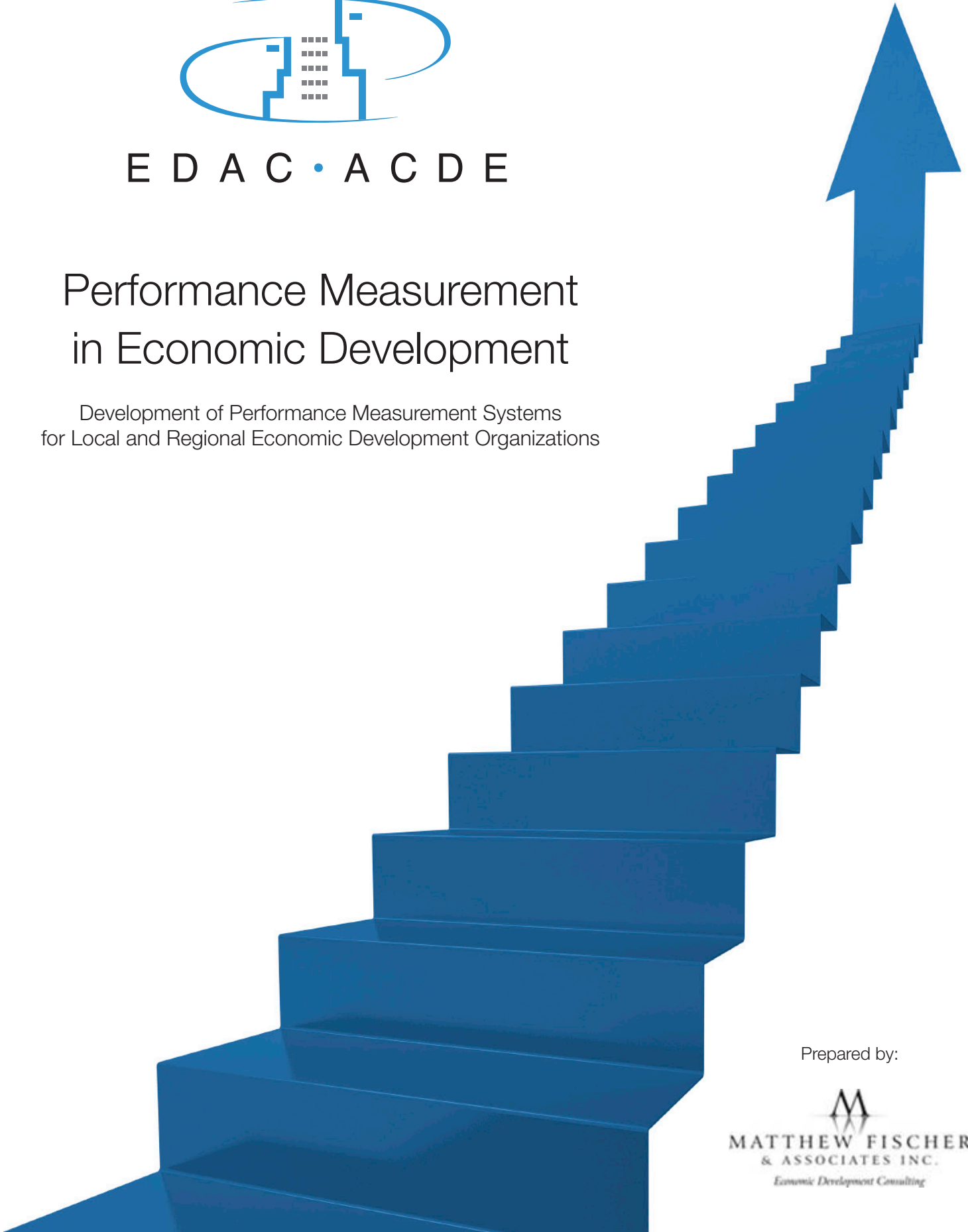


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Performance Measurement in Economic Development

Development of Performance Measurement Systems
for Local and Regional Economic Development Organizations



Prepared by:


**MATTHEW FISCHER
& ASSOCIATES INC.**
Economic Development Consulting

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Executive Summary

This report summarizes an examination of the literature on Performance Measurement in Economic Development to provide guidance to economic developers for the creation of their own metrics.

The initial goal was to produce a standardized template or model that could be used by all economic developers to provide a consistent level of reporting in economic development. It soon became apparent though that the profession is too disparate for that ever to be possible.

The economic development profession is relatively young and has only organized itself into national and provincial associations in the last fifty years. It has evolved dramatically in the last few decades as programs of small business development, business retention and expansion and entrepreneurial development have been added to traditional business attraction programs. Even tourism programs have broadened their focus from the leisure market to include sports tourism, meetings and convention business and focus on niche markets such as culinary tours and motor cycle routes.

As well the governance models for economic development organizations are evolving making a standardized template impractical.

A survey of the EDAC membership was used to determine the metrics currently being used by economic development offices across the country. One of the most interesting results of the survey is that no single metric was cited by all 99 respondents.

The most often cited indicator was the number of “New Businesses Opened” (73.4%) followed somewhat surprisingly by “Population” (67.0%). In addition other metrics that were frequently mentioned were “Jobs Created” (60.6%), “Workforce” (60.6%) and “Inquiries Received” (59.6%). The “Top Ten” metrics are shown here:

Top Ten Measures used in Canadian Economic Development		
Answer Options	Response Percent	Response Count
New Businesses opened	73.4%	69
Population	67.0%	63
Jobs created full time	60.6%	57
Workforce	60.6%	57
Inquiries received	59.6%	56
New Business investment attracted	58.5%	55
Building permits - Commercial	53.2%	50
Building permits - Institutional	51.1%	48
Business closures	48.9%	46
Unemployment rate	47.9%	45

An extensive internet search was conducted to determine the state of the art in performance measurement in economic development in the US and elsewhere.

Henry Hatry with the US Urban Institute has had a major influence on the thinking about performance measurement in economic development. In his book *“Performance Measurement – Getting Results”* published by the Urban Institute Press in 2006, Hatry argues that performance measures should be aimed at achieving clearly identified **outcomes**: “Outcomes are not what the program itself did but the consequences of what the program did.”

Model of Hatry’s Interrelated Factors in Performance Measurement

Adapted from an article by Angelou Economics



Money	Tourism Promotion	Inquiries	Job Growth
Staff/Volunteers	Business Recruitment	Project Files Opened	Capital Investment
Facilities	Retention & Expansion	Corporate Calls	Tax Assessment
Equipment/Supplies	Small Business Advisory	Clients Served	Businesses Start-ups

Source: Angelou Economics, 2005 Based on work by Harry Hatry as adapted by the author.

Another influential study by Melkers and Malone in 2004, *“Performance Measurement in State Economic Development Agencies”* examined measurement systems in 41 states and drew heavily on the work of Hatry and others. In addition to focusing on “outcomes” the report recommended the following guidelines be followed by economic development organizations establishing their own metrics:

- Measures should be identified for major activities as opposed to all activities.
- Targets should be specified separately from measures.
- Some measures may make sense to track on a monthly basis, whereas others will only be meaningful on a quarterly, semi-annual or even annual basis.
- All measures must be explicitly defined.
- All measures must have a specified data source.
- All measures should be revisited following a period of data collection (for at least 6 months) to determine their usefulness and value.
- Measures that require client input/feedback will involve the development of data collection instruments.

