SMART GOALS: A WINNING FORMULA FOR ECONOMIC DEVELOPMENT DISTRICTS

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Whether you follow the scholarly work on clusters and regional competitiveness by academics like **Michael Porter at Harvard Business School** or track on-the-ground projects completed by the nearly **400 Economic Development Districts (EDDs)** funded by the U.S. Economic Development Administration (EDA), there is little doubt, now, that regions matter. The collection of actions at the regional level—firms, institutions, and local governments working together—are the building blocks of U.S. economic competitiveness.

As the lead sponsor of the only nationally coordinated regional economic development planning program, EDA's role in catalyzing outcomes at the regional level is critical. From 2012-2019, EDA invested in **more than 5,000 projects across the country, leveraging an estimated $58 billion in private capital and creating 300,000 jobs**, predominantly in distressed communities. Many of those projects originated as conversations between people participating in meetings about a Comprehensive Economic Development Strategy (CEDS), led by regional planners at EDDs. Regions, and regionalism, clearly matter. And with **$4.5 billion in new investments** coming from EDA under COVID-19 relief packages, that impact will only grow exponentially in the next few years.

Yet, the practice of regional economic development can be uniquely challenging. Measuring and communicating impacts as regional practitioners can be difficult, not to mention appreciating the positive impacts they are having on communities. On the one hand, working in the economic development field, at any level of geography, requires some measure of belief that it is possible to influence economic outcomes, create opportunities for businesses and workers, and improve quality of life for residents. If not, then why are any of us doing it?

On the other hand, the lingering existential question—"Am I making a difference?"—seems to hit home particularly hard for many regional practitioners. While local economic developers face immense pressure from city councils and boards of directors to tally jobs, rooftops, retail, and restaurants, counting the resulting wins and tangible impacts tends to be fairly straightforward. By contrast, moving economic activity around a region does not count as a win for practitioners at the regional level. Success for regional practitioners is measured in the net increase of total economic activity in the region. Competing for firms, jobs, and investment with other regions is always possible, but infrequent. How, then, do regional practitioners, such as planners at EDDs in charge of the CEDS, measure, communicate, and appreciate the impact and value they are bringing to the table?

Starting in about 2010 and accelerating after EDA's overhaul of the **CEDS Content Guidelines in 2015**, practitioners, consultants, and academics have been working to improve performance measurement and incorporate "SMART goals" into the CEDS framework. SMART goals—Specific, Measurable, Achievable, Relevant, Time-Based—provide one possible solution for dealing with the regional practitioner's existential dilemma by putting the CEDS planner (and implementer) in a position to help communities decide which "needles to move" and how much to move them.

This brief discusses the benefits and potential costs of using SMART goals as the framework for CEDS research, strategic planning, implementation, and evaluation. Different approaches to SMART goals are outlined using data exercises to illustrate common CEDS topics such as competitiveness, resilience, and equity. It concludes with recommendations to CEDS planners on how to decide if SMART goals are the appropriate framework for their own CEDS.

HOW ARE GOALS USED IN THE CEDS?

A strategic plan typically has at least five core elements:

1. Vision Statement (sometimes accompanied by a mission statement and core values)
2. Strengths, Weaknesses, Opportunities, Threats (SWOT) Assessment
3. Goals (sometimes referred to, or accompanied by, objectives)
4. Strategies
5. Actions (sometimes referred to as tactics)

In this model, businesses and other types of organizations may sometimes use a separate evaluation tool to track progress on the plan, such as a scorecard. However, there is no need for a separate evaluation section under this approach because the metrics used for evaluation, sometimes referred to as **key performance indicators** or KPIs, are inherent in the goals. For example, a strategic plan for a business may include a goal like "grow market share in Texas by five percent." In that case, percentage growth in market share is the KPI, and evaluation would depend on whether the business achieved a five-percent growth rate in market share. In other words, the business either accomplished the goal or it didn't.

