Benchmarks: Measurable Indicators of Economic Success

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benchmarking

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Introduction

Across the United States, our citizens are increasingly interested in ensuring that government expenditures are well spent. This interest is noted at all levels of government ranging from local to national scales. In fact, increased accountability on the part of the government is a phenomenon that is emerging in city after city across the nation. Led by pragmatic mayors in Cleveland, Milwaukee, Philadelphia, Chicago, Los Angeles and New York, among others, our urban areas are rapidly becoming centers of a government ideology that stresses responsibility, customer orientation and demonstrable results. Above all, these areas stress accountability. In all of its manifestations, accountability is a critical element of the “quality movement” that is becoming acculturated in both the private and public sectors.

This notion of accountability implies measurement: All government organizations know intuitively that in exchange for public tax dollars allocated, increased value will be gained. Despite this intuition, few government organizations have attempted to demonstrate, in a comprehensive manner, how this actually happens. This is a particular problem for economic development planners and their agencies. Of course, one can show the number of jobs gained or saved per dollar expended and one can show how the tax base is enhanced (or stabilized) per dollar expended. Beyond this, however, very little is shown in the way of measured accountability.

It is clear that economic development planners are not demonstrating what they are capable of doing to the fullest possible extent. Furthermore, it is clear that the methods used to account for work are simplistic and explain very little about actual accomplishments. Unfortunately, economic development planners typically have difficulty in determining if they are effective at all! As Fisher has written: Perhaps the most that can be concluded is that “some” public services clearly have a positive effect on “some” measure of economic development in “some” cases (1997). Perhaps more importantly, it will help us to gain the support needed to continue to provide our services across the nation (CUED 1996). This is the premise of this article: All economic development professionals need to better explain, analyze and document their activities and trumpet their successes based on some form of agreed upon measurement. One hopes that the national movement to increased accountability will compel development professionals to tell the full story of their actual accomplishments.

With this point in mind, the authors undertook a project that analyzed how economic development officials are now measuring their activities and, perhaps more importantly, how they could better measure their outcomes. The article is presented in six sections. Section one provides a concise overview of the evolution of measurement in local economic development. Section two highlights the purposes and types of evaluations commonly undertaken. The third section summarizes the methods used to undertake the study. Section four explains the types of activities that typically are (or could be) measured by economic development professionals. The problems and issues that are impacting how evaluation occurs are detailed in section five. Section six is a brief closing thought urging all development professionals to become more involved in measuring their work.

The Evolution of Evaluation Systems

Over the past two decades, local economic development programs and activities have grown in prominence as communities and regions across the country have attempted to strengthen or restore their economic base. These economic development initiatives generally rate high on the local political agenda while drawing in funding support from various federal, state, and quasi-governmental resources. The increase in public sector involve-

MEASURABLE INDICATORS OF ECONOMIC SUCCESS

All our communities are striving for economic success. Political platforms are built on promises of economic prosperity. However, we rarely thoroughly measure this success. Across the country people are increasingly interested in ensuring that government expenditures are well spent. We can note this interest at all levels of government ranging from local to national scales. As well, accountability, in all of its manifestations, is a critical element of the “quality movement” that is becoming acculturated in both the private and public sectors. This article focuses on how local economic development officials can measure and evaluate their professional activities in a pragmatic manner.
ment in the affairs of local and regional economies is a result of events in the 1970s, when cities were mandated to face growing national and global upheavals with fewer federal resources than they had grown accustomed to. Until then, city planning in the United States was generally more concerned with improving the social and physical environment. Planners believed that comprehensive planning and the orderly development of land would generate an economic response by the private sector. As a result, planners adopted a supply-oriented perception of urban development which assumed that private interests would avail themselves of adequately serviced and centrally located land without further incentives.

