

The 3 E's

05 Oct 2015

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In essence...

The "3 E's" is a great model and can be applied to many areas for maximising performance and profits. It works specifically well in organisational support functions such as your finance department. By understanding and maximising the 3E's concept, huge benefits can be attained for your business and its bottom line, your profit.

From the top...

Coming from a background of organisational support, I've experienced how difficult it can be to measure in quantitative forms, the performance of the support function. For example, the Human Resources and Finance Departments are unlikely to be able to generate income or profit in the same way operational aspects of the business can be measured and therefore an alternative system is needed to ensure performance can be monitored, this usually involves some adaptation of the 3E's.

Do explain further...

So what are the 3E's and what's important to know about them?

Firstly, the 3E's stand for Economy, Efficiency and Effectiveness, and they can be confused with each other or assumed as one thing altogether. However there are slight differences between what each one focuses on and by separating and evaluating each one in turn, not only do you build a great understanding of the drivers of your business/work area, you can achieve a high quality service and value for money.

Economy / Economical

Economy is all about the use of money, by getting the best price you can for the service or goods you need to buy. If you want to buy stock or a new machine, it is useful to gain quotes from competitors and consider using these to gain the best price for the same items.

Although price can be a determining factor for purchases, the other 2 E's can come in to play when considering value for money; quality products or services are not often the cheapest.

Efficiency

Efficiency is all about using the time effectively, often doing things in the quickest way possible and right first time.

A good example is the recognition of the learning curve, when a new staff member joins a team and they need to learn the procedures and processes of the role, they start off slow and clunky while they get to grips with the task at hand. Through repetition, they improve; they get quicker and more accurate hopefully reaching maximum efficiency with the resources they have.

Effectiveness

Effectiveness is all about doing the right things to achieve maximum results. It is possible to be extremely efficient but completely ineffective if your time is spent doing things that brings very little results.

An extreme example could be the practice of manually doing the book-keeping the good old fashioned way, via paper, pen and a calculator. I could be extremely efficient and complete the book-keeping in 3 days a week using all my skills and practice experience, manually tracking the details of the documentation, entering them into source books and the main ledger and the subsidiary ledger and balance them off and so on, the time it takes to do it is unlikely to get any quicker through the repetition of the process.

However if I use an accounting package that does the double entry and reporting for me, reducing my time applied to the task to half a day a week. This gives me two and a half days to work with clients, market my business, design my strategy etc.

So being effective is about utilising the most appropriate ways of achieving as many objectives as you can by doing the right activities/processes, the example above has the same objective but is achieved through a different process.

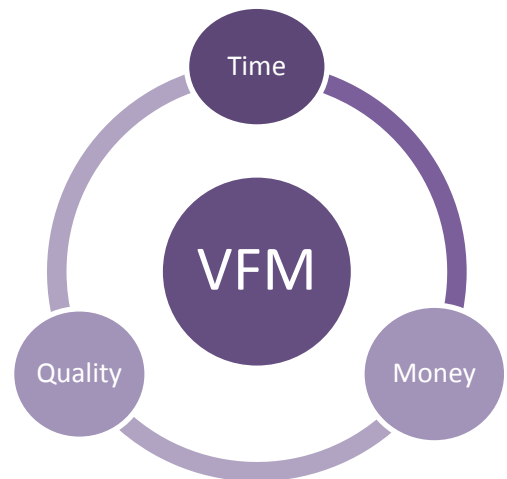
Maximising Performance

So we have paying the best price (Economy), completing it quickly and accurately first time round (Efficiency) and doing the best processes that achieve your objective (Effectiveness), when all three are used in combination you achieve the maximum results with the resources you have invested. In a service department, this translates to a well organised, thorough, and comprehensive collection of services available to support the businesses growing needs. Continuous improvement ensures that the services remain fit for purpose and both the quantity and quality expands while still maintaining its original processes.

When your support functions are providing such high value for money, they work harmoniously with your business and can continue to allow your operational staff to focus on their (profit making) roles, this increases your bottom line.

In conclusion...

For achieving value for money, especially with your support functions, the model of 3E's works to improve the quality of service received and maximises the output for the investment level already committed to. Using the principles attached to being economic, efficient and effective, a positive impact can be achieved against your bottom line.



If you would like to know more or to discuss any of the above content, the author would love to hear from you, please contact them on vicki.lamch@pyramissolutions.co.uk.

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