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# CHAPTER 4

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## Statutory Benchmarks Are Not Meaningful Performance Measures

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### Chapter summary

***WBC says SF 35 benchmarks do not reflect WBC activities.***

When creating WBC, the Legislature built in an accountability component by requiring annual reports on some 27 different benchmarks. For the most part, the benchmarks are aggregate measures of the state's economy, on which there are many influences beyond the WBC. Believing that many of the benchmarks measure outcomes that lie outside of one governmental agency's control, and also recognizing that they fail to capture what the Council presently does, WBC reports the information without linking it to program goals or attempting to place it within the relevant context of WBC activities. Statute allows WBC to develop additional measures that are different, but it has not done this.

WBC reports also measure activities on a task-level basis: either a given task was done or it was not. However, this is not the level of accountability that the Legislature required or that its multi-million dollar budget calls for. WBC was created in the corporate model precisely because it was believed that this structure would produce real-world accountability and demonstrable results. Measuring at the task level does not fulfill that demand, and WBC needs to develop performance measures that more fully reflect its utility and productivity.

***If SF 35 benchmarks do not reflect its performance, WBC needs to develop measures that do.***

Given that comprehensive statewide economic development planning is not deliberately occurring within WBC, and given that the agency does not generally link its activities and performance to the SF 35 benchmarks, it is incumbent upon the organization to develop some other measures of its performance. WBC needs to develop measures that reflect its service and support orientation, quantify the impacts of its activities, and link those activities to agency and state goals.

## **The Legislature created WBC with expectations of accountability**

***A corporate approach was to lead to measurable impacts.***

Creation of the Business Council occurred amidst a number of expectations and promises, one of which was to deliver “real-world accountability.” WBC was to show measurable impacts on Wyoming’s economy that would generate from the corporate philosophy, administrative style, and structure of the organization. It was to achieve broad objectives such as diversifying the economy through the development of manufacturing and technology industries, and providing well-paying jobs to retain the youth of Wyoming in the state.

### **The Legislature established WBC benchmarks**

Accountability was to be demonstrated through measurement of outcomes defined in a 1998 Session Law, original Senate File 35; the measures have come to be known as “SF 35 benchmarks” (see Appendix E). WBC is to report the benchmarks in its annual report, as well as other information specified in W.S. 9-12-112.

***SF 35 benchmarks imply policy directions for the agency to pursue.***

Those we interviewed, including both WBC and state economic development experts, agreed that most of the benchmarks are macro-level measures of the state’s economy or outcomes that are affected by many factors beyond WBC activities. However, the Legislature’s point in establishing them was to determine if the state could impact its economy through its economic development efforts. The benchmarks also seem to indicate policy directions that the Legislature considered important for WBC to pursue, such as the wage rate disparity between men and women and the number of primary jobs created and lost. That the Legislature included a measure of the percentage of new or lost employment in 11 sectors of the state’s economy indicates its interest in diversification.

Certain benchmarks more specifically apply to WBC, such as those that specify outputs rather than outcomes, and those indicating WBC’s level of activity in economic development efforts. Some examples are the number of jobs created, lost, or retained and capital investment from recruited or retained companies.

### **WBC activities are not necessarily linked with benchmarks**

This benchmark information is valuable for understanding overall economic trends, but given the agency's diffuse service and support orientation, the link between WBC programs and changes in these metrics has not been made clear in WBC reports. Board members and staff state that the benchmarks do not reflect the agency's role or activities. The reasons they cite are two-fold: (1) There are other factors at play in the economy, and (2) WBC assists the businesses and communities that actually create the jobs and build the economy. While WBC has statutory authority to report "other measures or adjustments the council deems appropriate," it has not brought forward a set of alternative and more appropriate performance measures.

### **Task accomplishment has been the primary measure of success**

***WBC strategic planning focuses on activities not outcomes.***

WBC reports the benchmark measures in its annual report. For macro-level metrics, it uses data assembled by the Department of Administration and Information and the Department of Employment. This leaves WBC responsible for only those measures that relate to its activities, such as the number of companies in its business retention programs. However, as discussed in the previous chapter, WBC focuses upon its strategic plan as the primary statement of its planning and performance. For this, WBC lists activities its staff plans to do, and when the activities are completed, the overriding objective is assumed to have been met. WBC rarely proposes measurements of the activities' impacts or outcomes.