Economic development in the United States during the postwar period and years leading up to the early 1970s was, by and large, a function of state governments. These economic development programs gained particular popularity in southern states where commerce departments were created to perform a variety of functions including industrial promotion and recruitment. The business attraction or industrial recruitment model had a singular focus which was to recruit manufacturing plants from out of state interests by offering them “low-cost investment locations and public financial incentives.” In marketing their states as prime and receptive industrial locations, they implicitly acknowledged certain comparative advantages such as low-cost physical labor and a larger source of natural resources.

By the early 1970s it became increasingly evident that state marketing strategies to stimulate economic development would no longer be sufficient and competitive in the emerging global economy. At the same time, there was a growing consensus among local planners and policy makers that federal programs had failed to revitalize local economies. Significantly, much of the new federal aid bypassed states and went directly to cities to fund programs in manpower training, job creation, housing and community development. The planning and administration involved with the use of federal funds also created a new breed of urban planner who understood development trends, fiscal impacts and pro-forma analyses. Furthermore, new city planning and development organizations were formed nation-wide for the principal purpose of acquiring and administering federal funds in support of local community and economic development efforts.

Economic development became a buzzword during the 1980s for a wide range of programs and activities that focused primarily on business expansion and job

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creation. Pragmatism, rather than prescribed rules, began to shape city planning and development practice. New economic development tools and techniques were devised and employed by economic development professionals to assess the economic needs of the community. These needs assessments were used to formulate appropriate planning and marketing strategies. Important to the economic development professionals' tool kit were new strategies to help foster local and regional economic growth. Such strategies included the development of local entrepreneurial environments, university-industry linkages, manufacturing modernization, expert assistance, and regional industrial clusters. Economic development planning had also become increasingly involved in efforts to assist in the restructuring of local industry by interceding in such matters as negotiating tax incentives and preparing loan packages. Local capacity-building was a key strategy to the new economic development consciousness.

Public sector economic development in the 1990s has continued to take on a more sophisticated entrepreneurial role. Economic development is often regarded as public sector deal making, involving targeted investments to expand the local economy. This can be accomplished by helping foster the growth of new businesses, assisting local firms with their expansion, and bringing outside firms into the community.

Vigorous economic development between cities and regions can be expected to continue on into the next millennium. It is also expected that the pursuit of economic development goals will endure even if every federal and state subsidy for local economic development is withdrawn. Along with the priority given to local economic development, moreover, the roles and responsibilities of economic development organizations and professionals have received greater scrutiny.

There now exists a greater need for accountability and measures of effectiveness including the ability to measure the impact of economic development programs and activities. The capacity to measure this impact will be dependent upon the ability of the staff to measure economic change in the community being served. Change is typically measured in quantifiable terms which calculate numbers of new businesses, jobs created, firms retained, and evidence of the lowering of unemployment rates.
the planning discipline began borrowing from the strategic planning modes introduced by the country's leading business management schools. These modes of strategic planning offered new possibilities for public sector planners attempting to provide shorter-range solutions for comprehensive planning goals and objectives.

Local planners have increasingly assumed a greater leadership role in building consensus and support for a community's economic development efforts. To be successful in this endeavor, economic development professionals need to recognize diverse community interests and help create meaningful and effective partnerships among local environment, business, labor, education, nonprofit organizations, and various civic groups. The planning challenge is to create new organizations and institutional approaches that will support sustainable economic development policies and programs along with a broader community vision and involvement.

Performance Measurements in Economic Development Practice

One of the main reasons for evaluation is the public's need to tell whether it is getting value for its money. Indicators of a successful economic development program raise the confidence of both the local government and the private sector, and encourage investment in the projects and programs of the community, often in amounts far exceeding that of the public sector alone. A successful program attracts the participation and investment of such institutions in financial and human capital as well as physical facilities. The ultimate stakeholder in such a program is typically a region or the community in a specific geographic area within which a program is targeted. The goals of a program usually are, after all, the achievement of benefits to the community in number of jobs retained and created, providing needed training for the workforce, protecting or enhancing the tax base, raising of incomes, improvement of the physical built environment, enhancement of the quality of life and assurance of a stable local and regional economy. These programs also help officials and managers improve their services and programs.