Source: *“Performance Measurement in State Economic Development Agencies”*

Andrew Young School of Policy Studies at Georgia State University, 2004

Performance measures should flow from the organization's strategic plan with the specific metrics selected to measure the progress towards the plan's objectives. If for example an objective of the plan is to diversify the local economy away from a dependence on traditional industries (manufacturing, resource or agriculture) by targeting the growth of knowledge intensive businesses such as consulting engineering or computer systems development, it should include a specific metric that will show the number of jobs created or how many new knowledge intensive businesses have been opened or expanded in the area rather than measuring growth in all sectors.

The metrics selected will also vary from one type of an organization to another. The metrics selected by an economic development organization focusing on small business development will be different from those of an organization with a business retention and expansion mandate or a business attraction focus.

Introduction

Performance measurement is one area where the economic development profession is weak, undoubtedly due to the difficulty of establishing direct *“cause and effect”* linkages between the work of an economic developer and the jobs created by private sector employers. There is a wide spectrum of metrics in use today although no single template has been found suitable for all types of economic development organizations.

Quoting from one of the studies reviewed in the course of this project:

“Efforts to evaluate economic development policy have become a quagmire of good intentions and bad measures.”

(Clarke, S.E. and Gaile G.L., 2002)

Each economic development organization must take responsibility for the development of its own unique measures based on the strategic objectives of the community, region or organization. Although most economic developers use similar tools in their work, they are used in different combinations to achieve different goals and objectives. The specific performance measures selected should flow from the community’s strategic plan.

The purpose of this report is to assist economic developers with establishing performance measures that will yield the information needed to make an honest evaluation of the effectiveness of their programs, without overloading the system with cumbersome and expensive recordkeeping.

A Short History of Economic Development

The intricacies of Economic Development are not well understood by most people. For those who think about these matters, such as elected officials and community leaders, the first impression is one of attracting new manufacturing plants to create jobs and add to the tax base. How the economic developer goes about his or her job is pretty much a mystery.

Economic development as we know it today is a relatively young profession. It wasn't until the 1960's that the economic development profession in Canada began to become more organized with its own associations.

The Ontario Industrial Development Council (OIDC), the predecessor to EDCO (the Economic Development Council of Ontario) was formed in 1957 and incorporated in 1962. Quebec followed shortly after in 1959 with the formation of L'Association des commissaires industriels du Québec (ACIQ) which, in 1993, was renamed L'Association des professionnels en développement économique du Québec (APDEQ).

In 1968, the national association, the Industrial Developers Association of Canada (IDAC) was incorporated. It later changed its name to EDAC (Economic Developers Association of Canada).

Other provinces followed. Economic Developers Alberta (EDA) was formed in 1974, Economic Development Association of British Columbia (EDABC) in 1981, Saskatchewan and Manitoba associations in 1986 and 1994 respectively. The Nova Scotia Association of Regional Development Authorities was created in 1999. The most recent provincial group to be organized was Newfoundland and Labrador Regional Economic Development Association in 2002.

Our neighbours to the south were decades ahead of us. In 1926 a group of 22 American Chamber of Commerce officials responsible for industrial development met for the first time in Washington DC. This meeting was the genesis of the American Industrial Development Council (AIDC), which subsequently incorporated in 1930. AIDC was later renamed AEDC (American Economic Development Council) and it subsequently merged with CUED (Council for Urban Economic Development) in 2001 to form today's IEDC (International Economic Development Council), headquartered in Washington, D.C.

"At the close of the first conference, Smith (George Smith, first chair of AIDC) appointed two committees, one tasked with defining metropolitan regions and the second with community industrial financing plans. At the second conference in 1927, the decision was made to invite others involved in industrial development from engineering, railroad, and public utility companies, as well as representatives from industrial finance companies.

The conference concentrated much time on community marketing issues. Delegates felt that the main value of this effort seemed to be its ability to generate local pride. At the third conference, the Committee on Intercommunity Competition presented its report, listing 102 cities that provided bonuses to induce industrial relocation. The committee also worked out a definition of bonus. Coupled with their discussion on what we now call incentives, the participants also looked at regional cooperation, with public service companies and railroads vocalizing their beliefs that they

were doing regional, not local, development work. At the fourth conference, the discussion focused on establishing a formal organization for industrial development managers. At the fifth conference in 1930, the American Industrial Development Council (AIDC, which would be the pre-cursor to AEDC) was born. AIDC fixed dues at \$10.00 per person, and chose an 11-member Board of Directors comprised of six industrial bureau managers and one representative each from the Chamber of Commerce of the United States, Railroads, Public Utilities, Engineering Firms, Civic Finance Companies, and the Chamber of Commerce executives. Industrial managers were to have the majority.”

Source: www.iedconline.org/Downloads/AEDC_History.pdf

Prior to the formation of our own associations, many Canadian economic developers were members of AIDC/AEDC and attended their conferences. In fact, AEDC’s Board of Directors specifically set aside board seats to be filled by Canadian members.

In those early years, economic development focused almost exclusively on what we now call **Business Attraction**. EDOs (economic development officers) mostly targeted manufacturing plants, especially large multi-nationals. Communities developed municipally-owned industrial parks and instituted advertising and marketing plans to appeal to industry. EDOs travelled to trade shows and other industry events. Chambers of Commerce played a more prominent role in economic development in those days, much more so than they do today.

The practice of economic development was not particularly sophisticated in the early years. There were few demands for accountability because economic development offices were much smaller. Even a large city would typically have only one or two people working with a modest budget in the economic development office. Performance measurement was pretty straightforward – tally the ribbon cuttings and count the number of jobs created by new companies coming to the community.

The practice of economic development carried on in pretty much the same way through the 60s, 70s and 80s, although the size of the economic development offices expanded and budgets increased as competition between communities became more acute.

Recent Developments in Economic Development

In the late 1980s economic developers started to broaden the scope of their work. A ground-breaking study by David Birch at MIT, “*The Job Generation Process*” published in 1979 (abstract available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1510007) pointed out that most new jobs (82% in his study) were in fact created by small businesses and not as previously thought by “Fortune 500 companies”. This represented a fundamental change in our understanding about the job creation process.

Armed with this new information, Economic Developers started to develop specific programs geared to **Small Business Development**. They promoted the idea that a business plan was important to a start-up. They provided guidance on financing options. They offered mentoring and other advisory services. Many communities established business incubators to provide a nurturing environment for newly established businesses.

In the early 1990's the phrase **Business Retention & Expansion** entered the lexicon of the economic developer for the first time and EDOs turned their attention inward, initiating corporate calling programs targeting their own established companies.

Based on the work of Birch and a number of think tanks concentrating on entrepreneurship and economic development, such as the Edward Lowe Foundation (www.edwardlowe.org), or the RUPRI Centre for Rural Entrepreneurship (www.energizingentrepreneurs.org) and the Kauffmann Foundation (www.kauffman.org), it is now generally acknowledged that on average:

For every 100 new jobs created in the private sector;

- **55 jobs will be created by the expansion of existing local businesses**
- **44 jobs will be created by new start-up companies**
- **1 new job will be created by a “greenfield” corporate relocation.**

Subsequent research by Birch (“Hot Industries” in 1995) further refined our understanding of the job creation process. Birch discovered that more than half of all the new private sector jobs in his study were created by fewer than 3% of companies – a group he labeled “**Gazelles**”.

“Birch classified businesses in Wild Kingdom terms. The large, publicly traded firms that have shed millions of jobs over the past two decades are elephants. Small Main Street businesses that create jobs when they start up but then grow very little are mice. And fast-growing businesses that start small, then double in size and double again, are the gazelles.

For the past 25 years, the most effective job creators have been the gazelles and the mice. And of those, the gazelles have been the most prolific: some 350,000 of these fast-growing companies have created as many jobs in the recent past as all the mice, which number in the millions.”

