Performance Metrics Matter

Go Beyond Counting Jobs to Create a Highly Effective Comprehensive Economic Development Strategy

A Publication of the National Association of Development Organizations (NADO) Research Foundation with Support from the U.S. Economic Development Administration (EDA)

PREPARED BY ViTAL ECONOMY ALLIANCE
This brief was developed to guide the national network of 380 Economic Development Districts (EDDs), funded and designated by the U.S. Economic Development Administration (EDA), to create more effective Comprehensive Economic Development Strategies (CEDS). It is based on the extensive experience of ViTAL Economy, a nationally recognized leader in community economic development. Since 1992, ViTAL Economy has worked with regional economies throughout the U.S., Canada, and Australia to develop, implement and finance transformative, regional asset-based CED initiatives.

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This special report is based upon work supported by the U.S. Economic Development Administration (EDA) under Agreement No. 99-06-07548, and is part of the Know Your Region project. Any opinions, findings and conclusions, or recommendations expressed in this publication are those of the author(s) and do not necessarily reflect the views of EDA or the NADO Research Foundation.

About NADO and the NADO Research Foundation

The National Association of Development Organizations (NADO) is a national membership organization for the national network of over 520 regional development organizations (RDOs) focused on strengthening local governments, communities, and economies through regional strategies, partnerships, and solutions.

Founded in 1988, the NADO Research Foundation is the nonprofit research affiliate of the National Association of Development Organizations (NADO). The NADO Research Foundation identifies, studies, and promotes regional solutions and approaches to improving local prosperity and services through the nationwide network of regional development organizations. The Research Foundation shares best practices and offers professional development training, analyzes the impact of federal policies and programs on regional development organizations, and examines the latest developments and trends in small metropolitan and rural America. Most importantly, the Research Foundation is helping bridge the communications gap among practitioners, researchers, and policy makers. Learn more about NADO and the NADO Research Foundation by visiting www.nado.org.

Learn more about the U.S. Economic Development Administration’s Know Your Region project by visiting www.KnowYourRegion.org.

About ViTAL Economy Alliance

Founded in 1992, ViTAL Economy (VE) is a virtual resource team comprising successful business, government, education, and nonprofit entrepreneurs to provide best-practice expertise to underperforming and remote regional economies. That team is called the VE Alliance.

Members of the VE Alliance have guided regional economies in 43 states and three countries to a brighter future using our proven blueprint, the VE Journey. These communities have transformed themselves from declining to sustainable regional economies that are creating billions of dollars in new, sustainable economic growth; developing hundreds of high-performance businesses; and creating thousands of high-wage jobs. For more information, visit www.vitaleconomy.com.
**S.M.A.R.T.**

Goals should be used for each critical condition and should be specific, measurable, achievable, relevant and time-based.

**Executive Summary**

A Comprehensive Economic Development Strategy (CEDS) is more than a mandatory report for opening doors to federal funding, especially through the U.S. Economic Development Administration (EDA). It should be an opportunity to formulate effective strategies that transform a region’s economy by creating or retaining wealth and increasing prosperity.

However, too often a CEDS is perceived as a compilation of the region’s needs and wish list of proposed projects, without an analysis of the trends and conditions that impact a region’s current economic landscape and without asset-based strategies to improve these conditions. And too often, the CEDS focuses on the number of jobs created, while failing to recognize that not all jobs have equal value.

To foster meaningful economic development, the national network of 380 EDA-designated Economic Development Districts (EDDs) should strive for a more sophisticated approach to setting, measuring and meeting goals than simply counting job growth, which does not accurately determine whether a region is growing its economy in the right direction.

What is the “right” direction? It is job growth that is in balance with a comprehensive vision that leverages the unique assets of a regional economy. A balanced approach to economic development also focuses on wealth creation and retention, improving quality of place, fostering a climate of innovation, and growing overall regional prosperity. This is why job growth is only one metric used by ViTAL Economy in a broader, yet targeted set of indicators called performance metrics.

Growing the right kinds of jobs requires a region to set its community and economic development conditions in context. This involves understanding and measuring trends, defining the region’s current economic conditions, and establishing measurable goals. As every region is unique, each region should use tailored and slightly different measures. These metrics should address:

- Which conditions are important?
- Which trends need to be reversed?
- Which assets are available to be leveraged?
- How will a strategy help achieve the economic vision?

Examples of critical conditions hampering economic growth include high levels of poverty, low average wages, low educational attainment, out-migration of healthcare services, aging workforce, and below-average broadband demand/speed/access.

Taking the critical conditions into account, a growing number of regional economic development policy makers, practitioners, and stakeholders are adopting the necessary discipline to establish best practice performance metrics to guide their CEDS development, design, and implementation path.

To be effective, the CEDS cannot focus solely on what a region lacks or needs. It must also focus on a region’s unique assets and competitive advantages, as these will drive future economic success. To fully leverage a region’s unique tangible and intangible assets as the foundation for transformative economic strategies, it is vital for regions to benchmark current conditions, yet also set measurable S.M.A.R.T. goals to monitor progress and adjust strategies and tactics as needed.