Evaluations are basically of two major types: One is the "ad-hoc" study. This is an in-depth evaluation and one-time study of a particular program or activity that an economic development program has undertaken. This type of evaluation tries to identify the reasons for what has happened. Considerable financing and staff resources are typically put into these evaluations, and because of this, these studies are rarely undertaken. The second type of evaluation is called "outcome monitoring" and is basically the evaluation of outcomes of individual programs on a regular basis. In contrast to ad-hoc studies, this approach is relatively inexpen-

sive and is frequently undertaken.

Performance or "effectiveness" measurement is not uncommon to planning practice. Certain subgroups of planning, most notably transportation and housing planning, have traditionally used performance measurements in program evaluation. The effectiveness of state and local transportation services and the impact of proposals on the community are often evaluated by various effectiveness measures including such variables as accessibility, convenience, travel time, comfort, and safety. Likewise, housing programs and services have long been evaluated using performance measures such as number of housing units rehabilitated, low income benefit, and number of housing units brought into compliance with health and safety codes.

The experience of housing planners with performance measures has to do with the program requirements of the principal funding source, the Department of Housing and Urban Development (HUD). Since the mid-1970s, HUD has required state and local program agencies to submit annual performance reports that quantify the ways in which a unit of state or local government has achieved the program goals and objectives specified in their respective Comprehensive Housing Assistance Strategies (CHAS). Likewise, economic development practice has more recently adopted "total quality management" type performance

Current economic development programs and activities that address local capacity-building require alternative evaluative mechanisms. Changes in the entrepreneurial environment, effectiveness of job training programs, regulatory streamlining, and overall quality of life need to be evaluated on a more subjective basis. More and more economic development agencies and officials are also opting for strategic planning programs with mission and vision statements that help define what the economic development organization ultimately hopes to accomplish.

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![Massachusetts Receives More Than $1 Billion in NIH Funding](image)

The biomedical leadership of Massachusetts can be measured, in part, by the steady increase in research funding the state receives from the National Institutes of Health (NIH).
One of the main reasons for evaluation is the public’s need to tell whether it is getting value for its money. Indicators of a successful economic development program raise the confidence of both the local government and the private sector, and encourage investment in the projects and programs of the community, often in amounts far exceeding that of the public sector alone. A successful program attracts the participation and investment of such institutions in financial and human capital as well as physical facilities.

measurements that look beyond traditional job and business creation statistics. In doing so, economic development agencies are shifting their evaluation focus to the competitive benefits of benchmarking, a practice commonly used by U.S. businesses in their pursuit of borrowing the “best practices” of world class performers.

The Study

The authors undertook a study that was designed to determine means and methods that would enable local economic development officials to present their accomplishments (or shortfalls) to their stakeholders and supervisors in an easily understood manner. To accomplish this, we performed four major activities.

First, we undertook a peer review to determine the reactions of academics concerning the measurement of economic development results and impacts. From this came some interesting perspectives. For example, when we presented our findings at the International Association of Collegiate Schools of Planning/Association of European Schools of Planning Conference in Toronto, academics questioned, in an absolute sense, whether true measurement was possible. Citing such factors as economic raiding, qualitative influences (i.e., leadership) and national/international trends (i.e., an anti-union attitude, industrial movement, international trade agreements), they questioned how a meaningful data-driven, evaluative approach could work. We concur with their observations: In an absolute sense, a meaningful, bias-free nationally based system of evaluation cannot be created. There are simply too many non-measurable externalities that influence the results. However, it should also be noted that there are means and methods that are locally driven which can show whether or not the funds are well spent.

As an illustration, Worcester, Massachusetts, was the first community outside of Greater Boston to include biotechnology as an acceptable use in its zoning by-law. Shortly thereafter, it attracted a major international pharmaceutical research firm. This zoning effort, undertaken in part by a federally funded economic development planner, would not typically show up in any national report concerning job creation or tax base expansion. Yet, at the local level, the planner’s effort was the “sine qua non” for this project. Bearing such anecdotes in mind, the academics, while cautioning us on how the data was aggregated, urged us strongly to go forward.