EDA's **required components of a CEDS** are a slight variation on this model:

1. Summary Background
2. SWOT Analysis
3. Strategic Direction/Action Plan
4. Evaluation Framework

In EDA's model, the Strategic Direction/Action Plan includes most of the typical components of a strategic plan, and evaluation is addressed in a separate section. For efficiency purposes, many EDDs align metrics in the Evaluation Framework to their **reporting requirements** to EDA. It is important to remember, however, when engaging with the public that most strategic planning jargon is relevant only to trained planners and should be used sparingly when trying to keep non-planner participants engaged in a CEDS process. In most cases, the CEDS strategic planning framework can be explained to a general audience in three questions, aligned to EDA-required components in the following way:

1. Why are we doing this?
    a. Summary Background - Historical perspective on why a CEDS is necessary
    b. SWOT Analysis - Qualitative and quantitative research to identify key trends
2. What are we going to accomplish?
    a. Evaluation Framework - Goals
3. How are we going to do it?
    a. Strategic Direction/Action Plan

In the CEDS document, this framework can take the form of:

- Focus area
- Call to action (compelling research finding to a general audience)
- Goal
- Strategy

Here are two examples from California's **Sonoma-Mendocino EDD CEDS**:

Example 1:

Focus area:	Inclusive economic development
Call to action:	The only workers who can afford family housing are those with bachelor's or advanced degrees.
Goal:	Close earnings gaps by race/ethnicity to ensure that all workers can compete for living wage jobs that make housing affordable.
Strategy:	Develop a Creative Apprenticeship Program with local businesses, maker spaces, and Santa Rosa Junior College and Sonoma State University, with a particular focus on at-risk minority communities.

Example 2:

Focus area:	Human capital
Call to action:	Educational attainment, a traditional strength for Sonoma-Mendocino, now trails U.S. rates.
Goal:	Raise the postsecondary completion rate for the 25-64 age cohort until Sonoma-Mendocino again exceeds the U.S. rate.
Strategy:	Implement a certified career coach program to help students and their families make informed choices about career pathways.

WHAT ARE SMART GOALS?

SMART goals are Specific, Measurable, Relevant, Achievable, and Time-Based. Many of these characteristics are self-explanatory, but several examples commonly found in CEDS documents can help illustrate the differences between SMART goals and other types of goals. For example, many CEDS plans reference improving the quality of life for people in a region. However, quality of life is a highly subjective concept, varying according to the tastes and preferences of individual communities and even residents. It is not very specific and therefore should be further defined for the purposes of creating a goal statement.

SMART goals should also be relevant and achievable. Too many goals in a CEDS plan create the perception that successful implementation is unrealistic, which undermines the credibility of the CEDS, and potentially the EDD itself. SMART goals are relevant, tying directly back to calls to action based on key research findings. Similarly, lofty, or "moon-shot" goals can be useful for drawing attention to a CEDS plan but can be perceived as lacking credibility if they are too ambitious, especially given available resources to address them.

HOW "SMART" DOES A GOAL HAVE TO BE TO QUALIFY AS SMART?

As with most planning work to effect change, SMART goals are part art and part science. The artistic quality of a SMART goal, captured primarily in the A and the R, requires the planner to understand his or her region and its stakeholders well enough to know which issues resonate sufficiently with them to motivate action, and potentially, even change behaviors. In addition, a planner must also know his or her governing boards—the CEDS strategy committee and EDD board of directors—to determine which issues are politically palatable and likely to attract a sufficient level of financial support to implement.

In the inclusive economic development example from the Sonoma-Mendocino CEDS, notice how the affordable housing challenge is framed as earnings inequality, a demand-side factor referencing how much housing workers can afford, as opposed to a supply-side factor, such as construction. For a variety of reasons, large-scale housing development to lower costs for owners and renters is simply not a viable strategy in parts of California. Accordingly, that section of the CEDS deals with the housing affordability challenge—a key issue that resonates with stakeholders and must be addressed in the CEDS for credibility—using an education and workforce development angle, instead of setting up the CEDS, the EDD, and the region to likely fall short of achieving a goal in the CEDS structured around the idea of growing the housing supply.

