Economic Development Part I: Performance Measurement for Economic Development

KNOWLEDGE BRIEF

INTRODUCTION
WHAT IS ECONOMIC DEVELOPMENT?

Economic development holds different meanings for the different stakeholders.[1] As a result having a broad range of stakeholders involved in planning and evaluating local economic development strategies and activities offers the benefits of collaboration, diverse perspectives, and buy-in. Stakeholders collaborating in economic development can include government (e.g., elected officials, staff), non-government, education, cultural, community, and private sector organizations.

Broadly speaking, **economic development is about improving people's quality of life and well-being by building up the economic and social capacity of an area.**[1-2] Economic development contributes to a larger vision of building sustainable and resilient communities by helping communities:

- Strive to maintain healthy and thriving economies, societies, and environments,
- Adapt to external and internal stresses,
- Take advantage of internal and external opportunities,
- Provide a high quality of life for residents, and
- Persist through time.[3]

The outcomes of economic development strategies include: job creation, retention, and diversification; an increased tax base; and new education and training on the promotion of community assets.[4] Each community has its own vision, as well as its own set of assets and challenges, which can influence the types of outcomes desired. This is another reason why using performance measurement in economic development is useful. As Kwon & Gonzalez-Gorman highlight, "*When performance measures are tied to economic development goals, specific efforts for pursuing the goals are better understood, and supporting them becomes more acceptable to local officials and their constituents.*"[5]

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Common Reasons to Measure Performance

1. Ensure that credible and reliable performance data are being collected to effectively and efficiently evaluate projects, programs, and initiatives.[6-7, 10]
2. Ensure that time is being spent on high-value activities[6] and project costs are not outweighed by the benefits.[5, 7]
3. Make informed decisions and take appropriate, timely action.[10]
4. Monitor progress, identify areas for improvement, and document accomplishments towards desired goals and objectives.[6, 9]
5. Measure impacts on clients and to help guide efforts in order to better serve them.[9]
6. Share information on effective practices.[9]
7. Ensure a common understanding among all partners of the intended result and how it will be reached.[9]
8. Build momentum and gain support from the broader community (e.g., public interest, combating naysayers, leveraging funding).[6, 9]
9. Provide regular progress updates and relevant reporting[7, 10], both internally and externally.
10. Stay accountable and on target to funders and others.[6]

WHAT IS PERFORMANCE MEASUREMENT?

Performance measurement is becoming increasingly common in economic development. For instance, in recent years the provincial governments of Ontario and British Columbia have released performance measurement toolkits, offering guidance to communities in developing and achieving their economic development goals.[6-7]

Performance measurement is a result-based management tool used to collect, assess, and report on data in order to evaluate progress towards a desired outcome or objective.[7] Its origins are within the wider field of evaluation, which has developed an extensive body of literature, tools, and methodologies.[8] While economic development practitioners may see the impacts of their work on a regular basis, **using a performance measurement toolkit allows them to effectively assess the short and long-term impacts of their work**, and to communicate this information to businesses, the public, elected officials, and others.[9] In other words, performance measurement allows a community to determine whether or not the economic development activities that they are investing time and money into are producing the intended benefits (see Common Reasons to Measure Performance).

PERFORMANCE MEASUREMENT FRAMEWORKS

"***If you can't measure it, you can't manage it***"[11] is a good guiding principle for economic development practitioners. To measure the performance of an economic development strategy, practitioners can use a performance measurement framework.

A performance measurement framework details the method, indicators (or metrics), data sources, frequency of reporting, roles and responsibilities of those involved, and other relevant content. The objective of using a performance measurement framework is to build an accurate measure of progress on an economic development strategy. This is done by assessing the links between the inputs (e.g., human and financial resources), activities (e.g., events, meetings, website development), outputs (e.g., number of clients met, number of website hits), and outcomes (e.g., number of new jobs created or retained, amount of new investments created).

A wide variety of frameworks have been developed to measure the performance not just of economic development strategies, but many other areas including the activities of government departments, reducing homelessness, social innovation, corporate performance, etc.

When choosing a performance framework for economic development **it is important to recognize that there is no one-size-fits-all model**. Economic development practitioners should select or create a framework that meets their local or regional priorities, mandates, and resources.[12] For instance, in the forest-based communities of Robson Valley Forest District, British Columbia, locally developed and non-local standardized indicators were used to measure well-being.[13] However, there are common steps among the different frameworks (see Common Steps in Developing a Performance Measurement Framework).

USING INDICATORS

A key step in any performance measurement framework is the development and selection of indicators (or metrics) **that will accurately measure a community or region's progress towards its economic development goals**. An indicator is a qualitative or quantitative tool used to measure the performance of a program or initiative over time.[7, 10, 13]

Common Steps in Developing a Performance Measurement Framework

1. Assess, revisit or initiate a local/regional economic development plan:[6-8, 11]
   - Assess long-term trends.
   - Identify key local/regional issues to address.
   - Audit current economic development activities.
   - Outline desired short-term, intermediate, and long-term outcomes.
   - Compile a master list of indicators to measure progress.
2. Build stakeholder consensus and engagement:
   - Involve the entire region/community.
   - Assemble a working group to develop the framework.
   - Map and analyze local and regional assets.
   - Seek stakeholder input on outcomes and indicators.
3. Prepare to use data:
   - Select desired outcomes that are specific, measurable, achievable, relevant, and timely (S.M.A.R.T.).
   - Ensure the outcomes can be attributed to the indicators selected from the master list.
   - Set baselines and targets for desired outcomes.
   - Create a 1-page diagram, known as a logic model, which summarizes the plan's inputs, activities, outputs, and outcomes.
   - Determine how to collect and store data for each indicator.
   - Understand how to analyze the data.
   - Assign who is responsible for measuring indicators.
4. Implement and monitor progress:
   - Report progress on a regular (e.g., monthly, quarterly, semi-annual, or annual) basis, highlighting successes and challenges.

