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Performance Measures for Community Economic Development

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An infamous governor once said "Don't ever put a goal and a date together in the same sentence." For example, the police chief should never publicly state "…we will reduce burglaries by 50 percent in two years…" The reasoning is simple, such pronouncements can be used to hold policy-makers accountable. This type of logic is, unfortunately, a political reality. At the same time, however, this logic casts a pall over the public sector. Claims of bureaucratic waste and inefficiency can eat away at confidence and support for the public sector.

The passage of the Government Performance and Review Act at the federal level, however, has pushed the notion of performance measurement to the forefront of discussions within the study of public administration. Joseph Wholey of the University of Southern California and Kathryn Newcomer of George Washington University observe that "the current focus on performance measurement at all levels of government and in nonprofit organizations reflects citizen demands for evidence of program effectiveness that have been made around the world" (1997, p92). So why should public managers measure performance? Because they may find such measures helpful in achieving eight specific managerial purposes. As part of their overall management strategy, public managers can use performance measures to evaluate, control, budget, motivate, promote, celebrate, learn, and improve.

In the area of community economic development the notion of performance measurement is not new nor a particularly unfamiliar idea. Community development corporations (CDC), both non-profit and quasi public, have historically incorporated performance measures into their strategic planning. Specific goals, such as visiting two dozen businesses through a business retention and expansion program, or organizing half a dozen small business development workshops over the coming year, are commonly found in CDC annual plans of work.

Community economic development organizations, however, could benefit from thinking about the broader performance measurement discussion that is occurring within the field of public administration. Specifically the widely discussed distinctions between inputs, outputs and outcomes. Inputs and outputs are easily identified and measured, but outcomes are an entirely different matter. Consider for example, educational programs aimed at helping local entrepreneurs. Inputs are easily measured: number and breath of courses offered, level of direct one-on-one counseling, or volume of educational packages distributed. Outputs are also easily measured: number of individuals participating in programs, number of completed business plans, or volume of SBA loans flowing into the community. But outcomes are more difficult to measure. Ideally, entrepreneurs will be more effective at identifying opportunities, crafting strategies to minimize risks and avoiding business ideas that do not make economic sense. But how does one know if the skills and abilities of program participants have really increased as a result of participation? Would these entrepreneurs have made the same decisions with or without the programs?

Is the goal of visiting two dozen businesses through the business retention and expansion program an input, output or outcome? When considered within the framework of performance measurement the goal of visiting the businesses would clearly be an input. The output would be the identification of businesses at risk or are thinking of expansion which the CDC could then lend support to help those businesses. The outcomes are vaguer and not as easily measured: a stronger sense of community, enhanced economic opportunity and perhaps a stronger business climate. The leap from inputs and outputs to outcomes can be difficult, but is necessary.

It is important for community economic development organizations to think about the local economy in a broader sense. What economic outcomes does the organization wish to foster? Are the broader goals to reduce poverty or the unemployment rate, or to increase average wages or something as vague as enhancing economic opportunities? Too often, it is easy for community economic development organizations to focus on tangible inputs and loose sight of the broader outcomes that they are striving to achieve. By stopping and reflecting on those broader outcomes, inputs and outputs can be refined and focused.

But how might some of these broader outcomes be measured? A partial list would include increased average income, reduced poverty levels, lower unemployment rates, higher home ownership rates, higher property values and lower commercial vacancy rates. Care must be taken to avoid looking for a single measure to capture all elements of economic development. In the business community the traditional performance measure has been the infamous bottom line—although any business has not just one bottom line, but many of them: a variety of financial ratios (return on equity, return on sales) that collectively suggest how well the firm is doing—or, at least, how well it has done.

The same applies to community economic development practitioners who are faced with a more diverse set of stakeholders (not just customers and shareholders), a more contradictory set of demands for activities in which they ought to excel, and a more complex set of obstacles that must be overcome to improve and create value. As argued by Robert Behn of Harvard University "[t]he leaders of a public agency should not go looking for their one magic performance measure. Instead, they should begin by deciding on the managerial purposes to which performance measurement may contribute. Only then can they select a collection of performance measures with the characteristics necessary to help them (directly and indirectly) achieve these purposes" (2003, p600).

References

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