A brief inquiry into the uses of measurement and benchmarking in local governance

By Nuno F. da Cruz

Nuno F. da Cruz is an Assistant Professorial Research Fellow at LSE Cities, London School of Economics and Political Science.

19 April 2016

Abstract

Measuring and comparing performance in local government is controversial for good reasons. When these initiatives expand beyond purely academic considerations and are implemented in practice, several unintended consequences are likely to arise. These include an excessive focus on particular aspects of governance, strategic responses to maximise scores, unaccounted effects of exogenous variables, among others. Still, assessing and monitoring performance is part of the day-to-day job of local public managers responsible for delivering essential services. The current paper reviews the limitations and potential of these practices in the context of local governance. It concludes with a discussion regarding the role of measurement and benchmarking in the pursuit of a strong local democracy.
Introduction

The various facets of ‘measurement’, ‘comparison’, ‘evaluation’ and ‘monitoring’ of government performance stubbornly continue to be topics of international relevance. Within this context, debates focusing on the sub-national level of governance have been claiming more and more space in the academic and policy arenas. The extra attention given to the ‘local’ is easier to explain. The decisions and actions of local executives have a very real and immediate impact on people’s lives. Local governments are the closest link to the state for the majority of the world population. They are responsible for crucial policy sectors such as spatial planning, transport and utility services, and are also the enablers of many social and cultural activities (LSE Cities, 2016). And while most people already live in cities, urbanisation trends will continue to put strain, but also relevance, on local government institutions around the globe. In fact, the decentralisation of powers from nation states to local governments can currently be observed across jurisdictions.

The endless debate about the advantages versus the perverse effects of assessing the performance of local governments and their institutions is not so easy to encapsulate. Advocates, on one hand, claim that local government benchmarking (the concept is defined in the following section) is an absolute necessity; at least if one wishes to have effective and efficient public services (and public servants!) and that measuring, comparing and monitoring performance is the only true way of making local governments transparent and accountable. Detractors, on the other hand, argue that these initiatives are generally naïve about the reality, open to manipulation and disguise methodological and technical limitations that ultimately lead to unfair results and pernicious governance impacts. As it often turns out, both sides of this debate are right in many of their assertions but perhaps exaggerate on the potential or the inevitable doom of local government benchmarking.

It is true that most local benchmarking initiatives do not acknowledge the inherent politics of the indicators used to measure and compare performance. As Rob Kitchin and colleagues emphasise, local government benchmarking systems are ‘complex, politically-infused, sociotechnical systems that, rather than reflecting cities, actively frame and produce them’ (Kitchin et al., 2015: 6). However, most critical voices did not spawn from this theoretical and very sensible critique. In many ways, the major backlash against local government benchmarking stems from the fact that performance measurement was a central piece of the – now widely discredited – New Public Management (NPM) paradigm.

The UK was a frontrunner in the widespread adoption of these practices at the local level. The creation of the Audit Commission in 1982 and subsequent programmes such as the Comprehensive Performance Assessment (introduced in England in 2002, revised in 2005), the Comprehensive Area Assessment (introduced in England in 2008), the Scottish Best Value Audits (introduced in 2003 and revised in 2009), and the Wales Programme for Improvement (replaced the Best Value regime in 2002) were all clear indications of this NPM approach to local governance (da Cruz and Marques, 2014). Although the details and effects of these developments varied considerably, the mandatory and coercive nature of the initiatives was a predominant feature.

Following the British example, similar programmes were implemented in many other countries during the 1980s and 1990s. However, the compulsory benchmarking initiatives were slowly replaced by voluntary schemes. The initial motivations behind the intention to measure and compare local government performance were service failures that eroded the confidence of citizens and of higher tiers of government in the capacity of local authorities to deliver. The problem is that the ‘cure’ that was generally proposed to overcome the service shortcomings was broadly inadequate. In simple terms, NPM supporters called for the inclusion of private sector practices into public sector entities. Benchmarking itself has its origins in the private sector (da Cruz and Marques, 2014; Ammons and Roenigk, 2015). However, as time showed, governments and public sector entities are much more intricate than private companies. The mission, objectives, incentives, rules and regulations that characterise public or governmental bodies, as well as their history, longevity and crucial role in society, make them very peculiar. For all these reasons, the
simple/direct import of private sector practices to the public sphere was destined to failure.