This white paper discusses how performance metrics can be used to create a more effective CEDS for a regional economy. It includes real-life examples of how performance metrics have been used by various Economic Development Districts (EDDs) and other regions assisted by ViTAL Economy to address unique conditions and transform their region’s economic performance. It also demonstrates how performance metrics are the first critical step in creating meaningful strategies in a CEDS and how they can improve an economic region’s ability to meet the new NADO’s Seven Principles of CEDS Standards of Excellence (Appendix A).

“We will no longer think, think, think; we will think and act, and get results.”

Michael Aube, President
Eastern Maine Development Corporation
A region may have already developed or be part of a benchmarking process that compares it to another region that it aspires to replicate. Examples include the Maine Development Foundation’s Measures of Growth in Focus, the British Columbia Progress Board Annual Benchmark Reports, or the Greater Peoria, Illinois, Economic Scorecard.

PART 1: Performance Metrics: Measure the Right Things to Get Better Results

Most regions tend to measure traditional metrics such as jobs, programmatic activity, businesses created, and clients served. Those measures may have sufficed in the 20th century, but the conditions that set the stage for job growth in 21st century knowledge-based economies are quite different. In order to attract and retain companies and workers today, regions must put more focus on performance metrics that measure quality of life, demographic mix, educational attainment, climate of innovation and entrepreneurship, arts and culture, recreation, healthcare, knowledge, and skill assets. These are the factors that current and future companies and talent increasingly care about.

What performance metrics an EDD selects should be based on what is important to them, what conditions the region needs to reverse or create, and what regional assets can be leveraged. It is also important to:

- Conduct a long-term trend analysis of selected metrics
- Establish a benchmark defining where a region is at a current fixed point in time
- Set a measurable S.M.A.R.T. goal for each performance metric

Performance metrics can be arranged in many different ways. ViTAL Economy typically works with regions to organize their performance metrics into three categories: state or regional scorecard, core performance metrics, and regionally unique performance metrics.

A) State or Regional Scorecard

In many cases, these reports establish a point-in-time benchmark for a region or state/province, but do not break the data down to a county level or define a continuing trend.

Therefore, a subset of the state or region has no way to know what proportion it represents of the total, nor how to proactively influence the direction of the indicators. These benchmarks should be linked down to the regional or county level so regional and local teams can set specific S.M.A.R.T. goals to drive each indicator in a positive direction over a defined period of time—typically five years.

Real Life Example: Maine Development Foundation

For over 15 years, the Maine Development Foundation has prepared a statewide economic scorecard entitled Measures of Growth in Focus. This publication is revised yearly to provide Maine leaders with the most up to date information about the state’s progress towards long term, sustainable economic growth and a high quality of life for all of its citizens.

Mobilize Maine, a regionally focused initiative being conducted across the state, recognized that the Measures in Growth in Focus indicators were well respected by leaders, but had not been applied to the state’s economic development regions. ViTAL Economy helped translate the statewide indicators into regional performance metrics, including the rate of growth required to achieve the targeted goal for each metric. Figure 1 illustrates how one of these goals, “Per Capita Personal Income,” was presented at a regional level to assist the region in establishing their regional “Per Capita Personal Income” goal and how their proportional share of the goal would help drive accomplishment of the statewide goal.

B) Core Performance Metrics

The development and analysis of the core metrics provide two benefits to regional economies. First, conducting this disciplined goal-setting process with regional leaders allows them to become more informed about their economy and what drives its income and prosperity. Second, it provides a firm basis to understand what constitutes the specific job goals for the region.

Core performance metrics should focus on factors that guide wealth retention strategies, such as average wage, jobs created at various wage levels, population/demographic changes, labor participation rate, sources of household income (e.g., private vs. public sector), local ownership, and educational attainment.
Standard metrics should be purposely designed to establish a basis by which job goals can be determined at three levels:

- New high-wage jobs
- New average-wage jobs
- Improvement of existing jobs by $5,000/year

Creating goals at all three levels is a prerequisite to creating comprehensive, precise targets for a region’s entire wage structure, which in turn creates meaningful CEDS strategies.

The core performance metrics begin with an overall regional population analysis, including the demographic mix and 20-year historical trend. This trend analysis is linked to the region’s labor force participation rate, the percentage of the population 16 and over that is participating in the workforce. This labor force participation rate is then compared to state and national trends. In recent years, ViTAL Economy has adopted a slightly different approach to labor force participation rates that includes a region’s entire population over 16 years of age. This approach takes into account that most regional economies in the U.S. are aging and facing intense workforce challenges. As a result, most regions should now be considering senior workforce strategies as part of their overall CEDS.

The second step in the standard metric development process is to analyze regional average wages. Average wage is defined as total yearly wages per job/compensation for work hours performed. This indicator allows for insight into the level of workforce performance, job value, and full-time equivalency. Again, this average wage indicator is compared to state and national levels.

Once the average wage comparison analysis is complete, a new five-year average wage goal is determined. This goal is developed taking into account the standard historic inflation in the region. Once the average wage goal is determined, it is simple to calculate the five-year total regional wages and overall new regional GDP.
In addition to the before-mentioned metrics, the core indicators should include broadband demand (e.g., Internet subscriptions per 1,000 population) and educational attainment (bachelor's degrees and/or associate degrees of those 25 and older). In today’s knowledge-based economy where businesses compete globally, high-speed broadband and a highly educated workforce are both essential components of a successful economic strategy and should be included in the base benchmark assessment.