Source: “*Small Business and Job Creation*” - A Report from the Small Business Administration's Office of Advocacy's 25th Anniversary Symposium

Birch's work has stood up to scrutiny. A prominent authority on entrepreneurship, Dr. Zoltan Acs from George Mason University and formerly chief economist at the US Small Business Administration, confirmed Birch's findings in his 2008 study (*High-Impact Firms: Gazelles Revisited* by Acs, Parsons & Tracy) using databases that were not available to Birch a decade before. (<http://archive.sba.gov/advo/research/rs328tot.pdf>)

This research has led most recently to the development of new programs of **Economic Gardening** targeting **Entrepreneurship** which is often associated with **Innovation**. This only serves to further complicate the task of measuring the performance of an economic development organization.

Diverse Structures and Priorities

In addition to the ever-evolving programs being pursued by economic developers, the structure and governance of ED organizations has become more diverse over the years. The most common economic development organizations are still those created by local government. State and provincial government departments play a pivotal role in economic development, but most economic development organizations are departments of municipal or regional governments, with some communities now moving to not-for-profit corporations to deliver economic development services.

In several provinces there are hybrid groups created by the provincial governments. Regional Development Agencies (RDAs - REDAs) and Enterprise Centres are now found in a number of provinces. They are governed by local boards with costs being shared between the provincial and local governments.

There is also a national network of CFDCs (Community Futures Development Corporations) serving non-metro areas of Canada. These are local development corporations with locally appointed boards created and funded by the federal government to coordinate the delivery of federal assistance to small businesses at the community level. Many also plan and execute community development projects.

In addition, it is now becoming increasingly common for groups of communities to band together to create regional and supra-regional organizations such as the network of Regional Economic Development Alliances found in Alberta. In Ontario, examples include the Ontario East Economic Development Commission (OEDC), the Northwestern Ontario Development Network (NODN), the Southwest Economic Alliance (SWEA), and SOMA (Southern Ontario Marketing Alliance).

Along with the diversity of organizational structures and governance models there is a wide range of program offerings. While many ED organizations provide a full menu of programs, others limit their focus on only one activity such as “Business Attraction” or “Small Business Lending and Advisory Services” for example. Some communities support “networking organizations” for technology companies and recently we’ve seen the growth of “angel investor networks” looking for young companies with significant growth prospects.

Into the mix throw **Tourism Services**, ranging from “member supported” Visitor and Convention Bureaus (VCBs) to “Destination Marketing Organizations” (DMOs) operating either within an economic development office or as a free standing organization.

Budget levels for major centres now run into the millions of dollars however at the other end of the spectrum we still find many communities with only a few thousand dollars available for their economic development program.

Considerations for Performance Measurement

EDAC Membership Survey

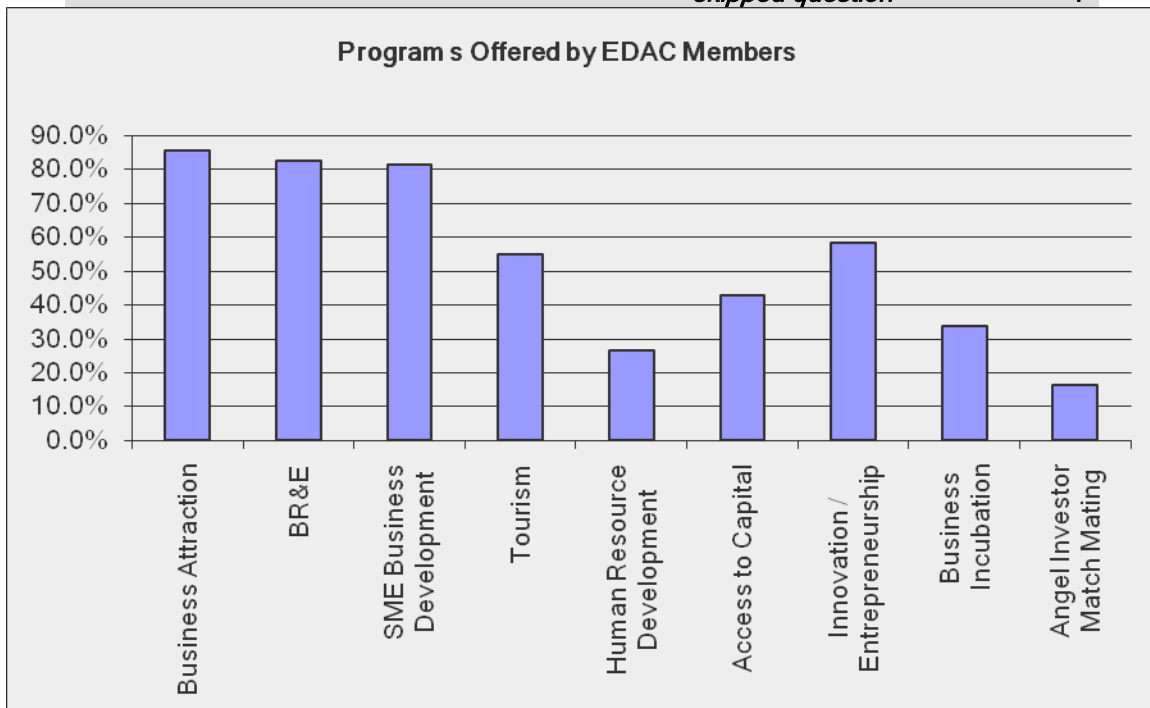
In April 2011, a survey of the EDAC membership was undertaken to collect data on how performance was currently being measured in the field. Although the survey went out broadly to all members of EDAC, we asked the respondents to restrict themselves to one survey response for each organization (a great many ED organizations have multiple EDAC members). At the time of writing we had received a total of 99 responses.

The vast majority of the responses received were from municipal (61.6%) and regional (23.2%) economic development organizations. Our members also work for federal, provincial government departments or other organizations such as CFDCs although they accounted for only 15% of the responses.

Do you represent:		
Answer Options	Response Percent	Response Count
Community	61.6%	61
Region/County	23.2%	23
Sub-Provincial	0.0%	0
Province/Territory	10.1%	10
CFDC or similar	5.1%	5
<i>answered question</i>		99
<i>skipped question</i>		0

This survey shows the diversity of programs being delivered.

Do you have responsibility for (pick all that apply):		
Answer Options	Response Percent	Response Count
Business Attraction	85.7%	84
Business Retention and Expansion	82.7%	81
SME Business Development	81.6%	80
Tourism	55.1%	54
Human Resource Development	26.5%	26
Access to Capital	42.9%	42
Innovation / Entrepreneurship	58.2%	57
Business Incubation	33.7%	33
Angel Investor Match Mating	16.3%	16
<i>answered question</i>		98
<i>skipped question</i>		1



The vast majority of our members concentrate on the core economic development programs of Business Attraction, Business Retention & Expansion and Small Business Development. About half (55.1%) of respondents had a Tourism mandate and another 58.2% were engaged in programs to stimulate Entrepreneurship and Innovation.

