

Bob Behn's Public Management Report

An occasional (and maybe insightful) examination of the issues, dilemmas, challenges, and opportunities in leadership, governance, management, and performance in public agencies.

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On why all public officials need to remember that

Efficiency is a Ratio

A few years ago, the auditor of Fairfax County, Virginia observed that county cars often just sat in the parking lot. To the auditor, this looked inefficient. Damn inefficient. And an audit confirmed the suspicion.

So a decree went out: Any vehicle not driven over 4,500 miles in a year would be confiscated. You already know where this story is going.

First, county employees started swapping cars to be sure that all made the 4,500 mile cutoff. Others made sure that they drove their assigned car enough miles.

Second, *The Washington Post* ran a story with the headline, “Fairfax Employees Run Up Odometers to Keep their Cars.” Observed the reporter: “Of all the perks of public services, few are more treasured than the government car.” Indeed, the auditor told *The Post*, “People in the county would rather you take their child than you take their vehicle from them.”

Third, the county upped the minimum mileage to 5,000.

Fourth, in the FY 2006 budget submission, the auditor explained one “recent success”: “a net reduction to the fleet of 100 vehicles. One-time savings of approximately \$1.2 million resulted from the contraction of these vehicles, in addition to annual savings of approximately \$25,000 due to reduced agency billings for maintenance and replacement.” Clearly, this was a success— a big success.

Still, for the behavior of Fairfax County employees, there are (at least) two possible explanations. The obvious one—the one reenforced by *The Post*—is that public employees are inherently inefficient and selfish. They are immune to all efforts to improve efficiency; indeed, they will aggressively undermine such efforts. After all, they prefer their cars to their children.

If you are a journalist without a story, this one is simple to cover. You’ve done it a dozen times.

The second explanation is more subtle. It can’t be captured in an

incendiary headline or squeezed into the details-at-11:00. After all, the assumption behind this explanation is that public employees have a much more sophisticated appreciation than your average auditor about what constitutes efficiency. They understand that efficiency is not measured solely by dollars spent.

Instead, efficiency is a ratio that compares outputs to inputs:

Efficiency = Output/Input

The ratio has inputs in the denominator. But it also has outputs in the numerator. Thus, it is possible that if the input denominator goes down, so might the output numerator.

Why might this happen? Ask anyone who has ever needed a car from the car pool. To obtain this car, the employee incurs a significant cost. This cost is measured in time. Time to

Efficiency is a ratio with not only a denominator for costs but also a numerator for results. And although it is easier to agree to, specify and measure costs, we should never let ourselves believe that the denominator alone is how to calculate efficiency.

arrange for the car. Time to pick it up from the garage. Time to wait because it isn’t ready. Time to clean up the mess left by the previous user. Time to take it back to the garage.

And this time can translate into less output. Indeed, if the time to get a vehicle from the car-pool garage is too great, the employee might decide that it is inefficient to make the trip at all. No input. No output either. Will an audit capture this inefficiency?

Such costs do not show up on the agency’s books. No auditor can find them. (No auditor goes looking for them.) Still, they exist. They do not appear, however, as an increase in the denominator of the efficiency ratio. Rather, these costs are an undetectable decrease in the numerator.

No one is against efficiency. That isn’t the issue. The issue is how this efficiency should be measured—and thus how it can be achieved.

Unfortunately, it is much easier to measure the denominator of the efficiency ratio than it is to measure the numerator. The unit of measure for the denominator is obvious. It is dollars or euros or yuan.

In which units, however, should we measure the numerator? This isn’t quite so obvious. In part, this is because we can’t all agree on what is to be accomplished. And, if we can’t agree on this, we certainly can’t agree on the units with which to measure any accomplishment.

Nevertheless, despite our disagreement about what is to be accomplished, we can all agree that it is better to achieve any specific level of accomplishment with fewer resources rather than more. That is, for any particular result, we all think that achieving this is best done with the minimum of resources.

Thus, Fairfax County created a Fleet Utilization Management Committee (honest) to examine each request for a new vehicle and review underutilized ones. Previously, when a six-year-old car had traveled 90,000 miles, it was automatically replaced. This approach has, however, been replaced by a committee. That’s efficiency?

To escape from our disagreement over purpose, we inevitably return to the denominator. We are comfortable with the denominator. We know what it is. We can measure it. But, we should never fool ourselves into believing that the denominator alone is how to calculate efficiency. **B**

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