On several occasions, the counter-reaction to the NPM legacy and first wave of benchmarking initiatives has been to categorise all contemporary indicator, dashboard or other performance measurement schemes as taking a neoliberal approach to local governance. To be fair, any technocratic apparatus developed with the supposed intent of completely removing political discretion from the equation – or with grand claims about its capacity to show localities as they really are, or even single-handedly solve local problems and facilitate more efficient and effective governance – may well be a pure ideological (or perhaps simply uninformed) endeavour.

Although research into developing adequate local government performance measurement devices and benchmarking practices may not be so fashionable these days, the fact is that we still seem to need it. (In fact, we may always need research into this field; with time comes new social, political, administrative and technological stimuli and possibilities, which essentially make benchmarking a dynamic process). Despite some academic objections, we have to consider that metrics, indicators and targets are the backbone of many processes with a real and very significant impact on the ground. From local infrastructure investment plans to documents setting international agendas, the measurement, comparison, evaluation and monitoring of particular phenomena are operational requirements. For example, the recent Policy Paper for Habitat III on urban governance, capacity and institutional development (Habitat III, 2016) calls for new indicators that focus on issues like equity and participation as a way of shifting attention to these problems (e.g. away from the usual concerns, such as the GDP which has been measured for decades).

Even if academics and decision-makers were to simply reject benchmarking schemes, dismissing them for being incapable of controlling for local governance complexities, they would continue to be implemented by auditors, donors, analysts, journalists, and many other stakeholders. And if these exercises are developed with little theoretical knowledge and/or practical know-how, then the results are surely bound to be meaningless or even pernicious which, in turn, would further add to the reaction against local government benchmarking programmes. A way out of this vicious cycle is to keep nurturing an inclusive and agnostic discussion on the issue, envisioning the incremental betterment of the use of benchmarking in/by local government, which should be viewed as just another tool among many available to help protect the public interest (however it is conceived locally). This chapter is an attempt to contribute to this discussion.

Terminology

‘Benchmarking’ can be loosely defined as the systematic comparison of certain performance measures with predefined reference levels aiming at continuous improvement (da Cruz and Marques, 2014). There are however many types of benchmarking that differ in their purpose, process and ownership. Ammons and Roenigk (2015) argue that there are three types of benchmarking in the public sector, the ‘comparison of performance statistics’, ‘visioning initiatives’ and ‘best practice benchmarking’. The most common version of benchmarking applied by (local) governments is the comparison of performance statistics where authorities compare their figures with applicable standards or the figures of other service producers (i.e. other local governments or entities providing the same services). This type of comparison is sometimes called ‘metrics benchmarking’ or ‘results benchmarking’ (Ammons and Roenigk, 2015). Some authors also refer to ‘metric benchmarking’ when the process involves quantifying the relative performance of local governments. These assessments are frequently voluntary but can also be compulsory (for example, if it is required by higher tiers of government). The necessary information may be collected by a single local government, cooperatively by several municipalities or by a third party.

The (less common) visioning initiatives focus on broad goals for a locality or a region. These programmes tend to be more based on social targets than on service delivery metrics. Best practice benchmarking – or ‘process benchmarking’ – comprises a detailed scrutiny of particular operating or production procedures. The goal here is to identify the top performers of a particular process (say selective collection of recyclable urban waste), understand what makes them top performers and
ultimately adopt or adapt their practices. Finally, it is worth mentioning a type of benchmarking that does not fit well in the previous categories: ‘customer survey benchmarking’ entails the gathering and analysis of customer (i.e. citizen) perceptions (da Cruz and Marques, 2014).

Another way of categorising benchmarking initiatives has to do with their scope. If a given local government compares its performance against that of other municipalities (e.g. to learn and improve certain processes), it is said that it is performing ‘external benchmarking’. If the said local government compares the performance of its various departments and/or employees (e.g. to assign rewards and/or sanctions), the exercise is called ‘internal benchmarking’.