The development and analysis of the core metrics provide two benefits to regional economies. First, conducting this disciplined goal-setting process with regional leaders allows them to become more informed about their economy and what drives its income and prosperity. Second, it provides a firm basis to understand what constitutes the specific job goals for the region.

Figure 2 provides an example of regional job goals for the Greater Egypt region in the Connect Southern Illinois (Connect SI) initiative. By reversing negative trends in the labor force participation rate and average wage, the region would be able to dramatically improve its economic climate.

### Greater Egypt Goal Setting Outcomes

<table>
<thead>
<tr>
<th>Greater Egypt Region</th>
<th>Baseline</th>
<th>2012 Same Trend</th>
<th>2012 Goal</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employable Population (16-64) (Adjusted)</td>
<td>160,527</td>
<td>167,936</td>
<td>179,238</td>
<td>+11.7%</td>
</tr>
<tr>
<td>Labor Participation Rate (Adjusted)</td>
<td>67.4%</td>
<td>67.4%</td>
<td>71%</td>
<td>+5.3%</td>
</tr>
<tr>
<td>Average Wage (2004)</td>
<td>$27,830</td>
<td>$35,765</td>
<td>$43,489</td>
<td>+56.3%</td>
</tr>
<tr>
<td>Regional Wage Indicator (2004)</td>
<td>$3.0B</td>
<td>$4.04B</td>
<td>$5.5B</td>
<td>$1.46B</td>
</tr>
</tbody>
</table>

NEW JOBS: 11,179*  WAGE: $43,500  $486.2M
NEW JOBS AT AVERAGE WAGE: 7,452  WAGE: $43,489  $324M
IMPROVEMENT OF EXISTING JOBS: 21,725  WAGE: $5,000  $108.6M
CLIMATE OF ECONOMIC OPPORTUNITY:  $541.2M

* Jobs are the result of action plans related to industry cluster and workforce development strategies.

### C) Regionally Unique Performance Metrics

Every economic region has unique challenges and opportunities, strengths and/or weaknesses. Accordingly, each region’s unique situation influences which metrics are important.

**Real Life Example: Performance Metrics—Broadband, Healthcare, Income, Exports**

From 2006 to 2010, ViTAL Economy worked with the highly distressed 20-county rural area in southern Illinois to address significant deficits in healthcare and broadband access, an essential prerequisite before the broader region could focus on job growth. In addition, it was important for the region to analyze and comprehend why it had experienced multi-decade economic decline and reduced prosperity.

Without acceptable access to such basic services such as healthcare and broadband, neither companies nor working families would be attracted to the 20-county region. Therefore, regional leaders in the Connect SI initiative established very specific, measurable performance metrics around improving access to broadband infrastructure (25
Economic review and analysis concluded that the Southern Illinois economy was experiencing reduced prosperity and high rates of poverty due to smaller than average attraction of new capital. The performance metrics that represented this situation were “income source” and “regional export activity” (refer to Figures 4 and 5).

D) Healthcare Performance Metrics

Connect SI realized that improved access to healthcare was directly related to changing the payer mix for healthcare services and addressing the long-term healthcare jobs gap. So the group established specific metrics and goals that would transform the quantitative and qualitative performance of the regional economy.

Real Life Example: Performance Metrics—Population, Prime Workforce Age

The Northern New England region of Maine, New Hampshire and Vermont is one of the fastest-aging areas in the U.S. Most of the economic regions in these three states have seen long-term declines in prime working-age populations. With the assistance of ViTAL Economy, this region is working to address job growth needs while also establishing specific goals to increase the percentage of working-age families—an important first step to develop the workforce needed to fill future jobs.

Figures 7 and 8 provide an impactful trend analysis and establish a clear benchmark of where the regions are today. This establishes a sense of urgency around the “double whammy” of an increasing retirement-age population and a decreasing working-age population.

Figures 7 and 8 illustrate that performance metrics are important not because a government body might require them, but because the future of a regional economy depends on them. The disciplined development of meaningful performance metrics is at the core of more effective community and economic development strategies. Metrics allow the CEDS to:

• Embed accountability in the economic development process
• Create a framework by which individual projects and investments can be evaluated
Performance Metrics Matter

CHAPTER 6

Impact of Healthcare Goals

1. Economic growth will improve payer mix

2. New health jobs will promote economic growth

- Insured population: +10%
- Medicaid: -26%
- Medicare: +16%
- Uninsured: -32%

**Potential Impact of New Healthcare Positions by 2012:**

<table>
<thead>
<tr>
<th></th>
<th>Jobs</th>
<th>Earnings</th>
<th>GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct S/I Impacts</td>
<td>4,676</td>
<td>$214.7M</td>
<td>$260.3M</td>
</tr>
<tr>
<td>Indirect and Induced</td>
<td>2,408</td>
<td>$75.4M</td>
<td>$106.3M</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>7,084</td>
<td>$282.3M</td>
<td>$424.5M</td>
</tr>
</tbody>
</table>