Secondly, we explored the available literature on evaluating economic development. While there is a growing body of knowledge on the topic, it is oriented far more toward description than prescription. In short, study after study shows what is being done in the field but offers little that is intended to directly help economic development officials to have a means of measuring performance.

Thirdly, we analyzed national and local data on measuring economic development. Through a national survey of economic development officials/agencies, we were able to determine how these people/institutions measured their progress. The national data was collected by the International City Managers Association and then turned over to us for analysis and interpretation. Local data came from a set of open-ended interviews of professional economic development officials from Massachusetts. These interviews were intended to serve as a cross-check against the national data.

Finally, after analyzing the data and undertaking the interviews, we developed a set of indicators that can be used for evaluation and benchmarking.

Quantifying Economic Development Success

Given the above, one can understand why so little evaluation actually has occurred. Yet, also, given the point that economic development specialists like other municipal officials are increasingly asked to justify their positions, we expect that there will be a major change of focus in the near future. With this in mind, we have identified a set of indicators that can be used by economic development specialists (or others) to measure “progress” in their communities. They range from “tried and true” measures such as job creation, to other less common techniques such as measuring increased corporate performance. (See template sidebar.) This is not intended to be an exhaustive list, but more as a sampling to stimulate thinking about more innovative means and methods to measure one’s efforts and accomplishments. We focused on five general areas: population, employment, economic base, tax base, and overall economic health.

Is the Population Growing?

An analysis of the population base as an evaluative tool can be very helpful. It can inform the economic development professional about aging trends, education and skill trends and whether or not the community is growing. If, for example, the average age of the population is declining then there are signs that new workers are being attracted to the area. On the other side, if it is becoming older, then it may indicate a lack of opportunities
Through our interviews and presentations, it is clear that a simple, non-time consuming list of indicators of activity and progress was greatly desired by economic development professionals. We have developed an 11-point set of templates designed to assist these professionals. The set is designed such that the local professional can extract those activities and functions that have a meaning to her/his jurisdiction.

A. Tax Base
1. Will this project ultimately and directly help to expand the tax base?
2. Will this project indirectly help to expand the tax base?
3. Will this project help to directly maintain the tax base?
4. Will this project help to indirectly maintain the tax base?

B. Jobs Maintained and Generated
1. Will this project directly result in new jobs?
2. Will this project indirectly result in new jobs?
3. Will this project directly save jobs?
4. Will this project indirectly save jobs?
5. Will this project generate construction jobs?
6. Will this project help the unemployed?

C. Plant Investment
1. Will the project result in the building of a new plant or the expansion of an existing facility?
2. Will the plant result in new jobs or job retention?
3. Will the plant add tax revenues to the community?
4. Will the plant strengthen an industrial cluster or bring a new technology to the community?
5. Will the unemployed, under-employed or displaced worker be hired?

D. Investment in Brownfields
1. Did the funds stimulate inner city development?
2. Did funds turn a difficult inner city site into a functioning area?
3. Did the funds stimulate increased employment among the chronically unemployed?
4. Did the funds stimulate the retention of an inner city facility and/or inner city jobs?

E. Loans Leveraged
1. Did the loan contribute to obtaining a conventional loan?
2. Did the loan stimulate the creation of a new company?
3. Did the loan stimulate the attraction or retention of a company?
4. Did the loan contribute to the creation of new jobs or the retention of existing jobs?
5. Did the loan revitalize a building and, therefore, contribute to #2, #3 or #4 above?

F. Improved Corporate Performance
1. Did the investment result in improved corporate performance?
2. Did the investment indirectly contribute to “linked” firms moving to or staying in the area?
3. Did the investment stimulate the creation of new markets, or new products?

G. Revitalized Properties
1. Did the investment result in a vacant building being occupied?
2. Did the investment result in companies and jobs being gained or retained because of the investment?
3. Is the property on a solid financial footing?
4. Is the building contributing tax revenues to the community?