With regards to its nature, benchmarking can be ‘competitive’, ‘cooperative’ or ‘collaborative’ (Kitchin et al., 2015). In competitive benchmarking local governments can be rated or ranked regardless of their willingness to participate. In cooperative benchmarking schemes, local governments cooperate with the analyst/assessor, usually on the basis that they are not competing directly with the other participants regarding the issue being compared. The rarer case of collaborative benchmarking requires several local governments working together to select or design specific indicators and to share information and knowledge with each other.

Referring back to the role of higher tiers of government in the comparison of performance statistics of local governments, several distinctions can be made (see da Cruz and Marques, 2014). When the central government orders and/or facilitates performance reporting, it can be labelled as ‘vertically intergovernmental’. When there is an implicit or explicit comparison between local governments, it can be categorised as ‘horizontally intergovernmental’. If a higher tier of government assumes the design of the benchmarking model and the control or supervision of information exchange some authors classify this as ‘compulsory hierarchical management’. A ‘vertically coordinated management’ refers to the cases where higher tiers of government cooperate with local governments to design the model, gather the data and react to the results. ‘Voluntary local self-management’ applies to programmes where higher levels of government have no intervention. Finally, ‘independent monitoring’ is used to classify those initiatives where the civil society, non-government organisations, scholars or other stakeholders carry out local government benchmarking, for example, using perception or publicly available administrative data (da Cruz et al., 2016).

All the types of benchmarking mentioned above require different sets of indicators and, sometimes, models to aggregate these indicators. Indicators allow us to assess the impact levels of a particular phenomenon and ascertain the degree to which a particular objective is being achieved. They do not have to be ‘quantitative’ necessarily. Complex phenomena can be evaluated through ‘constructed’ performance descriptors that use categories describing and defining the different performance levels ‘qualitatively’. Nevertheless, whenever they are conceivable, ‘direct’ (or natural) quantitative indicators are preferable because they are unambiguous. But since the underlying phenomena of interest are often intangible or not directly observable, ‘indirect’ (or proxy) indicators must be used instead (Kitchin et al., 2015). The quality and type of data used is a decisive factor for the success of any benchmarking exercise. And models based on objective, factual, hard data tend to be less controversial than the ones relying on, for example, perception-based data, such as surveys or expert coding (da Cruz and Marques, 2014).

There are three main types of local government indicators with regards their purpose. ‘Descriptive’ and ‘contextual’ indicators provide insight into the operational environment of local governments. They represent, for example, population, spatial, geographical or natural characteristics that in most cases are not controllable by local decision-makers. ‘Diagnostic’, ‘performance’ and ‘target’ indicators are obviously the ones more relevant to this chapter. These indicators may refer to ‘input’ (resources required/consumed), ‘output’ (amount of work/services provided), ‘efficiency’ (relationship between outputs and inputs), ‘outcome’ (results, consequences or impacts), ‘effectiveness’ (quality, responsiveness, achievement rate) or ‘productivity’ (combining efficiency and effectiveness or change in efficiency over time). When targets are set for these indicators, they can be absolute (to reach a predefined level) or relative (e.g. to be in the top
10% local governments on that indicator). Finally, ‘predictive’ and ‘conditional’ indicators attempt to simulate and forecast future events and performances. Despite being a growing field with practical significance, predictive analytics are not so interesting for local government benchmarking (at least as we define it here).

As in many other circumstances, on the matter of local government benchmarking, indicators are merely ‘partial’ measures of performance. A ‘single indicator’ will necessarily have a narrow scope and gauging the ‘global’ performance of something as complex as a local government is an exercise that involves the consideration of many relevant variables and conflicting objectives. ‘Composite indicators’ combine many single metrics to develop a measure that attempts to determine the degree to which many partial objectives (or the overall objective) are being achieved. There are several methods to aggregate single indicators and/or consider several variables at once. In efficiency or productivity analysis, both ‘parametric’ and ‘non-parametric’ methodologies have been used to carry out benchmarking (da Cruz and Marques, 2014). Parametric methodologies require an a priori definition of the cost or production function to which each unit is compared to (e.g. Stochastic Frontier Analysis). Non-parametric methodologies use the information about the inputs consumed and outputs produced within the dataset to estimate the overall scores (e.g. Data Envelopment Analysis). These methods are also classified as ‘frontier’ when the units are compared against an efficient or best practice frontier (and ‘non-frontier’ otherwise).

