



Strengthening the Quality of Local Governance through Professional Management

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Smarter, Faster, Cheaper

*An Operations Efficiency Benchmarking Study of 100 American Cities
By David Edwards, IBM*

**Bob O'Neill, executive director, ICMA, highlights a section on council/manager form of government as written in an article by IBM's David Edwards called "Smarter, Faster, Cheaper."
An excerpt from the article follows Bob's article.**

In [*Smarter, Faster, Cheaper*](#), IBM's David Edwards examined publicly available data from the largest 100 cities on factors such as population, geographic size, and collective bargaining that are conventionally assumed to contribute to a city's efficiency. What he found was that, in reality, those factors had little impact on operational effectiveness.

Instead, Edwards's findings suggest that what determines how efficiently a city deploys resources is management. He defines this function as the ability of government leaders to make strategic and operational decisions about "what services will be provided to which citizens" at what level and how.

Edwards learned, for example, that communities with city manager forms of government are nearly 10 percent more efficient than those with strong mayoral forms of government. This finding validates the assumption that placing executive authority in a professional, nonpartisan manager leads to more efficiently managed communities. "...[M]anagers are important," writes Edwards. "They influence outcomes."

IBM excerpt from "Smarter, Faster, Cheaper" by David Edwards, IBM

Management Matters (And It Matters A Lot)

Since none of the exogenous variables tested seem to account for differences in relative efficiency, it appears that endogenous ones must be operative. It is therefore hard not to conclude that the most important factor in determining the relative efficiency of a city is "management". The term "management" is used to capture the two major types of impact that leaders can have on the efficiency of their governments:

1. Management makes strategic decisions about what services will be provided to which citizens and at what level of service they will be delivered.
2. Management makes operational decisions about the types of delivery models will be deployed to provide those services.

Management appears to be the key and the study provides some evidence for this. Cities with city manager forms of government are nearly 10% more efficient than cities with strong mayor forms of government. This finding appears to validate the assumption underlying city manager forms of government, notably that investing executive authority in professional management shielded from direct political interference should yield more efficiently managed cities. To put it another way, even if a city operates within conditions most favorable for efficiency – no collective bargaining, geographically compact, and peaking on all scale curves – management choices can still lead a city down the path to inefficiency. It is both a sobering and encouraging conclusion.

It is sobering because it places the spotlight on management. There is no place to hide. Yet it is encouraging because it means that managers are important. They influence outcomes.

So managers need to think hard about the strategic and operational decisions they make because those decisions are what drives the relative efficiency of their governments. The analysis cannot definitively specify which of these two management drivers – strategic or operational - is more important; however, there is some evidence in the study that can be useful in understanding the relative importance of strategic and operational choices.

Cutting Costs While Improving Service

With most cities almost solely pre-occupied with short-term budget cutting exercises, it is easy to forget that efficiency improvement efforts can in fact be thoughtful, deliberate exercises. Many cities have trained staff and adequate resources to identify, diagnose, and remedy inefficiencies in their operating divisions. Others will hire consultants to address specific areas. Unfortunately, financial crises tend to force the reliance on across-the-board cuts, hiring freezes, and other “slash and burn” tactics that rarely lead to sustainable efficiency improvements.

From IBM’s perspective, the use of benchmarking analysis such as that contained in this study can serve two purposes. First, it can place an individual city’s operations into a broader context. Why are we ranked where we are? Why can cities that look like me achieve similar outcomes at lower costs? What are we doing differently?

Secondly, it can provide aspirational targets. Just as Mayor Shirley Franklin compared her city to seven peer cities and launched a program specifically designed to improve her city’s relative efficiency ranking (see sidebar: The Tao of Benchmarking), other cities can do the same.

Once those goals are set, the key is to dedicate the staff and support resources that can focus on medium and long-term savings opportunities. In our experience, a four year program of designing and implementing an efficiency program is not an unreasonable timeframe; it may take longer to fully realize all the projected savings. Cost reduction programs that preserve (and improve) services will take time to execute.

And service levels can be improved. More effective use of technology, for example, often leads to cost reductions and improvements in service quality. Mobile field management technologies have been shown to increase the productivity of building inspectors by 20% while at the same time giving customers the ability to modify appointment schedules in real time. Automating citations have significantly reduced the time it takes for parking enforcement officers to issue tickets while at the same time reducing error rates in parking enforcement, leading to fewer customer complaints. The on-line submission of building plans expedite plan review and shorten the permitting cycle time, to the delight of developers.

Efficiency improvement programs should occupy a prominent and permanent position within city governments. They should be staffed with professionals and resourced appropriately. There is probably no better investment a city can make in its long term fiscal health.

The complete article “Smarter, Faster, Cheaper” can be found at <ftp://public.dhe.ibm.com/common/ssi/ecm/en/gbw03132usen/GBW03132USEN.PDF>

For additional information professional local government management please visit the Illinois City/County Management Association website at <http://www.ilcma.org/index.aspx?nid=195>.