Source: VITAL Economy, 2007

**FIGURE 7**

Southern Vermont/Windham County Workforce Metrics

<table>
<thead>
<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0-19</td>
<td>11,620</td>
<td>11,522</td>
<td>9,220</td>
<td>8,213</td>
<td>-29.3%</td>
<td>-3,407</td>
</tr>
<tr>
<td>20-44</td>
<td>15,848</td>
<td>14,479</td>
<td>12,398</td>
<td>11,933</td>
<td>-29.2%</td>
<td>-4,815</td>
</tr>
<tr>
<td>45-64</td>
<td>7,726</td>
<td>12,042</td>
<td>14,349</td>
<td>13,483</td>
<td>74.5%</td>
<td>5,757</td>
</tr>
<tr>
<td>65+</td>
<td>5,394</td>
<td>6,173</td>
<td>6,889</td>
<td>8,175</td>
<td>51.6%</td>
<td>2,781</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>41,588</td>
<td>44,216</td>
<td>42,856</td>
<td>41,804</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Average Age**

<table>
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<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>2015 Projected Labor Demand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage &amp; Salary Jobs</td>
<td>22,584</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Farm Proprietors</td>
<td>10,531</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Labor Demand</td>
<td>33,115</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**2015 Labor Supply Estimate**

<table>
<thead>
<tr>
<th>Level</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assumes Commuter Inflow of 2,947</td>
<td>28,363</td>
<td>Low</td>
<td>4,752</td>
</tr>
<tr>
<td>Assumes no Net Commuter Inflow</td>
<td>25,415</td>
<td>Medium</td>
<td>7,699</td>
</tr>
<tr>
<td>Assumes 69.5% LFP</td>
<td>23,346</td>
<td>High</td>
<td>9,769</td>
</tr>
</tbody>
</table>
• Establish a disciplined process
• Provide clarity to the CEDS purpose and program objectives

PART 2: Trend Analysis: A Critical Component of Performance Metrics

Many regions make the mistake of measuring their economic performance at a single point in time rather than over a period of five years or more. Their current economic conditions have declined slowly over a few decades; therefore it is often hard to gain a complete understanding of why or how much the area’s economy has deteriorated. Analyzing economic trends helps regions better understand how they have arrived at the current state and start setting goals to modify or reverse the trends that most contributed to the decline.

Trend analysis allows a region to move beyond having a “feeling” that the economy is suffering (or prospering) to being able to measure the extent of the problem (or opportunity) and take appropriate actions. It allows a region to precisely identify and measure what it CAN impact and then set achievable goals.

Real Life Example—Regional Trend Analysis

Southern Vermont has experienced decades of economic stagnation. Figure 9 shows a dramatic drop in non-farm proprietor income while overall average wage income and population stagnated and declined, reaching a tipping point in 2000.

The State of Maine’s economy has trailed the U.S. growth performance by 20 percent since 1990. If Maine had equaled the U.S. growth rate during this period of time, its economy would have been $13 billion larger with 202,000 more jobs. Compounding this historical problem was that, without intervention, the Maine economy is projected to grow at only 25 percent of the national rate through 2018 (refer to Figure 10).

We have become increasingly comfortable with our ever-declining state of affairs.

Community Leader, Washington State
Southern Vermont Economic Stagnation

**Ave. Wage & Salary vs Ave. Proprietor Income**

2006 Dollars

- Ave. Wage & Salary
- Ave. Non-Farm Proprietor Income
- Population
- Per Capita Income

Source: BEA, VE Analysis; VITAL Economy 2011

MAINE GDP Performance

**Actual vs US Growth Rate 1990-2010**

- Expected Maine GDP
- Actual Maine GDP

Source: BEA, YE Analysis; VITAL Economy 2011
PART 3: Benchmarks Foster the Necessary Urgency to Impel Regions to Act

Over the past decade, it has become clear that regions must create a sense of urgency about their situation before they can effect change. A sense of urgency establishes a clear and concise reason why the region is undertaking the CEDS strategies and compels leaders to act. Without a sense of urgency, a region tends to undertake sporadic, disconnected projects that fail to effect meaningful progress.

To create a sense of urgency, regional leaders must determine what motivating factor, theme, or metric trend will capture the attention of key stakeholders—including public, private and nonprofit sector leaders—and catalyze action.

Benchmarks help a region draw a line in the sand and take urgent steps to reverse downward trends. After data revealed that Southern Illinois had gradually become the most impoverished region of the state, leaders were shocked into action, concluding that “enough was enough” (refer to Figure 11).

“ViTAL Economy identified that Southern Illinois counties led the state in 15 of 18 poverty indicators. We were stunned because we thought of that as existing in inner cities, not here.”

Rex Duncan, former Connect SI Executive Director

PART 4: Use Performance Metrics in a Disciplined Process to Achieve Results

A disciplined process should be used to help regions create a results-driven CEDS that is based on performance metrics. It begins with one year of strategy development, followed by a year of implementation. The third year is dedicated to sustaining the initiative’s momentum, with priority given to short-term wins measured every quarter. The strategy development stage includes four milestones.

