

Board Oversight of Organizational Performance

Like motherhood and apple pie, most everyone favors improving organizational performance. But what counts for performance? Citizen satisfaction? Employee satisfaction? Cost-efficient service provision? Successful achievement of organizational goals? Alignment of programs and services with the emergent demographic profile of the community? All of these values contribute to the trust and legitimacy citizens have in their local governing institutions. But when these values come into conflict, board members may prefer to “muddle through” rather deal with the conflicts that can arise from creating explicit performance measures. This makes organizational performance a deliberate choice made by the board, not a “taken-for-granted” activity in the hands of the senior leadership team. We have seen too many instances where boards assume performance is something, they delegate to the senior leadership team, only to find out later that they don’t like the result, fire the manager and hire a new one who shares their views on the proper mix of performance criteria. These kinds of disruptions are often unnecessary and can be avoided by the board assuming its leadership role in creating the performance framework for the organization.

Types and Kinds of Performance Measures

The most common performance measures are citizen satisfaction, effectiveness and efficiency. Satisfaction surveys are always a tricky measure, since outcomes depend on the unit of our survey analysis. Is it the taxpayers and user fee groups who fund the services? Is it the voters who show up in local elections? Is it citizen satisfaction with jurisdictional services in general? Is

it specific program clients? If boards want to use these kinds of surveys to guide their oversight role, they need to be part of the ground floor in developing such surveys.

Effectiveness is another common performance measure. It focuses on the extent to which we are achieving our mission, values and goals. It is illuminated by *ends* question: What are the right services? How do we know when enough is enough? Who should pay? Have we examined all possible solutions? Are we asking the right questions? What are our future needs? Is all of the public being heard?

Efficiency focuses on how well the organization is performing the delivery of public service and the provision of public goods. It is illuminated by *means* questions regarding the production of these goods and services. Can we organize more efficiently? Do we have the right technology? Are employees properly trained? Do they have the right tools, and skills? Is organizational performance optimized? Are the systems properly coordinated? Is this the least expensive way we can operate? What emerges from these kinds of questions is the need for the board to be deliberate in its approach to the development of performance measures, relying on the senior leadership team to do the heavy lifting.

Developing Performance Measures

The standards for monitoring citizen satisfaction, efficiency and effectiveness are necessarily co-produced by the board and the management team over an extended period of time. The board needs to rely on the expertise of first-line supervisors and middle level managers in creating measures that are both valid and reliable. The board can't suddenly ask the management to provide them with a choice of measures they might use in undertaking the oversight role starting

next year. The development of measures is often a trial and error process that takes time and lots of discussion among those responsible for creating and using these measures ([see especially Morgan, Robinson, Strachota and Hough 2014, pp. 345-376 hotlink to list of Resources and References](#)). At some point in this iterative process, a few measures become standardized as is the case with plumbing, electrical, building codes. These kinds of highly standardized measures get incorporated into local ordinances. But for the most part, performance standards are co-production processes between the board and the management team that evolve over time. Performance measures work best when the board says to the management team, “we care” about citizen satisfaction, efficiency and effectiveness, etc.; “we need your help” in developing useful and useable criteria; and we would like to start gradually implementing these into our oversight role by year X.

Budgeting and Performance Measures

There is a common tendency to “jump into” performance measurement discussions during the budget development process. We argue that this is a mistake. Performance measurement discussions need to be an antecedent and separate activity from the budget process. Time and information are in too short of a supply during the budget season to do justice to both budget development and performance measurement oversight.

Take for example using the budget process to save \$100,000 of employee costs by reducing the number of staffed fire trucks from eight to six. On further analysis the reduction in trucks, reduced the service response time from three minutes to five minutes. This may result in a significant increase in the size of fires (more time to grow), higher fire losses from bigger fires,

injury to employees and loss of life, and an increase in everyone's fire insurance premiums. When all of these costs are added up, they may be much greater than the \$100,000 in budget savings. This complex interplay of factors cannot be successfully sorted out during the limited scope of budget deliberations. It is preferable for the board and the management team to postpone these kinds of performance-influencing proposals that may arise in the midst of the budget season for next year's consideration. This allows time for data gathering, analysis and an inventory of best practices.

Developing Performance Measures is An Iterative Process

The board needs to work arm in-arm with management to identify targeted opportunities for performance improvement with required periodic reports from the relevant management team on performance initiatives, conditions and the resources needed for success. Boards can't impose a "one size-fits-all" performance template on the organization. Front-line managers in the transportation department are the best ones to figure out improvements in paving our streets. And these initiatives are going to look quite different than the improvements recommended by front-line managers working on reducing drug addiction or homelessness. Your role as a board member is to make performance improvement a board priority, give management the discretion and resources needed to make performance improvements and hold them accountable for the performance initiatives they undertake.