-off one task you move onto the next." Most importantly, add your MITs to your calendar so nothing else takes up that block of time.
- **Avoid distractions and multitasking.** For example, turn off your smartphone notifications when engaged in deep work or in a meeting so that you aren't dividing your attention.
- **Automate and delegate.** For anything that is tedious, not a priority, or can be completed by an expert should be

automated or delegated.

- **Don’t ignore your ultradian rhythms.** Schedule your work around your personal production peaks so that you are fighting against yourself. For instance, don’t work on an MIT during your post-lunch slump.
- **Forget perfection**. It doesn’t exist and can lead to procrastination. Just get started and learn as you go.

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