A) Milestone 1: Foundation

This phase begins with collecting data and reviewing existing research to identify the region’s challenges and opportunities. Regions should never start with a clean slate, but rather review, analyze, and learn from previous efforts. Leadership develops the region’s “quality of place statement” and creates a “sense of urgency statement” communicating why the effort is being undertaken. EDDs

Real Life Examples—Economic Sense of Urgency

Clallam County, Washington had been challenged by a 30-year economic decline and prolonged community despair. The trend analysis of wages revealed that its average wage fell from 92 percent of the state average in 1979 to 66 percent in 2002 (refer to Figure 12). This indicator and the graphic became a catalyst for leadership to take action on a new measurable strategic economic development game plan to close this widening gap.

FIGURE 11

Southern Region Poverty Ranking
(1L divided into six regions)

<table>
<thead>
<tr>
<th>Highest % in rural region</th>
<th>Highest poverty rate</th>
<th>Highest unemployment rate since 1993</th>
<th>Lowest college graduates</th>
<th>Highest % enrolled in Medicaid</th>
<th>Highest % age 65+ with a disability</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>#1</td>
<td>#1</td>
<td>#1</td>
<td>#1</td>
<td>#1</td>
</tr>
<tr>
<td>Highest % of population over age 65</td>
<td>Greatest % age 65+ in poverty</td>
<td>Highest % age 65+ with a disability</td>
<td>Lowest % of population 0-18</td>
<td>Highest % age 6-17 in poverty</td>
<td>Highest % child households owner burdened</td>
</tr>
<tr>
<td>#1</td>
<td>#1</td>
<td>#1</td>
<td>#1</td>
<td>#1</td>
<td>#1</td>
</tr>
<tr>
<td>Highest % of households lacking complete plumbing</td>
<td>Highest % of households lacking complete kitchen</td>
<td>Highest % commuting to work from other IL counties</td>
<td>Lowest % population work and live in same county</td>
<td>Highest % households rent burdened</td>
<td>Highest % of adults with no High School Diploma</td>
</tr>
<tr>
<td>#1</td>
<td>#1</td>
<td>#1</td>
<td>#1</td>
<td>#3</td>
<td>#1</td>
</tr>
</tbody>
</table>


FIGURE 12

Real Annual Covered Wage

must get the community, including the private sector, involved and motivated to take action.

The most important component of the Foundation phase is the review of the regional economic benchmarks and goal setting, utilizing the core performance metrics described earlier. Regional leaders establish additional performance metrics based upon Foundation phase input and solid analysis of previous efforts.

B) Milestone 2: Discovery

In contrast to many CEDS that focus heavily on what the region lacks or needs, an effective CEDS should also identify and develop the region’s core assets, factors in its control, and global and national competitive advantages. This phase involves mapping the region’s indigenous assets, defined by ViTAL Economy as “what makes the region unique, special, or competitive in regards to their economy.”

In this process, leaders engage the community to identify the region’s strengths, such as the population’s unique talents and knowledge; special workforce skills; educational institutions and innovations; or natural, cultural, or historical assets.

In Northern Maine, this played out when the region realized it already had all of the necessary components to create a thriving renewable energy industry that would decrease dependence on imported oil. Regional and local leaders identified biomass as a renewable energy source that could be both produced and consumed within the region, thanks to its plentiful forests, fallow farmland, and existing biomass production plants.

In Southern Illinois, leaders recognized they had a number of superb educational and healthcare delivery institutions that, working together, could train additional healthcare staff and prevent an outmigration of patients to keep more revenues within the region.

C) Milestone 3: Connect

In the third phase, leaders analyze and prioritize assets. This step uses information collected in the cluster and asset-mapping process to develop a strategy that connects assets to economic growth. Assets are evaluated based on their potential to create economic value and contribute to regional goals: how many jobs can an asset produce and who will benefit? What resources are needed to help an asset achieve its full value? Once the top two to three industry clusters have been identified, each of these sectors develops strategies that take responsibility for a portion of the overall regional goals.

Real Life Examples—Connect Assets to Economic Growth

Mobilize Northern Maine used a cluster analysis, along with input from the business community, to identify two target clusters: information technology and renewable energy. ViTAL Economy conducted a deeper analysis of the two target clusters and established action teams for each cluster that comprised 60 to 70 business representatives engaged in the industry cluster. Within each industry cluster, four to five smaller working groups were assigned to address specific activities. For example, one action team identified biomass as a renewable energy source that could be both produced and consumed within the region. Replacing oil heat (which is imported into the region) with locally produced biomass would allow this rural region to shift from capturing 22 percent to 100 percent of its energy expenditures.

The renewable energy strategy established four performance metrics:

- 50 megawatts of locally generated power
- 45,000 tons of locally produced biomass
- 100 megawatts of local wind power
- A Renewable Energy Center of Excellence

The renewable energy cluster strategy was estimated to be worth nearly $70 million in retained wealth for the region. It was one of several strategies to help the region meet its overall 2015 goals (refer to Figure 13).