The ways in which the many inputs and outputs (and sometimes exogenous variables) are rescaled to come about with an overall measure of performance in these methods is typically quite complex (and opaque) and its practical significance is often contested. Conversely, in Multicriteria Decision Analysis modelling, the focus is usually on ensuring that the evaluation model fits the preferences of the problem owner or relevant decision-maker(s) (e.g. that the functions that transform ‘impacts’ measured by the indicators in ‘value’ or ‘utility’ and that the weights that allow for aggregating the various criteria are in line with their value system) (da Cruz et al., 2016). Irrespective of the body of knowledge and toolkit selected to aggregate single indicators, on many occasions, the process is just too complex, costly, time-consuming, or controversial to be implemented in practice. The use of scorecards and dashboards is often a way to circumvent these obstacles (da Cruz and Marques, 2014; Kitchin et al., 2015).

### Purpose, audience and limitations

The ability to cast a vote periodically in free and fair elections is a key societal mechanism to exercise the ‘right to the city’ (Habitat III, 2016). A healthy local democracy, however, requires much more than this. For example, populations also need to have a voice and to be able to scrutinise the actions of their representatives and ‘vote with their feet’. But to fully enjoy these and other crucial privileges, citizens need to have access to information. In reality, the point made about local democracy and availability of information could be made about any level of governance. Nonetheless, it is worth stressing it here due to the visibility (e.g. media attention and other external scrutiny) and accountability mechanisms being generally weaker at the local level, particularly in smaller and mid-sized localities.

The most useful information for any stakeholder tends to be the one that is comparable (and thus prone to benchmarking exercises such as ranking in league tables…). For example, let us assume that for a given locality the actual local government revenue in a particular year corresponded to 70% of what was originally budgeted: was this a ‘good’ or a ‘bad’ performance? An obvious approach to try to answer this question would be to check the implementation of the revenue budget in other local governments or even the regional or national average. It might be the case that this figure is close to the average since the mix of funding sources raises uncertainty about the local budgets or certain socioeconomic conditions impact on the financial income of most localities. Perhaps a local shock or a following political decision can explain a lower rate (e.g. the Mayor decided to reduce the bulk of local taxes in view of a surge of unemployment in the locality). Or maybe the local executive endorses poor financial management. This illustration is also useful to point out that performance statistics do not contain answers in themselves. They are just a means to tap
into the complex mechanisms behind certain phenomena.

In simple terms, performance measurement and benchmarking in local government can have two main purposes which are linked to two different audiences. To begin with, there is internal management: as mentioned at the outset, local governments are responsible for many societal tasks, some more tangible (like providing drinking water, treatment of wastewater, collection and treatment of urban waste, adequate mobility services, among others) and some more intangible (like promoting inclusiveness, social equity and cohesion, cultural dynamism, economic development, etc.). Regarding the more palpable set of responsibilities, irrespective of the organisational mode of delivery (i.e. public, mixed or private management), local administrations need performance measurement and benchmarks to ensure that the services delivered are meeting the needs of the population and to monitor how public funds are being spent (e.g. Could the same level of service be delivered at a lower cost? Would potential savings arise through technological innovation or new awareness campaigns? Are there exogenous factors affecting fixed costs?).

Even if local governments do not engage with this type of assessment themselves, they are often subject to it via external regulation. Many utility and other local infrastructure services are subject to the authority of sector-specific regulators (though the authority of regulatory agencies can vary substantially, from mere ‘naming and shaming’ influence to tariff setting powers). Other high-level monitoring is very common, for instance, concerning municipal finances (e.g. debt ratios, financial independence, average payment period to suppliers). Many of the performance statistics used for this kind of public management are not interesting to the majority of the population. In fact, some authors highlight the perils of an overload of data (da Cruz and Marques, 2014). Although, as a principle, all administrative information should be accessible to the public (at least upon request) the communication strategy must consider the audience and final users’ needs.