The tools we have at our disposal are subtle and varied. To list a few for example:

- We provide advice and recommendations to the elected officials who employ us
- We provide advice and recommendations to the companies that are our clients
- We recommend investments in the infrastructure needed to accommodate growth such as shovel ready industrial/commercial land, broadband networks, etc.
- We try to ensure that the path to regulatory approval is clear and that the process is responsive to business needs when they apply for permits or licenses.
- We try to help existing businesses resolve problems, often relying on persuasion and good relationships with other local organizations
- We try to ensure that our companies have access to the government assistance programs they need to acquire new technology or develop innovative ways to expand operations
- We are match-makers between businesses and/or individuals who have common interests
- We encourage businesses to explore new markets through export seminars and introductions to Canada's Trade Commissioners abroad
- We work to stimulate entrepreneurship, innovation and the commercialization of new technology in the community through involvement and support for technology associations and angel networks
- We provide advice and assistance to individuals interested in starting their own businesses
- Some of us are directly involved in lending money to new small businesses
- Some of us promote the community to tourists or recruit conventions, meetings or sports tournaments to our community
- We develop networks among ICI realtors and developers to mutually support the development and sale/lease of industrial and commercial properties
- We ensure the inventory of available industrial and commercial properties and other community assets is complete and immediately available to respond to inquiries.
- We work with workforce development groups to ensure information on the composition of the labour force and prevailing wages rates is up-to-date and accurate
- We conduct research on the local economy, gathering and analyzing data and making sure it is available to support decision making by civic leaders and new or expanding businesses.
- We ensure our local companies understand the implications of national or international trends and developments affecting businesses through seminars and workshops
- Through economic development strategic planning, we focus community efforts on those targets or economic objectives judged to have the highest priority for the community's development
- We pursue a wide range of special projects related to improving the "quality of place" which is now a significant factor in many investment decisions.

This list is by no means exhaustive. Each community has its own set of **strengths** and **weaknesses** as well as unique **opportunities** and **threats**. As a result, economic development programs vary dramatically from one place to another.

Our challenge is to make the link between our actions and the outcomes we strive for. For example, how do we demonstrate that the development of “shovel ready” land is a fundamental prerequisite to landing an expanding or relocating businesses? Examples like this one are fairly obvious - others will be more tenuous.

We also work in partnership with other organizations. There are a host of other people and organizations involved in every project including, but not limited to, senior government departments and agencies, realtors, developers, financial institutions, management consultants, professionals (legal and accounting) and utilities. Other partners may include some organizations not necessarily related to economic development such as colleges, universities, social services agencies and workforce development boards. Increasingly cultural groups are becoming involved, influenced by the concept of the “Creative Economy” espoused by Richard Florida and others.

Quoting from the “Centre for Community and Economic Development” at the University of Wisconsin:

“Outcome measurement does not prove a cause-effect relationship. And when it comes to economic development the actions of one individual or one organization is not likely to be entirely responsible for results within a community. The board and staff should be comfortable with the idea that success is shared, but agree upon how they are going to measure that success.”
http://www.uwex.edu/ces/cced/economies/developmentorganizations/econdev_performance.cfm

In addition to acknowledging that “no man is an island” and that it takes a community to develop the local economy, performance measures must also take into account the fact that external forces over which we have no control (economic cycle, exchange rates, trade policy and global supply chains) will have a far greater impact on the health of our local economic than we can ever hope to.

For many municipal and regional councillors, expenditures for economic development are just that – expenditures. Unlike sewer and water treatment, roads maintenance and garbage collection, etc., economic development is not a mandated program. When faced with tough budget decisions, (which is the norm in most communities) economic development faces competition from snow plows and pot holes. Because the link between the economic development programs and the jobs and tax assessment that will (hopefully) result cannot be irrefutably established, it is often difficult to get elected officials to see economic development as an investment in the community’s future.

What gets measured?

The EDAC membership survey was used to determine current metrics being used by economic development offices across the country. One of the most interesting results of the survey is that no single metric was cited by all 99 respondents.

The most often cited indicator was the number of “New Businesses Opened” (73.4%) followed somewhat surprisingly by “Population” (67.0%). In addition other metrics that were frequently mentioned were “Jobs Created” (60.6%), “Workforce” (60.6%) and “Inquiries Received” (59.6%).

What measures do you routinely keep track of (pick all that apply)?		
Answer Options	Response Percent	Response Count
New Businesses opened	73.4%	69
Population	67.0%	63
Jobs created full time	60.6%	57
Workforce	60.6%	57
Inquiries received	59.6%	56
New Business investment attracted	58.5%	55
Building permits - Commercial	53.2%	50
Building permits - Institutional	51.1%	48
Business closures	48.9%	46
Unemployment rate	47.9%	45
Funding granted	45.7%	43
Building permits - residential	44.7%	42
Municipal tax	43.6%	41
Jobs created part time	42.6%	40
Average family income	42.6%	40
Jobs maintained	39.4%	37
Commercial vacancy rates	36.2%	34
Number of project files open	33.0%	31
Funding applications received	33.0%	31
Open files	29.8%	28
Retail vacancy rates	24.5%	23
Average salary/wage offerings of new businesses	19.1%	18
Performance of funding disbursed	16.0%	15
New landed immigrants	13.8%	13
Productivity ratio	8.5%	8
Patents files/received	5.3%	5
Other (please specify)		11
<i>answered question</i>		94
<i>skipped question</i>		5

A number of write-in factors were included:

- Funds leveraged from partners
- Number of births in local hospital
- Training Courses
- Qualitative factors such as business satisfaction
- Meetings attended and Workshops staged with # attending
- Tourism Visitor Traffic and Resources Leveraged for projects
- Inquiries delineated by land, zoning and real estate

- Project deliverables against approved initiatives/number of conventions and respective hotel room consumption attracted, number of new special events created and attracted, web and social media statistics

With the advantage of hindsight, the survey should have been much more specific in asking about new businesses. Does the number represent clients of the Ecdev organization or all new businesses? Does it include retail and commercial businesses or just manufacturing operations? Is it the net number of businesses after discounting for closures? (Statistics Canada reports that 180,000 new businesses are started each year in Canada while 150,000 businesses close each year.)

Statistics Canada updates the “Canadian Business Patterns” database (the count of all businesses) every six months. For a very modest cost the number of total business in the community can be kept up to date with a credible 3rd party source.

Population is a surprising metric resulting from this survey, as it does not directly relate to the economic health of the community. Around major cities, large numbers of people live in the outlying communities and commute to work each morning in the metro centre. In many cases the jobs in these outlying communities are filled by others driving into the community from further outside the metro area. Housing costs in these instances have a far greater impact on population growth than economic development. Many bedroom communities struggle to stimulate non-residential development to improve the ratio of “employment to labour force” (a measure used to indicate a well-balanced community) and to help relieve strains on the highway infrastructure and improve the quality of life for residents.

Small Business Centres

A little less than half of the respondents (47.9%) reported they had a separate small business advisory service.

Do you provide a separate small business advisory service?		
Answer Options	Response Percent	Response Count
Yes	47.9%	45
No	52.1%	49
<i>answered question</i>		94
<i>skipped question</i>		5

Based on the survey responses, the usual indicators being tracked by these centres are “Inquiries Received” (88.9%), “Consultations Provided” (80.1%), both of which measure activity, and those that track results i.e. the “Number of Businesses Formed” (75.6%) and the Number of Jobs Created (68.9%).

Are you tracking (pick all that apply):		
Answer Options	Response Percent	Response Count
Inquiries	88.9%	40
Consultations	80.0%	36
Number of businesses formed	75.6%	34
Number of Jobs created	68.9%	31
Average salary for jobs created		5
<i>answered question</i>		45
<i>skipped question</i>		54

Of concern is the fact that only 17.8% of those responding keep track of their graduates. Only a handful of respondents could tell if their graduates were still in business and what the resulting level of employment was:

Do you monitor or keep track of your graduates?		
Answer Options	Response Percent	Response Count
Yes	17.8%	8
No	82.2%	37
<i>answered question</i>		45
<i>skipped question</i>		54

Tourism Services

More than half of the survey respondents (56.4%) reported having a Tourism mandate. However most of those are only tracking “Activity-related” information (Inquiries at the Tourism Centre, Web-site hits) which really does not indicate “Outcomes”. A third of the respondents (32.8%) do track “Hotel Occupancy Rates” but only 12.7% collect information on “Rev Par” (Revenue per Available Room) which is an industry standard to show the health of the local tourism industry.