A sampling from each division's strategies, goals, and action items in the FY 2005 action plan illustrates (see Figure 4.1) the lack of quantifiable outcome measures. For the most part, task accomplishment (or input) appears to be WBC's primary measure of success.

Figure 4.1

## WBC Performance Measures

WBC Division	Growth Strategy	Goal	Action Item	Implied Measure <sup>1</sup>
Agribusiness	Encourage and promote new and existing agricultural opportunities	Expand domestic and international marketing opportunities	Encourage development and promotion of e-commerce ag products	Activity Description Input
Business and Industry	Help businesses increase jobs through programs	Create a climate that supports entrepreneurship	Promote the UW business incubator statewide	Activity Description Input
Investment Ready Communities	Provide demographic data, planning tools for grant applications	Expand data, model planning tools, and information for the website	Conduct five national recruitment trips	Input

Source: LSO analysis of WBC FY 2005 Action Plan

<sup>1</sup> LSO evaluation

## Economic development difficult to quantify, but performance measures are available

***Credible sources, such as GASB, stress importance of monitoring and measuring activity.***

One of the themes consistently repeated in the course of our research is that economic development “is extremely difficult to pin down, difficult to quantify, difficult to measure. It is a long-term process.” Wyoming’s state-level economic development effort also has been likened to a 20-year bet with an outcome that is by no means ensured. Such statements collectively imply that WBC wants to deflect attention away from accounting for current and past activity.

However, the Wyoming Legislature has made it clear that it expects accountability from the state’s economic development agency. Based on our review of several credible sources, we believe it is possible to measure the variety of activities that WBC undertakes, from service provision to product development and program implementation.

Wyoming’s 1997 Steering Committee report acknowledged the importance of performance measurement by referencing a 1990

Governmental Accounting Standards Board (GASB) report. That report stressed the importance of including Service Efforts and Accomplishments in monitoring and measurement activity. W.S. 28-1-115 (a) (II) (A) requires compliance with GASB standards as a part of every agency's strategic reporting.

***Use of performance measures provides a basis for good decision-making, efficient use of resources, and accountability to lawmakers.***

GASB maintains that it is necessary for states to have some mechanism that permits the assessment of economic development programs. In 2002, the Oregon legislature commissioned the National Association of State Development Agencies to review the cost-effectiveness of that state's economic development programs. The resulting report confirms the need for monitoring performance of economic development programs to gauge whether state economic development agencies are providing good information relative to the effective allocation of resources. The benefit of such information, according to the report, is to allow optimum management of the agency, and accountability to the legislature and taxpayers.

A landmark 1990 Urban Institute study for the states of Minnesota and Maryland developed a model system of accountability measures for economic development activity, based on a series of inputs, outputs, and outcomes and efficiencies. A 2004 Joint Legislative Audit and Review Committee (JLARC) report for Washington State's Department of Community, Trade and Economic Development cited the same GASB measures as the "best practices" standard for measuring performance in economic development programs.

**Reports should stress outcomes, not inputs**

***Measures should focus on the contribution WBC services have to clients' outcomes.***

In developing performance measures, literature stresses placing less emphasis on indicators of outputs, i.e., measures of program activities. According to GASB, elected officials are interested in a small number of activity measures, but these outputs have limited value in determining the effects of the programs. Instead, external reports should focus greatest attention on the clients assisted by the programs, and the contribution their services make to the outcomes these entities experience. Figure 4.2 below provides examples from the GASB, Urban Institute, and JLARC reports illustrating the concepts involved in measuring a wide array of economic development activities.

Figure 4.2

**Different Activities Require Different Performance Measures**

	<b>Development Activity</b>	<b>Performance Indicator</b>	<b>Measurement Type</b>
<b>1990 GASB</b>			
	financial assistance	number of staff hours expended	input
	business attraction	number of firms receiving assistance	output
	export programs	number of leads generated at each event	intermediate outcome
<b>1990 Urban Institute</b>			
	community development	number of firms rating services as good	service quality
	business marketing	number of responses to advertising/direct mail	intermediate outcome
	non-financial assistance	number of clients reporting assistance helped outcome	long-term outcome
<b>2002 National Association of State Development Agencies – Oregon</b>			
	business marketing	increased sales for assisted firms	outcome
	community development	proportion of projects addressing top local priority issues	outcome
	infrastructure development	investment in infrastructure leveraged from other sources	outcome
	infrastructure development	percentage of communities with marketable sites	outcome
<b>2004 JLARC - Washington</b>			
	education and training	number of participants in workshops	output
	business finance	percentage of jobs created above average wage	outcome
	business finance	amount lent per job created	efficiency*