D) Milestone 4: Report

The final phase in the process combines all information obtained, priorities determined, and actions taken. This step also consists of lessons learned and identifies the next steps in the implementation phase. Rather than preparing a report that sits on a shelf, this phase should create an actionable report that the leadership team presents to the community, including:

- Leadership team lessons learned and key findings
- Prioritized indigenous resources and opportunities
- Regional S.M.A.R. T. goals and future measurement processes
- Regional project review and prioritizations framework
Performance Metrics Matter

- Recommendations and budget for implementation phase
- Regional policy and community and economic development recommendations

The full completion of the four steps gets results because it involves a solid and meaningful asset-based strategy developed with broad community representation. In most cases, this engaged approach permits effective and appropriate public and private investment.

Real Life Example—Olympic Peninsula of Washington

In 2001 – 2002, the Clallam County Economic Development Council (CCEDC) in the State of Washington used the disciplined process outlined above to establish the following five-year goals and performance metrics:

- Create 2,285 jobs at $40,000/year average wage
- Improve 5,000 existing jobs by $5,000/year
- Increase total annual wages by $294 million in region
- Create jobs with private-payer healthcare coverage

Next, the CCEDC created five industry cluster action teams to map the region’s assets in order to determine how its unique resources could be leveraged to meet these goals. During one asset mapping session, the timber and forest action team identified Pacific Alder, a hardwood tree species native to the Olympic Peninsula, as having considerable unrealized economic value. Further analysis revealed that, per board foot, Pacific Alder was about twice as valuable as the more dominant softwood species.

However, there was no local market or processor for this hardwood. The action team’s efforts eventually attracted the interest of the two primary producers of high quality alder lumber in the Pacific Northwest, who created a joint venture intent on building a mill to produce alder lumber for global furniture markets.

To supply the necessary utility infrastructure for the hardwood mill—water, sanitary sewer, sufficient electrical power, and broadband telecommunications—industry leaders and the CCEDC approached the City of Port

Angeles. City staff and elected officials looked to the metrics previously established and asked whether those jobs would provide wages and benefits consistent with the regional goals.

The answer: employment from the mill was estimated to create 124 full-time jobs with an average wage of $42,000 plus benefits, including health insurance. Armed with information that the mill would provide the quality of jobs identified in the regional goals, officials approved the proposal, including the financing of $5 million for needed utility extensions.

These same metrics helped the region obtain a $15 million loan from the U.S. Department of Agriculture to construct the mill. Today, the Port Angeles Hardwood Mill continues to operate two shifts, despite the downturn in the economy.

PART 5: Put it All Together to Create a Highly Effective Comprehensive Economic Development Strategy (CEDS)

How does a region put all of this together to create an effective CEDS that achieves transformative results? To summarize the key points of this white paper, the EDDs should:

• Measure a comprehensive set of performance metrics. In addition to measuring more traditional metrics such as jobs, infrastructure needs, businesses created and clients served, a more in-depth approach includes emphasizing performance metrics that measure quality of life, demographics, educational attainment, climate of innovation and entrepreneurship, arts and culture, recreation, healthcare, broadband adoption and capacity, knowledge, and skill assets.

• Assess the long-term trends leading to the current climate, going back anywhere from five years to several decades to gain a more complete understanding of how the region's current situation has been shaped over time, including by global and national forces.

• Identify the key issues and create a sense of urgency to help mobilize community leaders to take action, especially around achievable and tangible initiatives.

• Create a quality of place vision for the region.

• Map and analyze existing assets. Determine what the region already possesses that could be better leveraged for growth, including competitive cultural, economic, intellectual, and physical assets.

• Set measurable S.M.A.R.T. goals based on those assets with the most potential to create economic value and contribute to regional goals. Determine how many jobs and what increase in wages an asset can produce and what resources are needed to help an asset achieve its full value. In addition, another approach is to consider the regional and local wealth generation and retention potential of expanding existing industries and sectors, or even fostering the development of new or emerging clusters.

• Develop strategies for the top two to three industry clusters that take responsibility for meeting a portion of the overall regional goals.

• Involve the entire region/community, including the private sector.

• Foster a climate of innovation and entrepreneurship that moves the region away from heavy dependence on government programs and support.

• Implement and monitor progress and seek some “quick wins” that will help carry the momentum.

Real Life Example—Connect Southern Illinois

Connect Southern Illinois (Connect SI) is an example of an asset-based CEDS that produced results utilizing performance metrics, empowering community leadership, and engaging the community in the process.

In the first five years of the Connect SI initiative, broadband coverage in the region increased from 25 percent to 75 percent and broadband adoption from 12 percent to 45 percent of adults. Over $100 million in annual healthcare spending lost annually to neighboring states has been recovered, according to research by ViTAL Economy and other partners, which has dramatically improved access to specialty health services.

By working cooperatively, the region also enhanced its ability to attract private investment, grant funding, and entrepreneurs. As a result, it has started the transition from being an ignored region of the state to a model of regional collaboration for other areas of Illinois and beyond.