H. Non-Traditional Jobs Gained
1. Did the investment provide jobs for minorities, women, new Americans, the chronically unemployed and/or the displaced worker?
2. Did the investment provide jobs for the above workers that at least matched the prevailing wages in the community?
3. Did the investment provide jobs that provided at least basic medical insurance?

I. Land Assembly
1. Did the investment result in parcels that could not previously be developed becoming marketable?
2. Did the investment stimulate new construction, new or retained jobs and/or newly retained tax revenue?

J. Inventions and Licenses
1. Did the investment result in bringing new inventions, licenses or products to market?

K. Expansion of Infrastructure Capacity
1. Did the investment result in the expansion of infrastructure capacity?
2. The immediate return on investment was
3. The investment will result in _________ at build-out.
for younger workers.

Normally, one can connect residential growth, a declining age of population and job opportunities. For example, Greater Seattle is projecting 113,000 new housing units and 127,000 new jobs in the Puget Sound area over the next three years (this is almost entirely due to Greater Seattle's burgeoning population). In contrast, ATT decided to select Providence, Rhode Island, over Springfield, Massachusetts, for a new manufacturing facility due to the fact that the latter city's workforce was not growing: There were dramatically fewer persons entering the job market in Springfield. In short, if an economic development specialist was able to demonstrate that there was a growing population consisting of younger workers then he/she would typically have a positive measure of success.

Do We Still Have a Skilled Workforce?

An examination of the population base can also provide indicators of skills. These are important for two reasons. First, the presence of skilled workers represents a strong marketing tool. Secondly, it provides a quick snapshot of the condition of the economy: If the skills are overwhelmingly in one industrial area and there is little growth in this area then there may be cause for worry. In contrast, if the skills are in a growth area then there is reason to be optimistic. Three illustrations come to mind.

In Cambridge, Massachusetts, the presence of skilled biotechnical workers is a critical factor (along with the city's famed institutions) in attracting new companies. Monsanto, for example, is moving part of its research and development activity to this area for this reason.

In Gardner, Massachusetts, the story is not so positive. As this city lost its chair industry between 1970 and 1980, it held on to a significant number of its skilled furniture makers who were committed to the area. Unfortunately, the city was unable to turn this advantage to economic gain and the overwhelming number of workers retired or retrained.

In Southeastern Massachusetts we are about to see a similar phenomena as two giants of the jewelry industry, Ballou and Justen, leave the area. A large number of skilled workers will remain. Hopefully, economic development officials can use this skilled workforce as a base to revitalize the area's economy.

The key point in the above is that if an econom-
ing that is continuing, the measurement of net jobs retained can be significant. This measure requires the economic development official to determine which companies were considering downsizing where he/she undertook actions to stabilize the workforce. If he/she was successful then the number of saved jobs could be a positive measure. For example, the city of Gloucester, Massachussets, recently convinced the Veratech Corporation not only to stabilize its workforce in the city but to expand its operations, despite attractive offers from Italy and Korea. The fact that the city could actually demonstrate the number of jobs stabilized was a key factor in its gaining an infrastructure grant from the Commonwealth.

Equally important is the type of jobs retained or gained. Those jobs that provide a minimum “living wage” and which pay benefits are particularly beneficial. Too often, economic development officials simply count any job as a good job. While there are instances where this is valid, it is our experience, all things considered, that those jobs that provide higher wages will bring greater prosperity to the community. The impact of these jobs on the economy can be measured through the application of economic multiplier impact techniques. The United States Chamber of Commerce has now created a set of employer and income multipliers. While they may not be exact replications of what has occurred at the local level, they are based on extensive experiences across the United States. The real value of this indicator is that it is based on national standards and can be used to make comparisons with the performance of different industries and distant communities. It also minimizes the feeling of unbeliefability in the face of the frequently inflated multipliers used by local developers.