Do you track statistics from:		
Answer Options	Response Percent	Response Count
Tourism Information Centre	67.2%	39
On-Line hits	62.1%	36
Hotel Occupancy Rates	32.8%	19
Average annual daily rate	15.5%	9
Revenue per available room (Rev Par)	12.1%	7
Publicly owned campsites	13.8%	8
<i>answered question</i>		58
<i>skipped question</i>		41

Job Creation

Job creation is one of the prime reasons most communities pursue an economic development program. In the literature, this factor receives more attention than tax assessment, capital investment, sales revenue or almost any other measure adopted by economic development organizations.

However we know that economic developers don't create jobs.

Corporations create jobs as well as public sector institutions such as schools, hospitals and government offices. In fact public sector employment is rising each year. Most economic developers however focus on the private sector employment because it adds to the wealth circulating in the community.

The economic developers' job is to create an environment in which re-locating or expanding companies are welcomed and where entrepreneurs can thrive.

Critics of economic development say that success is a mostly matter of chance and that the EDO just happened to be in the right place at the right time. [Herbert J. Rubin, "*Shoot Anything that Flies; Claim Anything that Falls: Conversations with Economic Development Practitioners*", 1988].

While in certain instances there is some truth to that criticism, a well-founded economic development program is often working in the background. Louis Pastor once said that "*Chance favours the prepared mind.*" (Louis Pastor 1822-1895), which is particularly apt when referring to economic development. Those communities that have invested in the necessary infrastructure to accommodate new companies, have well-trained staff available to assist them, and have compiled the information companies need to make a decision, will usually be selected over communities that haven't made these investments.

A performance measurement system should be able to show the involvement of the local economic development office (and its partners) in the company's decision making. A handful of economic development organizations have even included a weighting factor - a scale of 1 to 5 - to show the degree of involvement they have had with individual clients as part of their reporting system.

Shifting Employment Patterns

There is no doubt now that the North American economy is undergoing a fundamental restructuring. The employment base of most Canadian communities is shifting from the traditional manufacturing, resource and agricultural bases to a service-oriented economy.

The following table shows just how quickly this is happening. In the last five years, the goods-producing sectors have shed more than 235,000 jobs in Canada while the service sectors have added more than 866,000.

Employment by industry - Canada

	thousands					Net
	2006	2007	2008	2009	2010	Change
All industries	16,410.2	16,805.6	17,087.4	16,813.1	17,041.0	630.8
Goods-producing sector	3,975.9	3,975.7	4,013.4	3,724.3	3,740.0	-235.9
Agriculture	346.9	335.0	323.6	316.1	300.7	-46.2
Forestry, fishing, mining, oil & gas	334.1	341.7	344.6	317.9	329.4	-4.7
Utilities	121.3	137.7	151.5	147.6	148.3	27.0
Construction	1,066.4	1,130.5	1,231.0	1,160.8	1,217.2	150.8
Manufacturing	2,107.2	2,030.9	1,962.7	1,781.8	1,744.3	-362.9
Services-producing sector	12,434.3	12,829.9	13,074.0	13,088.8	13,301.0	866.7
Trade	2,616.4	2,673.3	2,684.9	2,652.2	2,677.8	61.4
Transportation and warehousing	794.8	819.7	848.9	816.2	805.7	10.9
Fin., insurance & real estate	1,032.9	1,055.8	1,073.6	1,092.1	1,095.7	62.8
Prof., scientific & technical services	1,082.1	1,129.9	1,189.3	1,191.9	1,266.7	184.6
Business, building & other services	683.3	699.0	685.0	654.9	672.2	-11.1
Educational services	1,154.7	1,179.8	1,186.3	1,188.8	1,217.8	63.1
Health care and social assistance	1,779.0	1,835.4	1,893.0	1,949.2	2,030.7	251.7
Information, culture and recreation	742.3	776.3	758.4	769.6	766.0	23.7
Accommodation and food services	1,013.9	1,073.8	1,080.6	1,056.6	1,058.4	44.5
Other services	701.1	721.8	748.3	787.0	753.5	52.4
Public administration	834.0	865.1	925.7	930.3	956.4	122.4

Source: Statistics Canada Labour Force Survey

This is not to say that traditional industries are declining – quite the opposite. They are simply employing fewer people today as a result of productivity improvements and investments made in automation. This makes them more competitive and stronger.

However if job creation is the primary metric for the economic development organization, it will fail to show the true value of helping manufacturing companies access government assistance programs to upgrade their processes and their technology (reducing the requirement for labour) and hence their competitiveness. Nor does it show the true value of the interventions by the EDO and partners helping companies that are forced to downsize and preserving jobs for the remaining workers.

Quality of Jobs Created

As a result of the shift from manufacturing employment to service sector employment, there is often a discussion about the quality of jobs being created. Critics argue that a job in a call centre or in the hospitality industry does not make up for the loss of high paying (unionized) manufacturing jobs. While that is true in some instances, not all jobs in the service sector are minimum wage. Two of the fastest growing sectors in the Canadian economy are “Professional Scientific and Technical Services” and “Health and Social Services” which are sources of very high quality jobs.

It is important that the EDO begin to capture information about the new “knowledge-based” jobs being created by the professional and technical services in his/her community, in ICT and computer systems development and in fields such as marketing and design. These jobs are not as obvious to the outside observer and therefore often go uncounted. Performance measures that look at job “quality” as well as “quantity” will provide a much better picture of the economic transformation of our communities.

Project Gestation Period - Measuring Performance for Newly Created Organizations

Newly created economic development organizations face a particular problem. There is a gestation period for most projects, from the point of first contact to a public announcement. This gestation period varies from project to project but it can be as long as three years. A newly created economic development organization typically will have very little to show for itself in the first few years of operation, while it is building its programs and filling the pipeline with project files.

This issue has been identified in several of the articles on performance measurement in US organizations. In a 2002 report entitled “*Economic Development in State Economic Development Organizations*”, Dr. Julia Melkers and Ms Laura Malone wrote:

“Even when good performance measures are developed collaboratively, implemented with sufficient funding, and integrated into agency culture, it can take several years for the implementation process to yield successful results (Poister and Streib, 1999). Therefore, it also may be too early or premature to effectively evaluate the success of performance measurement systems (Brudney, 1999).”

Hampered by client confidentiality, the EDO can’t publicly discuss projects that are not yet ready to be announced. Therefore without a good reporting system that respects the commercial confidentiality of the client, the EDO in a new organization will have difficulty convincing council and the general public that their tax dollars are being put to good use.

Once projects in the pipeline begin to mature and are publicly announced, the pressure on the EDO is often relaxed, but it can be a frustrating time for both elected officials and EDOs.

Acknowledging Partners in Economic Development

As mentioned previously there are always partners involved in every economic development project. It can be a significant challenge to develop performance measures in economic development that acknowledge the real contributions of the many stakeholders (provincial partners, realtors, utilities, planning/public works, politicians and volunteers, etc.) in an economic development project.

