



# USING COMMUNITY BENCHMARKING IN THE CEDS PROCESS: A HOW-TO GUIDE

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We have all likely read articles or online rankings of “The Best Places to Retire,” “Best Cities for Millennials,” or “Great Places for Dog Owners.” All of these rankings, no matter how frivolous they seem, are examples of benchmarking: the process of comparing a location’s performance vis-à-vis other locations. Benchmarking can and should be a core part of any community strategic planning effort, including the development of a Comprehensive Economic Development Strategy (CEDS). Benchmarking is one way to “keep score,” i.e., to assess how your region performs in relation to similarly-situated communities and to “best in class” locations as well. When done right, benchmarking leads to beneficial changes in policies, programs, and investment priorities.

This brief offers an introduction to the process of community benchmarking. It begins by making the case for benchmarking and what can be learned by comparing your region to other regions. Next, it turns to the nuts and bolts of benchmarking: how to select locations to benchmark, what should you measure, and how you can capture and present essential data and findings. Finally, it concludes with suggestions for how best to communicate the findings to community stakeholders, spark action and commitment from key partners, and improve the operations of your organization and your partners.

## WHAT IS BENCHMARKING?

Benchmarking is a process that uses historical information, data, and past experiences to identify standards and leading practices. More colloquially, benchmarking is a means to “keep score” and assess how your community performs in relation to others. The basic concepts of benchmarking originated in business as a tool to evaluate various business processes in relation to industry “best practices.” For example, many manufacturers seek to benchmark their processes vis-a-vis the

vaunted [Toyota lean production system](#), or retail firms might benchmark their distribution systems against industry leaders like Amazon or Walmart.

Many economic development organizations (EDOs) and local governments use these methods to benchmark key activities or processes, such as the local development review process or tax incentive packages. However, when working on community and regional benchmarking as part of the CEDS or other kinds of regional planning, the effort has to dig deeper. Many communities simply assess how they are performing on certain key measures, such as job growth or new business starts, and consider the benchmarking job done. Yet, benchmarking is not just an analytical exercise. It is a process that begins with analysis, and ideally ends with both a diagnosis of shortcomings and ideas for solutions to help fix them. Benchmarking can be especially helpful in supporting regional planning, because it provides opportunities to assess a wider range of metrics and to compare your region’s performance to a more diverse set of communities. When regions have a limited history of working together, benchmarking can highlight the benefits of collaboration by showing how strong regional cooperation can generate better economic performance.

Benchmarking is a comparative exercise that assesses performance in relation to the best in class. It can be described as a process of “borrowing shamelessly,” i.e., identifying the smartest ideas and practices, and adapting them to your situation. Given its important strategic function, benchmarking can be an important component of your regional CEDS planning. Comparing to other regions provides another means to know where you stand and to assess how your region has performed in the past. More importantly, insights from benchmarking can help to refine future work plans and drive future strategic priorities.

## BENCHMARKING 101: GETTING STARTED

Most community benchmarking projects begin with a definition of the issue or project itself. What is our community trying to do? For example, a region may be seeking to improve broadband access or to build strong career pathways in manufacturing sectors. Both of these hypothetical projects can benefit from benchmarking even if the actual metrics and processes will differ in each case.

### **Step 1: Define Your Focus**

Many benchmarking projects face challenges when defining their target market, especially when identifying which communities are “in the region.” For example, the [2021 Indiana Regional Economic Acceleration and Development Initiative \(READI\)](#) first asks communities to “define their region” in order to be eligible for planning funds. When working on a regional CEDS, the project is defined in advance to some extent. As the [CEDS Central website](#) notes: the CEDS process is designed to help regions “generate good jobs, diversify the economy, and spur economic growth.” In addition, the region—the service area for your [Economic Development District \(EDD\)](#) – is also defined in advance. While it is helpful to have a pre-defined region, most data sources are tied to traditional political boundaries. As such, you will likely have to use data that tracks performance at the county or Metropolitan Statistical Area (MSA) level as opposed to comparing your service area to those of other EDDs. For example, the Centralina Economic Development District serves a nine-county region of North Carolina, but data limitations mean that its [benchmarking analysis](#) compares the Charlotte MSA—as opposed to its core nine county service area – to other large MSAs across the US.