Targeted job creation, no matter what the targeted population (older workers, immigrants, displaced homemakers, young people), is a reasonable goal and a reasonable measure of success. It is important to remember, however, that the creation of entry-level jobs or jobs for unskilled labor needs to be balanced by the creation of jobs that require skilled labor or, for example, in research and development (R&D). We noted this most recently in Barre, Vermont, where there is a steady demand for blue collar workers in the city’s largest concentration of firms, the granite industry. Unfortunately, the industry has failed to capitalize on its competitive advantage by adding value to its base product (granite) and there is little demand for highly skilled or highly educated workers. Barre workers may move the rock, but the intellectual work is largely accomplished elsewhere.

Training programs typically try to match the skills of the workforce with the needs of local industry. The number of training sessions and trainees enrolled can be used as measures of success. As well, there are a series of other indicators that can be reported concerning training. These can range from establishing skill development classes at a community college to creating “English as a Second Language” classes. We have seen this work quite successfully in Cranston, Rhode Island, where the local community college comes to the TACO plant twice weekly to educate the entire workforce on an extensive number of subjects ranging from computer applications to “Spanish for Managers.” Information related to the results of the training can be typically obtained via the State Department of Employment and Training or the Private Industries Councils.

An average blue collar work week of 41 on 42 hours means that workers are typically getting the hours they need to earn a sufficient paycheck; a decline in the average work week generally indicates that workers’ pay is decreasing. However, an increase in the number of work hours is not necessarily a sign of economic health as some companies who are uncertain of their future will shift to overtime rather than hire new employees. We have noted that New England’s manufacturers have been extremely slow to hire new workers since the Recession of 1991: They will ask their employees to work overtime over an extended period before new workers are hired. Even with an unemployment rate below 4 percent, this practice is still widely pronounced. Thus, one must be careful when using overtime as a positive measure.

In short, if an economic development specialist examines and evaluates local employment figures,
Concerning business capital, its importance rests with the simple fact that when companies are borrowing or buying and selling locally, there are more funds within the community. Given the increased use of "just in time" business practices or even the presence of an industrial cluster, the results of this available capital will undoubtedly spread throughout the community. Data collected by banks in order to comply with the Community Reinvestment Act could be highly beneficial in creating this indicator.

Jobs gained or retained, the quality of those jobs gained or retained, training opportunities and work hours, he/she will have a strong set of indicators of her/his successes or shortcomings.

Is the Tax Base Stabilized or Expanding?

There are two common ways to improve the community’s tax base: tax base retention and tax base expansion. Concerning tax base expansion, as communities are increasingly dependent on property taxes to provide needed services, any increase in taxable property is considered to be an asset. This is especially valid if this increase is in the non-residential sectors, and thereby less likely to impact the school systems.

The question most often asked of new project developers is does the project result in an increase in property value? This would be measured, in part, by the property taxes collected at the site before the proposed project and the amount that would be collected if the project was realized. This should also include, if applicable, indirect influences. In other words, for example, if the project in question improved a building and stimulated new investment on nearby property then this, too, should be calculated.

According to the 1994 International City Management Association survey, 64.5 percent of the respondents said that increasing the tax revenue without raising taxes was considered very important. A note of caution may be in order, however. Too often, communities do not undertake a true fiscal impact of a project. For example, we were recently asked by a group of citizens to determine the fiscal impact of a proposed Wal-Mart facility in New Palms, New York. The developer reported that the town would gain a substantial increase in its tax base. Unfortunately, the developer did not calculate the true costs associated with the project. After we calculated the additional service costs and negative impacts on investment elsewhere in the community, the project proved to be far less desirable. As a result, the town officials voted not to accept the project.

The use of this indicator is popular among planners at the city and town level, given that municipal governments levy property taxes. The size of the tax base is also used to broadly measure whether industry has expanded or contracted over time, thus indicating the health of the local economy and whether businesses find the community tenable.