The importance of comparing performance statistics on the operations of local public services with peer localities as a means (among other means) to identify strengths and weaknesses is not hugely controversial. One should expect public managers to act professionally and assessing and monitoring performance to be part of the day-to-day job. The use of those performance statistics to enact rewards and sanctions to and within local government administrations, however, is clearly problematic. It is problematic because it is impossible to consider all the factors affecting performance (and it can, therefore, be biased or unfair), because ‘someone’ selected the indicators or designed the evaluation model and – willingly or unwillingly – attached a certain value system to it (which can, therefore, be challenged), and because the main objective of benchmarking (which should be seeking continuous improvement) becomes a principal-agent game.

If done sensibly, it is the actual process of benchmarking more than the final results that can generate the most benefit. Thinking about problems, discussing practices and exploring ways to assess them collectively contributes to organisational learning. The most successful local government benchmarking experiences are the ones that are able to stimulate ‘peer-to-peer’ learning and dissemination of innovative practices among localities after comparing data. As Ammons and Roenigk (2015: 309) put it: ‘The promise of benchmarking as a management tool for local governments rests on the premise that organizations can learn from one another. If this premise is correct, then the practices that have led to success in one local government can be learned through benchmarking, adapted as necessary, and applied by another local government to improve its own operations and results.’

This idea of learning with peers to adapt or adopt new practices is more in line with the concept of process benchmarking discussed above. However, this is not the type of benchmarking more commonly used. There are several reasons for this. In particular, it highly depends on the willingness and commitment of the participants (voluntary schemes tend to be more prone to these practices). First, not all representatives and top officials and public managers welcome comparisons (Ammons and Roenigk, 2015). Mistrust, fear of embarrassment and resistance to reporting ‘bad news’ are customary in benchmarking initiatives (da Cruz and Marques, 2014). Second, benchmarking consumes resources.
Local governments need to commit time and financial resources to engage with robust benchmarking processes. In a setting of reduced public budgets, local governments might have other immediate priorities (although in the long run the investment may well pay off). In light of this, many benchmarking projects simply rely on the comparison of performance statistics (mostly through rankings) neglecting the ultimate objective of governance and service improvement and devolving the process into a ‘beauty contest’ (Ammons and Roenigk, 2015).

Most of the simple examples and illustrations mentioned so far in this chapter focus on assessing specific/bounded problems, services or activities individually. As we have seen, attempting to assess the performance of a range of policy sectors or even the overall performance of local governments generally entails the use of composite indicators or of scorecards and dashboards. This is obviously a much more ambitious undertaking. There is no denying, however, that, if feasible, it could be useful for citizens and other stakeholders. On the whole, populations are concerned with all aspects of local governance. They are also more concerned (and affected by) results and outcomes than with intermediate measures. Scholars from various fields of research should continue to carry out enquiries into this topic.

Despite the complications, there is already a wealth of recent studies on the design and use of composite indicators to assess and inform local governance practices. The Municipal Transparency Index developed in Portugal, for example, is an interesting case (da Cruz et al., 2016). This tool, which proposes to assess the transparency of local governments by scrutinising the type and amount of information disclosed by them on their official websites, was modelled in a participatory manner where a group of decision-makers with legitimacy to weigh in on the topic defined what should be measured and how it should be valued in the assessment. Other interesting examples exist in the literature and the success factor seems to be the extent to which the analysts/facilitators can consider the needs of the final users as well as the opinions of those being monitored while developing a protocol that safeguards them from misconceived reactions and allows for identifying the reasons behind (superior/inferior) performance.

Beyond the substantive issues at the core of local government benchmarking that advise extra caution in real-world implementations, other more practical limitations also need to be considered. Some of these issues are connected to human error. As in other applications, collecting data and measuring local government performance typically requires a battery of coders and assessors which unavoidably adds ‘noise’ to the data. The items being scored can also be imperfect measures of the phenomena they propose to gauge, as we have seen. Sometimes, the indicators can even have a perverse effect. Consider now a case where the implementation of the spending budget is used as a proxy measure to assess the credibility of the local policies and planning (e.g. as a percentage, weighting each entry of the budget by its initial amount). The normative belief here would be that rates of budget execution close to 100% would indicate higher credibility. However, a local government that managed to attain considerable savings in the expected spending (e.g. because it innovated and found cheaper ways to deliver the same services or because a specific project proved to be unattractive due to some external development) will have an incentive to spend ‘no matter what’, even if it is wasteful, in order to appear more credible in its commitments. (If there is no effort to contextualise these indicators, which is the most common case in local government benchmarking schemes). Setting off strategic responses to maximise scores with little care for the true public interest is a major drawback of many local government benchmarking practices. Finally, some authors argue that benchmarking deploys isomorphic forces that drive local governments towards adopting the same practices and, therefore, promoting uniformity rather than innovation and improvement. Other authors, however, claim that process benchmarking is actually an ‘act of defiance’ in relation to isomorphism by fostering local governments to depart from the ‘business as usual’ whenever superior practices are identified (Ammons and Roenigk, 2015).