### **Step 2: Identify Your Benchmarks**

Identifying potential benchmarks is one of the most complicated steps in regional benchmarking projects. This process requires a deep understanding of your current economic situation and a good sense of how you would like it to change or improve. In effect, you should determine your [“theory of change”](#): a process that defines the building blocks along a path toward completing a long-term goal. For example, a theory of change related to regional economic development might note that enhanced investments in people and development of an entrepreneurial infrastructure will create a more innovative and prosperous economy in the future.

Benchmarking projects typically identify a mix of communities for analysis. This mix should include communities of similar size and with similar economic circumstances. In addition, you may also consider identifying a few “best in class” locations that excel in areas where you are seeking to improve local capacity and performance. For example, the Northeast Florida Regional Council, which serves the Jacksonville, FL region, conducts a [benchmarking analysis](#) that compares its performance to

that of Charlotte, Indianapolis, Nashville, Raleigh, Tampa, and Virginia Beach. Smaller communities can also use a similar process. For example, [Berkshire County](#) (MA) compares its economic performance to twelve neighboring counties in Connecticut, Massachusetts, and New York.

Some communities opt to do benchmarking work without an accompanying data analysis. In these cases, they link strategic focus areas or proposed recommendations to “best practices” being deployed in other regions. For example, Pflugerville, Texas’ most recent CEDS includes [a review](#) of leading practices in the plan’s primary focus areas. Examples include international business attraction (South Carolina’s Upstate Alliance), virtual building programs (Prattville, AL), and manufacturing training programs (Louisville, KY).

The importance of identifying relevant and appropriate benchmark locations is often overlooked. Ideally, you should seek a mix of benchmark locations that offer useful and achievable guideposts for your own activities and investments. For example, if you are seeking to improve your innovation capacity in a region without a major research university, compare yourself to similar regions - not Silicon Valley. The nature of your economic drivers matters as well. For example, Maine’s economy is more similar to states like Oregon or New Mexico than it is to its New England neighbors like Connecticut and Massachusetts. Like Maine, Oregon and New Mexico are largely rural, and also have sizable agriculture, resource extraction, and tourism sectors. Meanwhile, Massachusetts and Connecticut, while geographically close to Maine, have relatively large populations and economies that are driven by technology, finance, and health care-related industries.

### **Step 3: Determine Data Needs**

With your mission and purpose in mind, your next step involves determining what type of data or indicators you want to use. Because the CEDS is comprehensive, it typically requires a large and diverse mix of data, ranging from U.S. Census Bureau information on the household economy to data on industry and occupational clusters. This data should be part of your CEDS, but you may want to limit benchmarking to a smaller subset of indicators and data sources.

When determining data needs, you should seek out metrics that are timely, outcome-oriented, and actionable. In most cases, public data sources work best as they are regularly updated, reliable, and, most importantly, free to use. EDA and other federal agencies have funded a number of data portals that can be easily used for benchmarking work. In addition, it may be possible to utilize information from high-quality ranking reports, such as those produced by the Milken Institute, the Information Technology and Innovation Foundation, Prosperity Now, and others.



## STATS AMERICA

Based at the Indiana Business Research Center (IBRC) at Indiana University and developed with EDA funding, [StatsAmerica](#) is one of the best resources for data to inform your CEDS development and benchmarking work. The website uses information from hundreds of public and private databases and provides it in an easy-to-use manner. Among its great resources are profile tools, like the Regionalizer and Innovation 2.0, that allow economic data comparisons between various geographies. In addition, other tools like Measuring Distress and the CEDS Resource Library offer invaluable guidance on how best to do benchmarking and performance measurement. The CEDS Resource Library even allows you to identify CEDS reports and strategies for communities with similar demographic and economic profiles.

Just like the CEDS, benchmarking should not be a one-time exercise. It is a strategic function that should be a core part of your organization's regular activities. As such, it is essential that you set up systems to easily replicate and update the data used in any benchmarking study. Data should be kept in formats that can be easily updated, such as Excel spreadsheets, and clear direction to data sources and footnotes should be included.