But is that goal, to close earnings gaps by race/ethnicity to ensure that all workers can compete for living wage jobs that make housing affordable, a SMART goal? It's specific, measurable, and presumably achievable and relevant, but it lacks a deadline to meet the time-based criteria. That could be the result of several factors, such as insufficient data available to the planner to reliably forecast the trend and estimate an appropriate timetable, or something as simple as reluctance on the part of the organization to commit to a deadline given the complexity of the challenge. Navigating these complex, and often competing, dimensions of creating SMART goals is among the CEDS planner's greatest challenges.

WHAT ARE THE BENEFITS OF USING SMART GOALS FOR THE CEDS?

SMART goals focus the region on the key issues influencing economic development. Creating, vetting, and securing commitments to SMART goals from regional stakeholders is a rigorous process, which tends to surface only the issues of highest priority backed by serious commitments. For EDDs, SMART goals have organizational benefits that can strengthen their position as regional leaders. EDDs can also be the home of outcome data from other public and nonprofit organizations active in the region and manage the process of "rolling up" that data to measure progress toward the SMART goals. Serving in that capacity reinforces the EDD's leadership standing and value to the region. Further, it doesn't require trying to coordinate or "reduce duplication" of program activities across organizations. With everybody pointed at the same target, it doesn't matter how each organization achieves its outcomes; all that matters is that those activities move the needle on the SMART goal.

Finally, back to the opening theme of this paper, SMART goals can also benefit CEDS planners and other regional economic developers. Every professional economic developer has encountered a puzzled look accompanied by the question of "What exactly do you do?" at some point in his or her career. SMART goals provide simple, quantifiable answers to that question which resonate with a general audience and go a long way toward retaining people in the field.

WHAT RISKS SHOULD EDDS BE AWARE OF?

Transitioning to SMART goals in a CEDS can be a significant cultural change, requiring careful, deliberate planning and open communication with the CEDS strategy committee, EDD board of directors, and the various stakeholder groups involved in the process. To illustrate, consider the following phrases, pulled from goal and strategy statements in actual CEDS documents:

- "Foster the development of..."
- "Encourage the growth of..."
- "Facilitate the promotion of..."
- "Support the creation of..."

These statements are in passive voice, hedging against achieving the outcome. In other words, why *foster* the development of something instead of *developing* it? Why *support* the creation of something instead of *creating* it? On the one hand, hedging language in a CEDS makes sense because EDDs lack regulatory authority to force action, and most do not have large budgets to ensure outcomes on their own. EDDs are supportive organizations by nature, relying on voluntary action and participation from their members. Why should they commit to specific outcomes that are largely out of their control?

On the other hand, the use of passive voice diminishes the value of the CEDS and undermines the EDD's leadership role. Consider this from the perspective of recruiting new participants to the planning process for a CEDS, or potential investors in CEDS implementation. Asking people to dedicate many hours to a planning process or significant funding to an implementation project to *support* achieving an outcome, rather than *achieving* it, can be a tough sell. These are nuanced points on the language used to communicate about the CEDS, but they are important considerations in change management for an EDD adopting SMART goals.

There are additional risks to consider from the perspective of board members and others involved in overseeing the CEDS. SMART goals are like campaign promises: the more specific you are, the greater perceived blowback there is if you don't deliver. When transitioning to SMART goals, it's reasonable for the EDD administrator or the CEDS planner to expect some degree of pushback from strategy committee and board members, particularly from elected officials. Finally, there is the risk inherent to any type of goal setting relying on forecasting: the unknown. As John Kenneth Galbraith famously quipped, "The only function of economic forecasting is to make astrology look respectable." Indeed, the COVID-19 pandemic, like other disasters, quickly rendered most SMART goals found in CEDS plans, based on analysis of trendlines, obsolete. EDDs are now facing the challenge of working with their boards and committees to formulate new data-driven SMART goals in a very uncertain environment.

