

## Business efficiency

**Business efficiency measures how well a business can transform things like materials, labour and capital into services and products that produce revenue.**

There is no universal formula for efficiency—it depends upon your business model, your resources, and the goals you want to achieve.

Making your processes and employees more efficient brings obvious benefits, from stress-free workdays to improved profit margins.

You may see the word “effectiveness” used in this context, but it’s not quite the same as efficiency—inefficient processes may still be effective in the long run, but maximized efficiency will get you the same result for less time and money.

There are various ways to quantify the efficiency of your business. Let’s take a look at some of the metrics you can use to make improvements and reduce wasted resources.

### **Financial efficiency**

This is a measure of how well a business converts operations into profits, or uses its assets to generate income. As well as looking at overall profitability, common measures include accounts receivable turnover, fixed asset turnover, and inventory turnover.

### **Labour Productivity**

Labour productivity measures the output of your employees—in one hour of work. It is heavily influenced by the equipment used, so it’s well worth investing in good business software to keep workers happy and productive.

### **Operational efficiency**

This refers to the efficiency of core business processes such as manufacturing. You might use outsourcing to reduce onsite costs, or bring things in-house for full control.

### **Process efficiency**

By assessing the efficiency of internal processes, you can see what’s working and what isn’t, and optimize accordingly.

**By measuring your current efficiency and figuring out how to improve it, you will make everyone more productive and provide a big boost to your bottom line.**