Reporting on Clients Served vs. Need for Client Confidentiality

Client confidentiality is a critical concern for economic development officers. We are often privy to commercially confidential information which, if revealed, could do irreparable damage to the client and the reputation of the economic development organization. Knowing that we work in partnership with a host of other actors, how much information can and should EDO share with superiors and community partners who are in a position to make a contribution?

It is also important to provide some information on the activities of the economic development organization to Members of Council or your Directors to demonstrate the wide variety of client interactions as well as the businesses that are actively considering an investment in your community or region. This is particularly so for newly created organizations which have to contend with the gestation period for economic development projects discussed earlier.

However there are dozens of horror stories about overly enthusiastic Mayors or councillors revealing the name of a prospective client to the press either intentionally or by slip of the tongue. In some cases, this can result in losing the investment opportunity. At the very least it will harm relations between the economic development organization and the client.

As a result, most EDOs do not share confidential information with Council or their Boards as part of their regular reporting. However for some clients, the Mayor or Board Chairman can make a critical difference. The survey of EDAC members revealed that nearly half of the members surveyed do share confidential information with their CAO or City manager (48.3%). The majority keep a tight control on this information including 38.5% of those surveyed who withhold all information.

Do you share confidential client information with:		
Answer Options	Response Percent	Response Count
CAO/City Manager	49.5%	45
Head of Council	24.2%	22
Advisory Committee/Board	29.7%	27
Council	13.2%	12
None of the above	38.5%	35
Other (please specify)		20
	<i>answered question</i>	91
	<i>skipped question</i>	8

There were a wide range of write-in responses, 20 in total. They too show that there is no preferred option although they mostly underscore the sensitivity of the issue. It is interesting to note several respondents commented on EDOs being required to sign non-disclosure agreements.

The write-in responses received include:

- Relevant EDOs
- Chair of the Economic Development Committee
- Misc. area and ethnic business associations
- They haven't got the maturity to hear or receive it
- Generically if require info from planning, engineering, department manager
- Corporation board of directors when non-disclosure approves
- Truly depends on the situation
- As necessary with the CAO or Council but am finding that more and more companies are requiring us to sign non-disclosure agreements so that information remains confidential
- Only when granted permission and to different persons depending on project
- Depends on issue
- Will selectively share with others above and sometimes chamber of commerce as a strong partner with us
- Mayors
- City manager sits on the Board as ex-officio
- Information shared depends on the situation and the individual
- Minister, Deputy Minister, Premier
- Board of Directors of CF only
- Board Members and Government Partners (provincial & federal)
- Only when warranted
- Development related members of the senior management team

Fundamentals in Performance Measurement

The Venture Development Organization Approach

The Regional Innovation Acceleration Network (RIAN) is a group funded by the US Economic Development Administration. It serves the ever-growing number of VDO's or Venture Development Organizations that are springing up across North America. While many are free-standing organizations or associations such as high-tech associations or other networking groups, economic development organizations are increasingly playing a role in venture development and/or are facilitating the efforts of other local groups such as angel networks. This is one of the newest arenas for economic developers and targets the 2% to 3% of companies (Gazelles) that have shown to be prolific job creators described earlier in this report.

There are many excellent sections in RIAN's web-site (www.regionalinnovation.org/index.cfm) describing best practices in venture development and innovation, including their recommendations for performance measurement.

“Metrics That Matter

There are a vast number of measures one can use to assess the inputs for a VDO, the efficiency of the processes and programs used and the outcomes of VDO activities. RIAN is focused only on the direct impacts of VDOs on the client firms and the improvement in the VDO's impact based on client reporting. Therefore, RIAN recognizes the following four impact measures and one performance measure that we believe should be adopted by all Venture Development Organizations. These metrics should be gathered and reported regularly and consistently by each and every VDO.

Impact Metrics

- **Jobs Created** – Net change in total direct employment of client firms that can be attributed to VDO activity and/or support, with an annual reporting period.
- **Wages Paid** – The total annual wages or salaries of new and retained FTE jobs at client companies.
- **Investments Attracted** – Additional capital, outside of investments made by the VDO, raised by client companies, distinguishable by local and outside sources. Organizations may specify funding by sources – equity, grants, etc.
- **Revenues Earned** – The revenues and sales of client companies.

Performance Measure

- **Time in Place** – The impact, or change, over time resulting from VDO activity in its region. It is important that this measurement occurs independently and without comparison to other VDOs in other regions.”



RIAN believes that a VDO needs to benchmark its activities. There are a number of ways to do this but some of them can be more harmful than helpful, especially if the VDO tries to compare itself to a VDO in another community or similar organization. There are simply too many variables that have influenced the development of venture development organizations in different communities to find two or more similar enough for comparison.

Instead RIAN recommends tracking performance in the four key metrics over time.

“This is RIAN's fifth important metric: time in place – the change the VDO is affecting in its region over time. With this approach, benchmarking can be accomplished by comparing VDO client growth to more appropriate standards: national/state/regional averages, statistics for industry sector, control groups, or other normalized measures for the four impact metrics.

Better still, tracking performance over time also enables the VDO, and those wanting to ascertain its success, to create a baseline in these key metrics to allow benchmarking VDO performance against itself. Ideally, this is done at the outset of a VDO's operations, so that overall economic impact can be compared against a pre-VDO starting point across these metrics. However, this baseline can be established after the organization has started creating and capturing impacts.”

www.regionalinnovation.org/index.cfm

An excellent reference for those interested in performance measurement in public institutions is “*Performance Measurement – Getting Results*” written by Harry Hatry and published by the Urban Institute Press in 2006.

(http://books.google.ca/books?id=PQNUNlwdbDQC&pg=PT339&lpg=PT339&dq=performance+measurement+harry+hatry&source=bl&ots=mVoJ80Q9QZ&sig=M8eB73JCLBXElxAJEPmklmFMMyY&hl=en&ei=NewNTtaeK-inOAG-x8GFDg&sa=X&oi=book_result&ct=result&resnum=5&ved=0CDsQ6AEwBA#v=onepage&q&f=false)

Hatry argues that performance measures should be aimed at achieving clearly identified outcomes: “Outcomes are not what the program itself did but the consequences of what the program did.” Performance measurement is about results.

Angelou Economics is a US based economic development consultant. They published an excellent article on performance measurement in economic development describing Hatry's work. It is available on their web-site (www.angeloeconomics.com/measuring_ed.html).

They sum up Hatry's work by showing the interrelated elements that organizations use to measure performance of an operation. Those elements are:

- **“Inputs** - are resources such as money, staff time and other items used to produce outputs and outcomes. Inputs indicate the amount of a particular resource that is actually used to produce a desired result;”
- **“Activities** - are the actions a program takes to achieve a particular result;”
- **“Outputs** - are the amounts of products created and services delivered in a reported period, such as number of training programs conducted, number of classes taught, or number of clients served; and”
- **“Outcomes** - are changes in knowledge, skills, attitudes, values, behavior, or condition that indicate progress toward achieving the program's mission and objectives. Outcomes can be short-term, intermediate, or long-term. Outcomes are linked to a program's overall mission.”

Another researcher, Steven C. Deller of the University of Wisconsin observed in the Community Economic Newsletter of February 2005:

“Inputs and outputs are easily identified and measured, but outcomes are an entirely different matter. Consider for example, educational programs aimed at helping local entrepreneurs. Inputs are easily measured: number and breadth of courses offered, level of direct one-on-one counseling, or volume of educational packages distributed. Outputs are also easily measured: number of individuals participating in programs, number of completed business plans, or volume of SBA loans flowing into the community. But outcomes are more difficult to measure. Ideally, entrepreneurs will be more effective at identifying opportunities, crafting strategies to minimize risks and avoiding business ideas that do not make economic sense. But how does one know if the skills and abilities of program participants have really increased as a result of participation? Would these entrepreneurs have made the same decisions with or without the programs?”