The Connect SI Network Provider (NP) community of interest (COI) accomplished its 2011 goals by transitioning the region's broadband providers from being chiefly self-focused to becoming competitors that worked together to grow the market. They were committed to working with their regional customers to build a digital-ready economy.
where business growth did not depend only on stealing market share from their competitors. The results are clear and measurable:

- Broadband coverage expanded from 25 percent to 75 percent of the region
- Customer adoption of broadband services increased from 12 percent to 45 percent
- The private sector invested over $30 million in broadband infrastructure
- Over 30 central offices were upgraded to broadband service
- More than 20 towns received new broadband cable or fixed wireless investments
- $90 million of American Recovery and Reinvestment Act of 2009 (ARRA) broadband investments were awarded to regional providers
- Connect SI became a leader in digital-enabled healthcare networks
- Connect SI began attracting digital economy businesses

The Connect SI research discovered that a large percentage of patients needing specialized medical care were being referred out of the region into neighboring areas and states. The Healthcare COI, assisted by the ViTAL Economy research team, developed a detailed analysis of annual healthcare spending by residents of the 20-county region. They found that approximately 20 percent of $4 billion in annual expenditures were being captured by neighboring states. As a result of the Healthcare COI’s efforts, SI has recaptured about 25 percent of cardiology and oncology spending and about $100 million in annual healthcare revenue. This creates more jobs and improves quality of life.

**Real Life Example—Disciplined Community and Economic Development Approach Helps Clallam County Exceed Goals**

In 2000, unemployment in the State of Washington was one of the lowest in the nation (4.8 percent), while Clallam County had one of the highest unemployment rates in the state (7.9 percent). By 2004, Washington State’s unemployment rate of 7.5 percent was one of the highest in the nation, but Clallam County’s rate stood two points below the state at 5.5 percent—the county’s lowest unemployment rate in 34 years. Moreover, average wages had improved. The county set and exceeded a series of ambitious goals by using the disciplined community and economic development approach described in this paper, with the commitment of strong and informed leadership (refer to Figure 14).

**How did they achieve a level of economic growth success that they had failed to achieve in the past?**

After more than 30 years of economic decline, local leaders determined that they had enough of traditional needs based economic development strategies that focused on what they lacked and spent most of their economic development energy and resources on efforts to attract businesses to their region. They made a commitment to a more disciplined asset-based economic development approach with the assistance of ViTAL Economy, which focused on building a climate of economic prosperity based on what made the Olympic Peninsula unique and focused on growing their economy organically from within.

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**FIGURE 14**

<table>
<thead>
<tr>
<th>September 2004 Progress Toward 2007 Goals</th>
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</thead>
<tbody>
<tr>
<td><strong>Annual Wages Increased By $326.6 Million</strong></td>
</tr>
<tr>
<td><strong>9,310 New Jobs Created By Sept.2004</strong></td>
</tr>
<tr>
<td><strong>$43,337 Average Wage for 2,512 New Jobs</strong></td>
</tr>
<tr>
<td><strong>7,489 Existing Jobs Improved by $7,500/Year</strong></td>
</tr>
<tr>
<td><strong>2000 Unemployment Rate Down from 7.9% to 5.7%</strong></td>
</tr>
<tr>
<td><strong>Average Wage at 70% of State Average Wage</strong></td>
</tr>
<tr>
<td><strong>$667.8 Million Increase in Annual GDP</strong></td>
</tr>
</tbody>
</table>

Retail Sales Growth + Increase in Total Wages (No spin off)

*Source: ViTal Economy, 2004*
The specific steps they followed to achieve this success included:

- Forming a diverse guiding coalition of grassroots leaders committed to making a difference
- Defining a sense of urgency around which many could rally to make change
- Developing a trend analysis of economic, demographic and social trends
- Benchmarking where the region stood versus the rest of the state and nation
- Establishing measurable five-year S.M.A.R.T goals to transform the region’s economic performance
- Mapping unique indigenous assets of the region that could be leveraged to achieve S.M.A.R.T goals
- Creating measurable strategies based around targeted industry clusters leveraging mapped assets.
- Implementing strategies and action plans that built business opportunities around unique assets
- Rallying over 300 grassroots believers to take responsibility for implementing agreed upon strategies and plans
- Initiating a purposeful internal and external communication strategy reinforcing benefit of climate of economic opportunity
- Putting in place an ongoing assessment process to measure progress against the plan
- Celebrating success and constantly moving forward to implement more change
- Creating a different framework to manage the regional economy to sustain change

PART 6: Conclusion

“Insanity is when you keep doing the same thing over and over again, each time hoping for different results.”

W. Edwards Deming

For many EDDs, the CEDS is a checklist planning process required to help local governments and communities become eligible for EDA implementation funding. Therefore, EDDs often compile excessive amounts of data but fail to zero in on what the data tells them. They also tend to assemble a laundry list of existing projects that simply counts expected new jobs, rather than develop a strategic plan to improve their region. There are many valid reasons for this approach, including the lack of resources for in-depth regional strategy development, disconnect between regional strategies and federal resource investments, and changes in leadership, among others.

To be effective, EDDs must move from simply meeting federal requirements to using the CEDS to propel their regions to greater prosperity. They must regard the CEDS as a dynamic process that engages stakeholders to work together to strategically align and leverage the region’s resources. They should go beyond counting jobs, which is an overly simplified and ineffective means of indicating growth, and learn to extract, analyze, and use more sophisticated performance measures.