\*-efficiency measures the relation between inputs and outputs/outcomes

Source Note: LSO analysis/compilation of Service Efforts and Accomplishments Reporting: Its Time Has Come, 1990 GASB; Monitoring the Outcomes of Economic Development Programs, 1990 Urban Institute; An Assessment of the Cost Effectiveness of Oregon's Economic Development Programs, 2002 NASDA; Performance Measure Review, 2004 JLARC

***Client surveys can be useful to measure customer service outcomes.***

**Performance data can come from a variety of sources**

Client surveys can supply some of the outcome measures related to the usefulness and quality of WBC services. The Urban Institute stresses that such surveys should be periodic and provide detailed primary data about program use and impact. However, such surveys rely upon subjective and self-reported data. To augment this data, economic development organizations should maintain program records on their clients to gather such

information as firm size, industry category, and services provided so that analyses of aggregate data can be made to assess performance.

***Employment data provide objective measurement of concrete outcomes such as jobs created.***

Obtaining objective measurement of such concrete outcome measures as jobs created and the percentage of jobs created above average or minimum wage levels, requires access to confidential state unemployment insurance data. The Department of Employment's Research and Planning section manages this data for Wyoming, and statute allows WBC to obtain such data as long as it abides by confidentiality requirements (W.S. 27-3-607(c)(vii)). However, as discussed in Chapter 2, WBC and this section currently do not have a working relationship to share this data. Another possibility is for WBC to establish reporting requirements for similar data in BRC contracts.

**WBC perfunctorily reports the SF 35 benchmarks and purposely deflects credit**

WBC's service and support orientation, along with its tradition of measuring inputs rather than outcomes, makes it difficult to determine the actual effects of its operations. WBC has for the most part dutifully reported the SF 35 benchmarks, but its reports do not connect outcomes of its activities to that data, and it has not gone on to develop additional measures as permitted in statute. Further, the Legislature specifically seeks input from WBC for actions it might take related to the implementation of the comprehensive economic development strategy, and WBC has not formally proposed other, more appropriate measures.

***WBC downplays its role in local economic development.***

In addition, officials often attempt to minimize WBC's role in local development efforts. WBC board members and staff strongly support local control of economic development efforts. In turn, representatives of local economic development organizations praise WBC highly for providing technical and financial advice on potential projects, and view it as an important resource upon which they can draw. Yet stakeholders are aware that difficulties arise from this self-effacing approach. One said, "WBC tries to take a low-key approach but is doing a tremendous amount of behind-the-scenes work. It hurts their image and probably affects their funding. They need to figure out how to

take credit somehow.”

**Recommendation: WBC should create and use appropriate measures to gauge the impact and success of its programs, activities, and services.**

The National Association of State Development Agencies (NASDA) acknowledges that a heavy emphasis on pass-through funding and regional development makes it difficult to reliably measure state level economic development effectiveness. However, the difficulty of the task does not absolve an agency from the responsibility to provide policy makers with the information they need to effectively allocate resources.

***Performance measures will differ depending on the type of activity undertaken.***

Determining the success or impact of a wide array of WBC activities cannot be accomplished by measuring them all with the same yardstick. For example, it would be inaccurate to claim that promoting Wyoming as a business relocation destination at a trade show was directly responsible for creating six new jobs, yet in the case of awarding a BRC business-committed grant to ensure that a manufacturing company relocates to Wyoming, such a job-creation claim may be entirely appropriate.

If the legislatively-established benchmarks do not provide an adequate vehicle for illustrating WBC impacts, the agency has the statutory authority, and an obligation, to develop and report such additional measures as it deems appropriate. Developing such measures need not necessarily be cost-prohibitive, nor would the measures have to be extensive, but they must be relevant to the function, the activity, and the objective. WBC needs to redirect some of its staff effort toward developing relevant measures for both internal use and external reporting requirements.