Tax base retention, while less glamorous than tax base expansion, is just as important. It may be measured by documenting whether certain actions on the part of the community contribute to a company, building or land use remaining in a productive, tax paying state. We have noted that many communities are employing tax increment financing (TIF) techniques to help retain their companies. In Worcester, Massachusetts, for example, the city has liberalized grants to existing companies; the result is that the city has maintained a healthy manufacturing base. Granted, there will be a decline in collections over an immediate period. However, over a longer period, the results will most likely have contributed to greater tax stability.

Has Business Capital Helped to Stimulate Growth?

Concerning business capital, its importance rests with the simple fact that when companies are borrowing or buying and selling locally, there are more funds within the community. Given the increased use of "just in time" business practices or even the presence of an industrial cluster, the results of this available capital will undoubtedly spread throughout the community. Data collected by banks in order to comply with the Community Reinvestment Act could be highly beneficial in creating this indicator. There are typically four indicators that can be used to track the level and use of business capital in the community.

The first indicator centers upon improved corporate performance and plant investment. Plant investments provide solid indicators of economic stability and future prosperity. Firms that invest in their physical assets such as modern equipment and effective work space tend to be more productive and competitive. These investments typically lead to increased sales, profits, jobs produced and taxes paid. Data for this indicator can be often obtained from corporate annual reports. Furthermore, if plant investment occurs in the inner-city there are significant "value added" socio-economic components. Some of these jobs will go to formerly displaced workers, minorities, new Americans and the traditionally underemployed.

The second indicator relates to the number of businesses assisted. The exact measure used for this indicator may vary from number of site visits to number of business permits issued or to "number of business expansions" in which economic development specialists "played a role." This variation in measures reflects the difficulty in gauging the success of the "process facilitator" role of the economic development planner. These measures are difficult to quantify, and even when a quantitative figure such as "the number of site visits undertaken" is used, it is difficult to paint a complete picture of the business climate. However, they are still valuable in terms of measuring activity. Indeed, one cannot
underestimate the value of this indicator. Its importance rests in the specialist gaining a “sense of the ground.” It provides information as to whether he/she is connected to local businesses or is removed from them.

The third indicator is the number of loans made and loans leveraged. Financing economic development projects is often confusing and complicated to outside observers. In most cases, the funds come from a number of different sources, each matching or leveraging other funds. For example, do local loan pools serve as “gap financing?” In other words, did the loan enable a company to gain the funds required to finance its project? There is a need to document not only the amount of direct loans made to businesses but also to determine how much leveraging actually occurred and the number of loans ultimately issued. When a community has an EDA Revolving Loan Fund, this data is easy to obtain. However, when lending is through private banks or loan pools, it can be time consuming to extract the information. In all cases, however, it is powerful information.

Finally, one can measure the success rate of non-traditional loans. This is one of the important measures: It examines what happens to loans over time. Too often, the image of local revolving loan pools is that the funds have gone to “macramé makers.” (In other words, people and firms that couldn’t possibly qualify for traditional loans.) In our experience, the reality is quite different. We need to show what has happened to the customers of our loans over time (e.g. 5-10 years later).

Is the Economy Vibrant and Diverse?

It has often been said that local economies are constantly changing with new companies being formed and existing ones closing, moving, or expanding in the community. In support of this point, the economist James Howell has written that a community cannot be afraid to “hurry history along.” Communities should not support those companies likely to have little future success. We note three easily calculable measures that can be used to illustrate vibrancy and diversity. The first relates to inventions and licenses. Did the investment help to bring an invention or license to market? If so, we need to know what it was and its significance in the local community. Data on inventions can be easily obtained from the United States Patent Office via the Internet. However, inventing something and bringing it to market is another story. When it becomes marketable, it should be catalogued as part of the indicators report. We have noted, in our professional experience, by the way, that inventors who form companies tend to stay local.

Secondly, have the actions of the economic development office stimulated new product lines? Did the investment help a company to convert from an outmoded product line to one that has improved prospects? In other words, if a company switched from a line of bias ply to radial tires, and by so doing entered an expanding market, we should measure its impact on the local community. We have noted such a shift recently with the plastics industry in Northern Worcester County, Massachusetts. Firms that once focused on manufacturing plastic forks (low end products) are now making high precision, high quality products for export.