(www.aae.wisc.edu/pubs/cenews/docs/ce340.pdf),

The model illustration used by Angelou shows how the elements that Hatry described are put together in an economic development program to demonstrate the desired result. We have adapted this model to reflect the Canadian experience. It can be used to develop any type of performance measurement.

Model for Developing Performance Measures



Money	Tourism	Inquiries	Job Growth
Staff/Volunteers	Business Recruitment	Project Files Opened	Capital Investment
Facilities	Retention & Expansion	Corporate Calls	Tax Assessment
Equipment/Supplies	Small Business Advisory	Clients Served	Businesses Start-ups

Source: Angelou Economics, 2005 Based on work by Harry Hatry as adapted by the author.

A performance measurement system can be costly to administer especially if it gets out of hand and takes over your program. There is also a simple device to remember the characteristics of an effective performance measure. Angelou’s closing argument is that performance measures need to be **SMART**:

Specific - Establishing some pie-in-the-sky, lofty measurement that sounds good but is not specific is not going to give you the credibility you need, or help your program accomplish its goals. Performance measurements need to be as specific as possible so that people investing in economic development efforts know how those efforts are going to be measured.

Measurable - There’s an old saying, “If you don’t know where you’re going, any road will get you there.” A performance measurement is only useful if you can actually measure it, either by quantifying it with specific numbers, or verifying through qualitative means that the goal has been accomplished.

Achievable – Make sure that your performance measures can actually be accomplished. Setting a goal that is impossible to achieve will only cause frustration. It’s all right, however, to set ambitious goals that stretch your organization. Everyone needs to reach a little beyond their grasp.

Relevant – Performance measurements need to be relevant to your organization’s mission and your program’s strategic objectives.

Time-based – Make sure that performance measures are achieved within a specific period.”

A study by Melkers and Malone in 2004, “*Performance Measurement in State Economic Development Agencies*” (<http://aysps.gsu.edu/report92.pdf>) examined measurement systems in 41 states and drew heavily on the work of Harry Hatry and others. It is one of the most comprehensive reports so far encountered.

In a report to the State of Georgia (their client) they recommended the following guidelines be used in the development of metrics for the Economic Development Department:

- Measures should reflect activities, but also outputs and most importantly outcomes (e.g. the results of your activities). Some aspect of quality and customer satisfaction should be part of the outcome measures as well.
- Measures should be identified for major activities as opposed to all activities.
- Targets should be specified separately from measures.
- Some measures may make sense to track on a monthly basis, whereas others will only be meaningful on a quarterly, semi-annual or even annual basis. This then will drive the computing platform for data maintenance.
- All measures must be explicitly defined.
- All measures must have a specified data source.
- All measures should be revisited following a period of data collection (for at least 6 months) to determine their usefulness and value.
- Measures that require client input/feedback will involve the development of data collection instruments.”

Source: *“Performance Measurement in State Economic Development Agencies”*
 Andrew Young School of Policy Studies at Georgia State University, 2004

These recommended guidelines were intended for a specific client, the State of Georgia, but they are applicable to all economic development organizations. Adopting these guidelines will ensure your performance measurement system measures the things that matter most to the success of your program and not overburden the system with irrelevant and costly processes.

Measuring Efficiency

Another element is often used to measure a program’s performance - an efficiency measure. It shows which particular programs or initiatives produce the best results.

The following table was prepared by the author for an article which appeared in *Municipal World* some years ago. It is a hypothetical example of calculating the cost effectiveness of common economic development programs by using the number of project files generated by each activity as the measure of effectiveness.

Hypothetical Example - Economic Development Program Analysis

Activity	# Project Files	Program Budget	Cost / File Opened
Corporate Calling on Existing Businesses	25	(Staff Time)	\$0
Newsletter or Direct Mail Program	5	\$ 20,000	\$ 4,000
Advertising Campaign	7	\$ 50,000	\$ 7,142
Exhibiting @ Trade Shows (2)	4	\$ 14,000	\$ 3,500
Investment Missions to Target Markets (2)	6	\$ 40,000	\$ 6,666
Inward Missions from Target Markets (1)	2	\$ 15,000	\$ 7,500
Public Relations Activities	4	\$ 12,000	\$ 3,000
Sales Calls in Target Markets (4 trips)	15	\$ 20,000	\$ 1,333
Totals	68	\$ 171,000	\$ 2,514 (avg)

It should be noted that that the number of leads generated or project files opened is not the most appropriate measure for all economic initiatives. A prudent economic development officer does a lot of things that don't contribute to opening "project files" but which are none-the-less very important to organization such as building awareness for the services offered or communicating more effectively with partners and other stakeholders in the community.

Narrative Reporting for Outputs

Another technique for documenting outputs is narrative reporting on individual project files. In these cases, a brief description of the client is provided – avoiding the name or any other identifiers which would reveal the company's identity. The report provides a generic description of the client company and the nature of the assistance provided. It also allows the EDO to acknowledge the contributions of partner organizations and gives the Council or Board a better understanding of the types of inquiries the office receives and the work being done by the staff in the economic development organization.

The narrative report can be supplemented with a "box score" of activity and other outputs.

Sample Project File Status Report: (Confidential to the Board or Council)

2011-05-GER – German producer of plastic components to the automotive industry referred by the Investment Officer at the Canadian Embassy in Berlin. The company is looking for a 60,000 sq. ft. building for lease. They will supply Canadian and US customers. Projected capital investment is approximately \$50 million - employment is expected to be 150 at full production. Info on three suitable buildings, recommended by local realtors, was provided in early October, along with labour rates and availability from the Workforce Development Board. The Investment Officer at the Embassy reports the owner is planning a visit in December to view recommended sites. A decision is expected early in the New Year.

Sample Box Scorecard (Public Information)

Quarterly Report	Current Period	YTD Total	Annual Target	Prior Year
Activity				
Inquiries responded to - Referrals, Walk-in, Phone, Fax, Email				
Web-Site Traffic				
Total Reactive Contacts				
Corporate Calls Made				
Contacts @ Trade Shows, Conferences & Events				
Total Pro-Active Contacts				
Outputs				
Caseload of Active Project Files				
Outcomes				
Announced Investments - New and Expansions				
Total Capital Investment				
Jobs Created/Maintained				

Recommendations for EDOs

It is clear from the research that no single performance measurement system can be applied to all economic development organizations. They are simply too diverse in their priorities, mandates and resources. However to assist Economic Development organizations in creating their own performance metrics, we offer the following recommendations:

1. Select a handful of metrics rather than measuring everything

Outcomes should be the main focus of the performance measurement system. Did the efforts of the economic development office result in the creation of additional jobs? How many and of what quality? Is there a measurable increase in taxable assessment and tax revenue?

2. The metrics selected should reflect the goals of the organization

The metrics you select should come directly from the priorities of your strategic plan. Consider carefully whether your objectives are the creation of new ventures (with the potential for future growth) or new jobs or are they oriented toward diversification to reduce dependence on a single industry? Each of these would have a different set of metrics. “Jobs for jobs sake” is no longer acceptable as a metric if the new service sector jobs are not of the same “quality” as high paying manufacturing jobs lost to outsourcing.

If you run a small business incubator, you could be targeting the successful transition of your graduates once they leave the incubator. If you are a tourism office and your objective is to build your sports tourism numbers you will want to count the number of tournaments attracted to your community and the room nights generated by the participants and their families.