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Criteria for Selecting Appropriate Indicators

1. Keep the number of indicators used small and manageable.[6, 10, 12]
2. An indicator should be a valid measure of what it is intended to measure[10, 16] and have a high degree of direct relevance that links it to activities, outputs, and desired outcomes.[6-7,12] For example, a valid measure of an economic development team's contributions to local business success could be based on the number of new start-up companies established after they received funding and/or coaching support from the economic development team. A less valid measure of the team's contributions would be based on the total number of new start-ups, regardless of whether they received any support from the team.
3. An indicator should be free of bias[16] that might lead to inaccurate measurements of performance. For example, the wording of questions in a survey to local business owners should be written in a way that generates honest answers from people, rather than being written in a way that promotes a particular view and/or encourages people to respond in a way that is favorable to the economic development team.
4. Data for indicators should have an identified source that is consistently available.[10, 12]
5. Data for indicators can be repeatedly collected in a reliable manner to track progress over time.[6, 10, 16]
6. Data for indicators can be collected and analyzed in a cost-effective, affordable, and timely manner.[7,10]
7. An indicator should be sensitive to changes it is meant to indicate, and able to provide timely information and early warnings of change.[16]
8. An indicator should have a baseline against which to measure changes.[7-8, 16-18]


Rossland Tourism , Dave Silver photo

Qualitative indicators are defined as "*judgements and perceptions expressed as non-numerical values, such as behaviours, processes, and institutional changes*".[7] Some examples of ways to gather qualitative data include holding focus groups with stakeholders, asking community members open-ended questions in interviews about quality of life, and collecting testimonies from businesses served through a local economic development website.

Some indicators are used to measure the amount of work (i.e., output) performed by an economic development team, while others measure the degree to which goals and objectives are reached.[15] The types of data available can influence choices, when deciding on the outcomes and the associated indicators that are included in an economic development strategy (see Criteria for Selecting Appropriate Indicators).[14] Standardized indicators can also save time and money if the data is already made available through a secondary source such as Statistics Canada or Canada Starts Here: BC Jobs Plan. However, standard indicators often lack consideration of local context.

When selecting indicators, issues and questions frequently arise around the appropriate scale (e.g., local, regional, national) at which to measure performance.[19] Rural communities are diverse, meaning they can face different challenges. For instance, one tourism-dependent community may be struggling with youth unemployment, while another is faced with providing enough affordable housing for the annual influx of youth workers.[20]

Ultimately, in order to develop viable options and strategies, economic development should be grounded in the local and regional context with a conceptual understanding of that place.[21] This includes understanding resources, political and power structures, cultures, social capital, and social cohesion.[21]

However, it is also important to think about local economic development within the broader national and global contexts. For instance, collecting data on new trends in the global economy helps inform a community about what is needed for things like education and training programs, both for youth and to retrain adults so they can compete in future labour markets.[22]

Therefore, it is important to strike a balance between standardized indicators that address common concerns across local, regional, provincial, and national scales, and non-standardized indicators that are specific to the local context.[19] Both performance measurement toolkits from BC's Ministry of Jobs, Tourism and Skills Training[6] and Ontario's Ministry of Agriculture, Food and Rural Affairs[7] provide lists of indicators for economic development to help communities get started.

PERFORMANCE MEASUREMENT IN RURAL COMMUNITIES

Rural communities often don't use performance measurements consistently. A recent study found that less than 20% of communities studied with population sizes smaller than 10,000 used performance measurement for any municipal planning activities.[22] But, as described above, there are many benefits to gain through the use of performance measurement for economic development. For example, by using performance measurement stakeholders in Clallam County, Washington were able to develop a strategy that revitalized a struggling forestry industry and recruit new businesses to open a mill for processing a previously unused, but valuable type of hardwood tree.[11]

A community is more likely to use performance measures for economic development when:

- It develops a strategic planning team.[22]
- It has a formal written economic development plan.[5, 15]
- There is agreement on a mission and vision of success.[8]
- Staff time is devoted to build the performance measurement system and oversee performance measurement once the planning process has ended.[8]
- Its budget is linked to economic development priorities.[5]
- There are a low number of barriers to economic development.[5]
- It develops a reward/incentive system for staff within the local government.[22]
- Communities are faced with a high level of regional, provincial/state, and international competition for investment, [5, 15] but they also cooperate with other communities in the region to pool resources to enhance the region's competitive standings as a whole.[15]
- Staff, particularly senior leadership, commit to examining results and learning from them.[8]

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