Today, government agencies are more willing to invest their scarce resources in entities that have a solid strategy and a greater likelihood of achieving their goals. They want EDDs to attract meaningful participation from the private sector in developing and implementing the CEDS as they understand and will support and invest in strategies based on S.M.A.R.T. goals.

EDDs that view their CEDS as merely a gateway to EDA funding are missing an important opportunity. The CEDS should be a forum and framework for leaders to collect and analyze meaningful metrics and trends, then use the information to create a sense of urgency and a regional vision for a better life. Next, they must strategically identify and use existing assets to reverse the region’s negative trends. The CEDS must develop strategies with goals that are measurable and results-oriented within a specific timeline. Those goals should be focused on improving the region’s wealth and quality of place, not on getting more funding from government grants.

The process should not only better coordinate public sector resources but should also reach out to the private sector. Most CEDS processes ignore the potential contributions from this sector and fail to involve them both as stakeholders and funders. Getting that investment requires EDDs to get out of the office to engage community leaders and businesses. Most importantly, it requires that EDDs maintain a laser-like focus on what matters most: improving the socio-economic vitality of their region.

“For you can’t measure it, you can’t manage it.”

ViTAL Economy
APPENDIX A: NADO’s Peer Standards of Excellence: EDA Economic Development Districts

MISSION:
The nation’s 380 Economic Development Districts (EDDs) share a common vision and mission of promoting economic prosperity, regional competitiveness, and quality of life through regional innovation, collaboration, and strategic investments across America.

SHARED COMMITMENT TO EXCELLENCE:
America’s EDDs are committed to pursuing excellence and innovation in both regional economic development and organizational performance. This includes fostering a regional strategic planning and implementation framework that is results-oriented, focuses on aligning and leveraging resources, is inclusive of public, private and nonprofit sector leaders, and emphasizes the importance of asset-based regional economic development.

SEVEN PRINCIPLES OF CEDS STANDARDS OF EXCELLENCE:
Under federal law, one of the primary functions of EDA-designated Economic Development Districts (EDDs) is to coordinate and lead a regional economic development strategy and implementation process known as the Comprehensive Economic Development Strategy (CEDS) process. As an industry, the nation’s EDDs are committed to advancing seven core principles for CEDS standards of excellence:

1. Build more resilient economies and communities by focusing and targeting regional strategies on the existing and potential competitive advantages of each individual region.

2. Foster a regional collaborative framework to strategically align public sector investments from federal, state and local sources, as well as private, nonprofit and philanthropic partners.

3. Use modern scenario, data and analysis tools, and planning techniques that provide policy makers, stakeholders and the public with evidence-based and factual information.

4. Transform the CEDS process into a more strategy-driven planning process focused on regional visioning, priority setting and performance outcomes, rather than broad-based encyclopedia or narrative of the region with a laundry list of random projects and programs.

5. Promote and support peer reviews and exchanges of Economic Development District planning professionals and policy officials with the goal of increasing collaboration across EDD boundaries, enhancing organizational resources, and positioning regional CEDS as more effective building blocks for statewide and local strategies.

6. Communicate in a compelling and modern communication style, including use of executive summaries, high quality print and online media, and social media.

7. Engage the public, private, nonprofit and educational sectors, along with the general public, in the development and implementation of the CEDS.
APPENDIX B: 10 Defining Elements of Noteworthy Comprehensive Economic Development Strategies (CEDS) Processes


2. Leadership Excellence: Empower proactive leadership to take ownership of their economy; grows leaders with accountability, authority, legitimacy, and transparency.

3. Change Management: Adopt the steps critical to managing change that enable the region to more effectively participate and compete in the global economy.

4. Balanced Approach: Integrate economic development, education, and workforce development assets with the private sector to build effective knowledge based economic, human capital, and quality of place centers of excellence.

5. Asset Based Approach: Identify, connect, and leverage tangible and intangible assets to sustainably grow and transform the regional economy.

6. Measurable Outcomes: Employ measurable benchmarks, goals, and strategies that transform the region through measurable outcomes.

7. Innovation and Entrepreneurship: Build innovation ecosystems that create a lasting regional climate of entrepreneurship, risk-taking and innovation.

8. Life Cycle Finance: Provide access to a life cycle of equity and debt financing for regional public, private, and nonprofit ventures.

9. Regional Brand Promise: Define, create, communicate, and deliver on a clear brand promise that promotes and sustains regional competitive advantages.

10. Regional Transformation Mindset: Sustain commitment to community and economic development as a journey that is transformative not incremental.

Performance Metrics: Getting Started With Data

There are many resources available to find data for tracking the performance of your local economy. You can find most of what you need from free, publicly available government sources. For example, the U.S. Economic Development Administration has recently funded the U.S. Cluster Mapping website and STATS America’s Innovation in American Regions, where you can access a wide variety of demographic, economic, and social indicators.

http://clustermapping.us
http://www.statsamerica.org

For assistance with these resources, please contact Brian Kelsey at bkelsey@nado.org.