3. Include a few metrics to show Activity and Outputs

Some metrics should be included to demonstrate the level of activity and the output of the economic development office (such as inquiries responded to, corporate calls made, project files opened). This shows how busy the office is. This can be particularly useful when trying to get budget approval for more resources.

Also, the narrative form of reporting described earlier in this report is one means of reporting on “files in progress” in confidential reports to the CAO or Board Chair without compromising client confidentiality. As previously noted, many economic development projects take time to mature, so it is difficult to report work done today when the results may not be public for another year or more.

4. All metrics must have an identified data source

In all cases the source of the data used in the metric needs to be identified when the metric is established. Some metrics such as inquiries responded to, files opened or building permits issued are easy to get because they are internal. Others such as changes in overall employment or population levels are only available at the community level every five years through the census.

5. Survey your clients

Hatry and other experts recommend customer surveys to determine such things as the number jobs created, capital investment and very significantly, the level of customer satisfaction. This necessitates the EDO developing the tools to survey their clients on an annual basis.

There is a second and very powerful benefit of doing this. It allows the Economic Development organization to track previous clients to measure their subsequent growth and be able to report the cumulative impact of the economic development program over time.

6. Claim only what your organization played a role in

Many economic development organizations produce an annual report on the health of the local economy which includes such metrics as employment and unemployment statistics, non-residential building permits issued, and other generic measures. In many case these reports feature expanding local businesses. The reports should also cover the downside, plant closings and layoffs to establish that you operate in a cyclical economy.

However when reporting the **outcomes of the economic development program**, you should only report those outcomes for which your organization can legitimately claim credit. Count only the companies you worked with, only the jobs they report having created, the capital investment they reportedly have made, etc. Some Economic Development organizations assign a weight to the level of involvement they had with each project to achieve greater transparency. If the local economy grew by 2,500 jobs, but the companies you served created 400, it is much more credible if you say so. It is even more credible when the businesses you have assisted also provide testimonials.

7. Report outcomes over time

Knowing that the gestation period for many economic development projects can be measured in years, it is also important to report on your outcomes over a period of time. The cumulative impact of the addition of 200 jobs each year over a five year period is very impressive. Not only does the time based reporting show that “Rome was not built in a day”, it helps build an understanding that expenditures for economic development are a good long-term investment for the community.

Closing Observations – Insights into Best Practices in Performance Measurement

Although desirable, a single set of metrics for economic development performance would be too simplistic. The nature of the organization (e.g. size, structure, partnerships, governance etc.), its specific areas of focus (e.g. tourism, small business, specific sectors etc.) and the environmental context (economic climate, competitive forces etc.) must be considered in the development of specific and suitable metrics for each organization. The recommendations of this report have focused on best practices for developing these specific organizational metrics, and are based on three key insights from the literature review, which are summarized again below:

1. Focus on Outcomes

The first is to adopt the principles espoused by Harry Hatry, focusing on **Outcomes** to measure the impact of the economic development program:



Money	Tourism	Inquiries	Job Growth
Staff/Volunteers	Business Recruitment	Project Files Opened	Capital Investment
Facilities	Retention & Expansion	Corporate Calls	Tax Assessment
Equipment/Supplies	Small Business Advisory	Clients Served	Businesses Start-ups

Most economic development programs limit their reporting to “Outputs”. Annual reports tend to focus on the number of clients served, the number of corporate calls made, etc. These are things over which you have some control. We shy away from the really important measures because there are so many other factors outside your control that determine job growth and development. Unfortunately the outputs merely measure how busy you were. They don’t show us how effective you were.

“Efficiency is doing things right – Effectiveness is doing the right things”

Only by focusing on the outcomes of the economic development program; the investments made, the number of businesses started, the number of jobs created/maintained, will you be able to determine the effectiveness of your program. Have you been focusing on the right things in the design of your economic development program? Are you making a difference?

Even in an economic downturn with layoff announcements every few weeks and a rising unemployment rate, if you are able to confidently state that your organization contributed to the start of “x” number of new small businesses, or that with your help “y” number of companies were able to preserve “z” number of jobs through new contracts or by investing in technology, you are able to demonstrate that the economic development

program has been effective in reducing the negative impact of the falling economy. This will require reaching out and surveying your clients, which is something few EDOs do.

2. Select SMART Metrics

The second insight gained through this review is that all organizations would be wise to select metrics that are **SMART**:

Specific – Measurable – Achievable – Relevant - Time-based

The metrics you apply to your economic development program should flow directly from your strategic plan. If for example one of your objectives is to stimulate the growth of entrepreneurship in your jurisdiction, you need to identify the metric that will be used to measure that. It must be specific and it must be measurable. This forces a new discipline on your strategic planning because you (or your consultants) can't throw in obtuse recommendations that can't be supported by specific and measurable indicators. For this reason the verbs "foster", "encourage" and "support" should never be used in strategic plans because they can't be measured.

If on the other hand your objective is to match up "x" number of entrepreneurs with angel investors through a "Dragon's Den" type program you can be very specific about the number of matches you would like the program to achieve while taking care to ensure your target is achievable.

A business incubator or small business advisory service should keep records of their graduates over time to measure the long term impact of the service. For example, how many of the graduates of the program are still in business 3 or 5 years later and how many people are they employing.

3. "Metrics that Matter"

Finally, in the face of a rapidly changing economy, it is increasingly important that we collect information on the **quality of the new jobs** being created by focusing on the "Metrics that Matter" such as those developed by the Regional Innovation Accelerator Network in the US:



Many people believe that employment base is shifting from high paid manufacturing or resource industry jobs to low paying service sector jobs in call centres, tourism, retail and other services. While some of this is true, not all service sector jobs are low paying.

One of the fastest growing NAICS categories in recent years has been the “Professional, Scientific & Technical Services” category which grew 17% between 2006 and 2010 (see the table on page 14). In most cases companies in this sector employ highly qualified professionals. The problem with this sector is that the companies are not as obvious as a manufacturing plant or a mill and they can get overlooked in a quick scan of the local economy.

There has been rapid growth of digital media, consulting engineering in virtually every field, computer systems developers, marketing and design companies, social media applications and many others that could not have been imagined a decade ago. Economic Developers need to develop better methods of monitoring the growth of these “high quality” jobs and consider programs to support new employers, particularly those with exportable services.

A Final Word

Economic Developers have not done a good job of producing realistic performance metrics over the years. Our profession has now reached a level of maturity where this issue needs to be addressed.

It is only natural that we would shy away from introducing metrics because we have so little control over the outcomes, but for our profession to be treated with respect we need to do so.

The three insights summarized above provide an excellent foundation for the development of a performance measurement system but it has to start with the Strategic Plan. The plan must identify the priority targets for the economic development program because we all know there are too many things that need to be done and there are never enough resources to do them.

When framing the strategic objectives in the plan, consideration must be given to defining the expected outcomes and a “SMART” indicator identified that is clearly measurable.

The plan needs to focus the economic development program on the handful of issues or opportunities that will have the greatest long term impact on the local economy and it should identify right at the outset the indicators that will be used to measure progress towards the plan’s objectives.

Reference Documents

We have assembled a number of sample reports from economic development organizations across the country, including an Ontario Small Business Enterprise Centre and an Ontario CFDC (ACOA and WD use different templates). We also included a sample report from a Tourism office providing comprehensive programs of convention promotion, sports tourism and the leisure travel promotions. These and many of the studies referenced in this report have been downloaded and are available on the EDAC web-site at www.edac.ca

Others are available online by clicking on the hypertext links in the body of this report.

EDAC members are encouraged to upload copies of their performance reports to share with others.

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