Measuring What Matters: Tracking Success in Economic Development

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Janet Miller: Welcome to the Federal Reserve’s Economic Development podcast series. I’m Janet Miller with the Nashville Area Chamber of Commerce and a board member for the International Economic Development Council, or IEDC.

Measuring the impacts of an economic development strategy is of increasing importance in order to more accurately link strategies and tactics to outcomes, and assess and recalibrate programs as needed. But given all the data points that could be used, how are local economic development strategies best measured and tracked? IEDC’s recent report, Making It Count: Metrics for High Performing Economic Development Organizations, focuses on the varying approach to measuring impact, and provides a menu of current metrics and suggestions for new metrics that may have applicability.

Welcome, Tim and Swati. So Tim, let’s begin by having you provide a little bit of background on the IEDC report. Can you summarize for us the importance of the report and a little bit about the methodology that you used?

Tim Chase: The origins of the report began back during the recession period when economic developers had for 50 years been able to impact job creation, capital investment, tax base, and personal earnings. And during that period of time our ability to impact those four things was severely impeded, depending on what part of the country you find yourself in. And so from that we began looking at what it is that economic development organizations do and how can we measure progress. We never will be able to operate without taking into consideration those four measures, but what we are looking at is what we might be able to do on top of that.

And so part of the project, there was an extensive literature review that was conducted in 2012. We also gathered and analyzed hundreds of metrics by EDOs [economic development organizations], what they were currently measuring, and we came up with close to 300 metrics. And those were used in a survey that was sent out to the contacts in the IEDC database. Over 500 people responded to the survey. In addition, we had individual interviews with practitioners across the country. And something that was new this time around was that we had a number of focus-group-style facilitated discussions during IEDC conferences over the last two years. We felt it was important to create ownership in the project by asking people to participate in the research process itself.

Miller: After that experience that you had, Tim, tell me a little bit about what need or gap this report fills, and what are the challenges that economic developers face in measuring performance?

Chase: I think that the challenge comes from making a conscious decision to add qualitative measures to the quantitative measures that the profession has used since it began. When you add those qualitative measures on to the quantitative, it becomes more difficult to find a standard set of metrics that we could point to as being a nationally recognized series of things that could be measured. And so while the metric menus that we’re going to talk about here were created, the idea is that we would have a standard set that the profession could begin working with.

Miller: So Swati, how would an economic development organization use that menu of metrics that has been laid out in the report? How do you see economic development organizations actually applying that menu?

Swati Ghosh: The menu itself is very easy to use, which should enable organizations to adopt it easily. Just a little bit about the menu, it’s divided into four segments, and it’s about what types of metrics do EDOs use at different points in their overall program management. The four segments are internal metrics, ED program, relationship management, and then community.

So each of the segments itself is then divided into several sets of metrics, and these are more akin to the economic development programs that EDOs work on. So for EDOs that have limited resources and are working on only business attraction or business creation, they can focus on the core metrics in those two categories. And then as their resources, as their ability to measure performance is expanded, they can keep adding on more and more segments to it.

The menus are part of a larger report. The report itself is divided into four pieces. The first is a guidebook that takes the most relevant information and puts it in a quick-to-access, quick-to-read kind of format. We also have a set of case studies that looks at a number of different organizations from around the country and how they are measuring performance. The last portion is the metrics analysis and research, which is the whole analysis of the full set of metrics that we gathered data.

Miller: You talked about an extensive survey of the economic development organizations that formed a portion of the, sort of, underpinnings of the report. Tell me a little bit about what were some of the most interesting findings from the survey?
Ghosh: One of the first things we found from the survey, which was actually disturbing, is that at least one-third of the EDOs don’t measure performance at all. They don’t measure it regularly, which says a lot about the kinds of challenges some of them face. The challenges range from lack of resources, lack of understanding, to not knowing what kinds of metrics to use.

But we also found a very high correlation between the existence of a strategic plan and the likelihood of an EDO measuring its performance. Strategic plans in 80 percent of the cases provided the guidance for performance measurement.

And lastly, we heard throughout our research that jobs and investment were the two key measures that economic development just cannot go away from.

Miller: So that gets us toward looking toward the future, and I’d like to visit how this report will relate to another report that IEDC is working on around the future of the industry. How do you think the metrics will be different in the future from the 290 that were identified in this report? What are the trends that we’re seeing in the future?

Ghosh: One of the things we saw was the increasing use of sustainability as a part of an economic development strategy.

Another area is relationship building and networking. So much of what EDOs do today is about relationships and networking, and we just see that increasing more and more as we go forward. But we don’t do a good job of measuring our performance on whether we nurture relationships and on the strength of our networks.

Miller: Tim, how do you see that smaller organizations that may not have as many resources as some of the larger ones, how do they improve the development and implementation of their performance metrics?

Chase: That’s always a challenge, and really regardless of what size of your organization you have to make a conscious allocation of resources. Smaller organizations are not going to have a staffed resource that might be geared exclusively to doing nothing but tracking a variety of metrics. And so in the menus there are breakouts of which ones seem the most logical for all sized EDOs to track, and they are fairly easy to obtain the information. And then if you drill down a little more deeply, the time and energy that it requires to pick up those additional levels of metrics and measure them consistently are going to be probably available to larger organizations, or smaller organizations who believe that this is a pivotal part of their program.

And the real value of the initiative is about getting leadership, volunteer, elected officials, government staffs of state and local, as well as the board members of economic development organizations all to be able to say, “Here are the things that we think are important, and these are not just things that we arbitrarily have landed upon, but they are things that throughout the research they are endorsed as the things that nationally should be tracked. And so together we will choose which of these metrics makes the most sense for our organization.”

And interestingly enough, there are a variety of those that will be measured and each organization will choose a different number of metrics to track. And part of this then is not only deciding what you can do or should do, but also what does it not make sense to track moving forward.

Miller: I would love to end with one question for both of you today, which is how can the takeaways from this report improve the impact of economic development?

Ghosh: We talked about in our research, “That which is measured improves, that which is measured and reported improves exponentially.” And if the one thing that people take away from this report is the importance of measuring performance and doing it on a regular basis will help improve their own understanding of what they’re doing and their ability to communicate that better with their investors, with their stakeholders, and continue to invest in economic development.

Chase: I think if there was one aspect of this project that permeated, it was making sure that economic development organizations are relevant to begin with, remain relevant moving forward. The things that we do and the measures that we’re looking at have to satisfy a need in what I refer to as our customers. Customers of economic development organizations are very broad. They involve the general citizens of an area or state, the political leadership, government leadership, the business leaders, all of those people have to believe that your organization is relevant and that the proof of the relevance is in using this standard set of metrics.

Miller: Tim and Swati, thank you so much. This concludes our podcast. We’ve been speaking to Tim Chase and Swati Ghosh with the International Economic Development Council.

The IEDC annual conference will be held October 19-22 in Fort Worth, Texas. So if you’re interested, there is more information on the IEDC website. We hope everybody will join us there.

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