WHAT ARE THE STEPS TO CREATE A SMART GOAL?

As mentioned earlier in this paper, SMART goals are a combination of art and science, but they start by getting the science right. Accurate trend analysis is critical for creating SMART goals. For example, an appropriate SMART goal addressing recovery from the COVID-19 pandemic in the CEDS could be targeted to pre-pandemic employment: *Grow payroll employment by 2% annually to reach full recovery of pre-pandemic levels by 2024.* Alternatively, it could be calculated nominally on a monthly basis: *Increase employment by at least 100 jobs monthly to reach pre-pandemic levels by 2024.*

Formulating that SMART goal correctly requires the following steps:

- Identifying the call to action. In this case, full recovery from the COVID-19 pandemic.
- Deciding on the right economic indicator, usually determined by data availability.
- Analyzing short-term and longer-term patterns in growth rates.
- Calculating the change or growth needed to reach recovery.

CEDS planners are encouraged to review draft SMART goals with researchers, analysts, and other subject matter experts in their region before finalizing the CEDS.

Here's another real-world example from a CEDS that does not require database research: *Hold four small business workshops in 2022.*

An argument can be made for that statement qualifying as a SMART goal because, upon strict interpretation, it meets most of the criteria. But it misses the point. Conducting a workshop for small businesses is an action, or a strategy—the *how*—not a goal. What outcome for economic development is achieved by holding the workshop? The following steps could reframe it:

- Recruit twenty small businesses to participate in four workshops.
- Interview the businesses to collect data on payroll, sales, or other performance metrics.
- Calculate the average change or growth rate in the past year for the preferred metric.
- Estimate the benefit of participating in the workshops on the preferred metric.

This could be included in the CEDS as:

Focus area:	Entrepreneurship
Call to action:	Small businesses in our region have no access to affordable market research to grow their customer bases.
Goal:	Accelerate entrepreneurship by growing sales at small businesses in 2022 by 10% over their average annual performance.
Strategy:	Hold four small business workshops to provide market research.

HOW TO DETERMINE IF SMART GOALS ARE RIGHT FOR YOUR CEDS?

Before adopting the SMART goals framework in the CEDS, EDDs should first answer:

- How seriously do we take the CEDS? For some EDDs, particularly those in larger metro areas with other time-consuming planning responsibilities, or other regional economic development organizations or chambers of commerce with their own strategic plans, the CEDS may take a backseat to other priorities. Given the level of effort required, SMART goals may not make sense if they are likely to get lost among other planning objectives.
- Do we have the resources we need? SMART goals require access to data and capable research staff. In most cases,

data is free and publicly available, but requires time and research experience to collect, analyze, and convert into SMART goals.

- Do we have board and committee members who will advocate and feel accountable for achieving the SMART goals? SMART goals only work if CEDS strategy committee and EDD board members take them seriously. They must serve as champions and hold the region accountable for achieving them through collective action.

CONCLUDING THOUGHTS

Economic development is a team sport. It takes everybody—public, private, and nonprofit sectors—working together effectively to produce meaningful outcomes that create opportunities for businesses, workers, and residents. So if economic development is a team sport, then SMART goals are the playbook. They provide a framework for identifying the appropriate outcomes that CEDS implementation should accomplish. But for those also concerned with the future of the economic development profession, SMART goals can serve another purpose by demonstrating in tangible, quantifiable terms how EDDs and CEDS planners are positively impacting their regions. This recognition and accountability will go a long way toward attracting and retaining the next generation of regional economic developers and shape the field for years to come.

STRONGER CEDS STRONGER REGIONS

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