Finally, are there a significant number of business start-ups? We know that most of our communities must develop new businesses from within. Therefore, business start-ups are crucial. If the investment helped to stimulate the formation of new companies then the results should be trumpeted.

Other Indicators: A Snapshot of Economic Health

Beyond the measures found by answering the previous six questions there is a set of other indicators that can help to determine if the actions taken have helped to improve the economic climate of the community. These can be noted below.

Land Assembly: Did the project result in previously undevelopable parcels becoming marketable land? This can be determined by examining the ownership before and after the investment. The importance of this indicator is that small parcels are very difficult to develop. Our “rule of thumb” for an industrial park is that it must have a minimum of 50 acres under the ownership or control of one entity.

Pre-Clearance of Land: Did a sponsored project move land that previously could not be developed into a developable state? If so, there is need to measure the acres and the added assessed value. Here the economic development specialist’s role is
crucial. By changing the zoning, clarifying title issues, obtaining infrastructure grants removing chemical contamination or even buying the land, he/she could be providing a new opportunity for the community.

Occupancy Rate: Did the investment contribute to an increase in building occupancy? This can be determined by comparing tenancy before and after the investment over time. It need not be immediate and could be three to five years after the investment was made. The gain to the community from such an increase is extensive: Typically, new investment occurs, local banks gain increased revenue, and property tax revenues increase.

Rise in Exports: Did the investment result in an increase in exports? The significance of this, given the European Union, the North American Free Trade Act, and the General Agreement of Tariffs and Trade, among others, is quite high.

Expansion of Infrastructure Capacity: We know that infrastructure investment, over time, will result in the activation of a new industrial activity. Yet, we rarely calculate additional gains from the new sewer, water or highway improvement. We need to count the secondary impacts. For example, did the new sewer line stimulate another plant owner to modernize her/his structure? We recently noted in Deerfield and Whately, Massachusetts, the simple opening of a new road to an industrial site triggering the expansion of several nearby firms.

Revitalization: If the revitalization of older structures has been made possible, it is an indicator of success. Many communities have beautiful older structures that contribute to the sense of place but that have fallen into disrepair because the businesses that brought them into being have disappeared or are no longer flourishing. Bringing in new occupants who will rehabilitate such buildings is a tremendous benefit to the community. The examples of this type of activity are myriad and can be found, for example, in Providence, Rhode Island (Devol Mill); Winookski, Vermont (Champlain Mill); Maynard, Massachusetts (Digital Mill); Mansfield, Connecticut (Mansfield Mill); and Laconia, New Hampshire (Busiel Seaburg Mill).

A Concluding Comment

The need is clear for economic development organizations to continually evaluate the success of their programs. Finite resources and intensified competition from other areas do not leave economic development practitioners much room for error. Programs and services must be targeted to meet the needs of business customers, because if one community does not deliver, another will. When businesses leave, it is significantly more difficult to find another to rebuild the community’s tax base.

Evaluation and benchmarking techniques are becoming increasingly useful tools in measuring the performance of economic development entities. And yet, we continue to find great resistance to using such techniques. In fact, a 1994 International City Managers Association national survey found that an overwhelming 83 percent of local governments undertake no evaluations of their economic programs. Moreover, our own research of 20 economic development professionals in Massachusetts found great resistance to evaluation. Nonetheless, an evaluation and benchmarking “culture” must be developed in which all collaborating organizations in a jurisdiction or region strive to improve quality in an effort to reach identified quantitative outcomes. If a local or regional program is to be effective, it must include the stakeholders and the collaborating agencies in the evaluation/benchmarking team who share a vision of the community and commit themselves to working jointly to achieve it. Further, evaluation and benchmarking are part of a continuous commitment to improvement on the part of the organization.

Finally, these techniques, when used properly, can provide tremendous payoffs in terms of increased and efficient productivity and a significant competitive advantage in today’s fierce marketplace. They give organizations the capacity to understand high-class performance.