Most of this data work can be done in-house as basic benchmarking typically does not require sophisticated analysis or unique research methods. If you and your team are concerned about in-house capabilities, you may consider partnering with a local college or university or hiring a consultant to support your project. Outsourcing this work will improve quality, but it is more costly than doing the work in-house. In addition, using outside researchers may complicate your ability to update data in the future. If you do opt to use outside consultants, it is important to ensure that they provide you with the necessary information and guidance on how to regularly update the data and findings without their support.

### Step 4: Assessing the Results

The results from a benchmarking analysis can be used similar to a traditional SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis, by allowing you to identify areas where your region is competitive and areas where you are underperforming. Benchmarking helps to diagnose challenges and identify opportunities, but developing solutions requires additional research. If you found, for example, that your region's educational attainment levels are lower than your peers, your next step would involve inquiring why these regions are doing better. It may be the result of historical legacies, or due to

specific policies and programs that you might consider adopting in your region, such as more robust education spending or smaller schools.

Benchmarking is a strategic function with the purpose of fostering change. If you do benchmarking right, it will lead to actions that address problem areas or capitalize on areas of competitive advantage. The data and analytics are simply a tool to help you move in the right direction. As the Maine Development Foundation's approach demonstrates, the findings of your analysis can and should be used to spark public conversations about future directions for your community.

## BENCHMARKING AT WORK: THE MAINE DEVELOPMENT FOUNDATION

The [Maine Development Foundation](#) (MDF) has long embraced benchmarking in a big way. While it does not produce a regular CEDS, MDF has been publishing its annual benchmarking survey, *Measures of Growth*, for more than 25 years. *Measures of Growth* tracks more than 25 indicators, such as the cost of doing business, R&D expenditures, and educational attainment, offering a deep dive into how Maine's economy is performing vis-à-vis national and regional benchmarks. The report's development is overseen by the [Maine Economic Growth Council](#), whose members are key state leaders, including the head of Maine's Department of Economic and Community Development, the Speaker of the House, and the President of the Senate. Thanks to this leadership, the research prepared for the report regularly leads to active policy discussions and new policy initiatives. Examples include major state programs to increase R&D investments, provide better support for business startups, and major investments to close broadband gaps.

### Step 5: Telling the Story

It is not enough to do good research and to be strategic about benchmarking. You need to engage community stakeholders in the process as well. You need to "tell a good story" through the creation of an effective communications strategy, allowing you to share the results of your CEDS planning and benchmarking work. An effective communications strategy engages local residents and stakeholders. It clearly explains why key measures matter to the average citizen. It makes the case that regional prosperity and development matter to everyone.



Finally, it must be visually compelling. In recent years, we have seen a flourishing of new data and data visualization tools and software such as [Tableau](#), [ArcGIS Story Maps](#), and [Policy Map](#). The CEDS Central website contains numerous examples of compelling data presentations that are worth a look. In addition, the [Community Indicators Consortium](#) also hosts a library of community indicator projects at its website.

### **Step 6: Do It Again**

Once you've completed your benchmarking work, prepare to do it again. Leading economic development organizations view benchmarking as a core activity that becomes embedded in the organization's practice. They do not view benchmarking for CEDS planning as a one-time exercise to produce a glossy report, but rather as a way to foster continuous improvement, identify new trends, and address growing challenges.

With the emergence of new data and new tools to analyze and display data, EDDs should consider regular updates to benchmarking studies. Once key systems are in place and data sources are well understood, the process of replicating a benchmarking analysis becomes less complicated. As such, it may be possible to update the research on an annual or semi-annual basis.

## **FINAL THOUGHTS**

Benchmarking offers a means to ensure that your planning work, via the CEDS process or elsewhere, is more than just an analytical exercise. If you view this effort in strategic terms and devote sufficient time, resources, and attention to the process of benchmarking, you can gain important insights that can spark important community conversations. Additionally, they can help improve your own operations and position your organization as an expert on trends in the regional economy. Along the way, your EDD will do better work, build stronger partnerships, better engage the community, and, most importantly, advance the cause of regional economic development.



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