**Conclusion**

It is important to keep in mind that very often ‘what gets measured is what matters’. And this can be
problematic by putting too much emphasis on certain, more tangible (and therefore more ‘measurable’) problems to the detriment of other sensitive areas. Still, in local governance the problem certainly supersedes the tool. And the problem is how to keep improving and reinventing the practices of local governments so that their key role in governance and their relationship with citizens and other stakeholders can continuously respond to a dynamic environment and contribute to a healthier democracy and fairer society. When done prudently, benchmarking can assist in this endless effort. However, it is just a small part of a much larger set of concerns and approaches to the problem.

If local government benchmarking passes all the preliminary tests (e.g. there is willingness to engage by the local leaders, the stakeholders involved are conscious of the limitations and inherent implications of using indicators and benchmarking to inform local governance, resources are available to carry out the assessment and inquire into the causes...), there are still many matters to consider. First and foremost, we need to make sure we are measuring the right things, the right way, and that the results are in the right format, considering the purpose and audience. We also need to ensure that the champions of benchmarking initiatives are constantly aware and flexible enough to change the scheme (e.g. adapt to new or newly uncovered requirements) and committed to critically evaluate the likely unintended effects. With all these steps and requirements, local government benchmarking can be very complex and indeed very costly. The research community may help navigate the complexity and curb these costs by trying to adopt an unprejudiced, critical approach to the issue.

It is a matter of fact that most contemporary benchmarking efforts in local government simply rely on comparison of performance statistics. There is generally no effort to conduct further analyses concerning the causes for inferior/superior practices or outcomes and very little engagement between local governments and their departments about these issues. Without this follow-up built into the schemes, benchmarking becomes a hollow game that corrupts the theoretical objectives (and practical outcomes) and prompts defensiveness and even rejection by the stakeholders.

Another beneficial change in the perceptions about local government benchmarking would have to do with communication, particularly when the audience/final user is the general public (effective communication in internal benchmarking is also important but its lack may not be so damaging in this case). It is essential to raise awareness about the boundaries of benchmarking and the fact that ‘bad’ results or scores do not necessarily reflect ‘bad’ performances or incompetency. There might be good reason to run a deficit or sustain higher debt levels. It might be the ‘right thing to do’ given the needs of the local population or the electoral commitments of the executive. However, once again, benchmarking can lend a hand to politicians that seek to defend their non-conforming, though very legitimate, performance. As we have seen, benchmarking has many problems and limitations. However, placing all our trust in political rhetoric does not sound ideal as the sole alternative to it (the track record of many localities suggests so). There are many approaches to see and understand local governance that produce different but valuable insights.

As other authors, we argue that in an ideal world, process benchmarking would be the preferred form for local governments but, in practice, this rarely ever happens (some of the reasons are discussed above) even though, in theory, this type of cooperation should be more expected in the public sector (since private entities tend to protect knowledge for competitive leverage and commercial advantage). As a second best alternative, the comparison of performance statistics can also have its merits. Its success highly depends on the process of designing the scheme and on the uses of the scores. Attempting to introduce high-powered incentives by linking financial rewards (e.g. block grants by the central government) to attained scores can result in unfair consequences on the ground. Naming and shaming practices are certainly much more inoffensive in that sense.

Indicators and benchmarking models are infused with values, politics and context. For this reason it is crucial to avoid that performance measurement and benchmarking becomes yet another tool by the powerful and for the powerful against the weak. Benchmarking will never solve all the problems of local governments. It will also never replace the
political process and grand claims about the potential of technocratic solutions should be critically challenged. However, if adequately designed, it can help local public institutions to do a better job in the pursuit of the priorities that should be set by the legitimate representatives of the population.

References


