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Economic Development Policies Evaluation Techniques for EDCs

UMass Amherst Center Economic Development
ECONOMIC DEVELOPMENT POLICIES
EVALUATION TECHNIQUES FOR EDCs

SELECT MASSACHUSETTS COMMUNITIES

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Part I
Introduction

Many communities in Massachusetts currently utilize a variety of publicly-funded economic development organizations that help to generate and maintain economic activity and growth. Given the importance of economic development to cities and towns that are currently facing high unemployment rates, eroding tax bases and vacant space, it is crucial that these organizations operate effectively and receive the support necessary to continue their operations.

To date, however, the performance of many of these organizations has not been evaluated in a systematic manner, and the extent of their effectiveness is unknown. Only through a formal evaluation process can it be determined if the organizations need to be modified or improved. Furthermore, failure to assess and document the impact of the economic development programs could lead to questions of their value or purpose by taxpayers and/or funding sources.

Unfortunately, information on a systematic approach to evaluating economic development agencies is not readily available to many communities. The Center for Economic Development at the University of Massachusetts, whose goal is to advise and help Massachusetts cities and towns in their economic development efforts, recognizes this problem and would like to provide localities with the means to perform these evaluations.
The purpose of this project, therefore, is to provide information on the evaluation of local economic development organizations which the Center can pass on to these communities. Hopefully, the availability of this information will encourage evaluation at the local level and provide a basis for further investigation into the subject by the Center for Economic Development.

Goal: The goal of this study is to provide information on evaluation techniques for local economic development organizations. This goal will be met through the following objectives:

1. Obtain information on the evaluation of local economic development organizations.

2. Perform a pilot test of an evaluation study to determine its feasibility and provide an example for local communities to examine.

3. Provide the Center for Economic Development with comprehensive information on the evaluation of local economic development organizations. This will give interested parties a base to work from when examining or implementing evaluation techniques.

Study Methodology

Methods for achieving objective 1:

Conduct research on evaluation techniques for economic development organizations. This research includes practical information such
as case studies, as well as theoretical analysis.

Methods for achieving objective 2:
Perform an evaluation of the Taunton Industrial Development Commission of Taunton, Massachusetts.

Methods for achieving objective 3:
Analyze and present information obtained during the research and case study. Provide recommendations on evaluation techniques and areas for further investigation by the Center for Economic Development.
Part II
Program Evaluation: History and General Principles

An understanding of the history and basic principles of program evaluation is important when undertaking any type of evaluation study. Information presented in this part is useful in understanding the concepts surrounding the evaluation of economic development organizations that will be examined in succeeding sections.

The practice of evaluation as a specialized function first gained recognition and importance in the mid-1960s due to the large scale social programs created under the War on Poverty and Great Society initiatives. These programs or "social interventions" represented the first major effort by the federal government to sponsor activities designed to meet some recognized social need or solve an identified problem. Extensive resources were allocated to deal with matters such as unemployment, crime, urban deterioration, access to medical care, and mental health treatment. Examples of these programs include the Job Corps, Aid to Families with Dependent Children and the Community Mental Health Center Programs.

With this commitment of public funds came a demand for knowledge about the effectiveness of these programs in attaining the objectives for which they were designed, their efficiency, and their impacts on society. Both government officials and taxpayers wanted demonstration and documentation of the soundness of program
concepts. Evaluation, which is defined as "the systematic application of social research procedures for assessing the conceptualization, design, implementation, and utility of social intervention programs", was the means by which that information could be provided. This served to spur the growth and development of the evaluation field.

Prior to this time, there had been some public policy relevant research occurring in the social science field; however, analysis techniques were inadequate, making reliable conclusions impossible to draw. But with the increased demand for program evaluation, interest and financial support for evaluation research grew enormously, leading to an improvement and refinement of evaluation techniques. By 1969, nearly all federal agencies had established evaluation research and policy analysis programs which were committed to program evaluation.

The role of program evaluation has remained substantial to the present day in nearly all branches and levels of government. Public officials have come to rely heavily on the knowledge gained through evaluation to inform or support their views on policy issues. Judges require proof that administrative decisions are not "arbitrary or capricious", and private citizens want accountability for their tax dollars. In addition, program managers use feedback on program operations to make decisions regarding daily procedures and activities.

The purpose of most evaluations is "to produce credible information on the performance of a program to guide decision
making".\(^8\) A classic distinction breaks this purpose down into two categories: 1) summative evaluation, which provides information on the merit of the program, and 2) formative evaluation, which is aimed at program improvement.\(^9\)

There are various types of research designs, models and techniques used to select, collect, organize and analyze information for an evaluation study. These come from the different disciplines in the social science field and may be quantitative, qualitative or statistical in nature. While the appropriate method for a particular evaluation is dependent on its objective, any design that is used must adhere to two technical standards for the findings to be considered "credible". The two standards are called validity and reliability.\(^10\)

Validity is defined as the degree to which a procedure succeeds in measuring what it purports to measure. It is difficult to test and prove if an evaluation method is valid. Basically, for an evaluation method to be considered valid, it must have widespread acceptance in the social science field. Reliability is concerned with the stability and consistency of the measurement tool: in a given situation, the technique would produce the same results repeatedly. The less difference in results, the greater the reliability.\(^11\)

It is a matter of debate in the evaluation field as to exactly how valid and reliable methodology must be to make the findings credible. The consensus is that no design is perfect and that there will always be some degree of error. Certainly some techniques are
considered to be more valid and reliable than others.\textsuperscript{12}

In the infancy of the evaluation profession, technical adequacy (and validity and reliability) was the major concern of most evaluators, and great care was taken to employ rigorous and complex scientific methods in evaluation studies. In recent years, this demand for scientific rigor has given way to the practical issues of conducting evaluations, such as cost, time and other constraints. "Program funders, administrators, and staff were openly complaining that evaluations were too costly, too often irrelevant, and too academic".\textsuperscript{13} This resulted in a concern with creating more useful and practical evaluations.

Four standards were established in 1981 to guide professional evaluation practice. They call for evaluations which are "utility-focused, feasibility-conscious, propriety-orientated, and accuracy-based". The rationale behind these standards is that an evaluation should not be done, first, if it is not useful to some audience; second, if it is not feasible in political, practical or cost-effectiveness terms; third, if it is not conducted fairly; and fourth, if it is not technically adequate.\textsuperscript{14}

To try to describe the present "state of the art" in evaluation is difficult because it is a discipline in a constant state of flux. Evaluation practices are constantly evolving in response to further research in the field, demands placed on methodology by new types of public programs, and changes in the information which decision makers are seeking about these programs.\textsuperscript{15}
Part III
Evaluation and Economic Development Organizations

This section will examine the current status of evaluation and economic development organizations. It will illustrate why investigation into evaluation techniques is important to the economic development profession.

In Massachusetts, publicly funded economic development organizations exist in a number of forms at the local level. Included among these are Redevelopment Authorities, Economic Development and Industrial Corporations, Community Development Departments, Development and Industrial Commissions, and Industrial Finance Authorities. Though the specific activities of the organizations may vary, their overall goal is the same: to promote economic development in the communities where they work. Their funding is provided by a mix of sources at the federal, state, and local level.

The need to provide techniques to measure the performance of these organizations in Massachusetts became apparent through a study done in the Fall of 1990 which examined the operations of economic development organizations in ten western Massachusetts cities and towns. A major finding of this study was that comprehensive assessment and documentation of the impact and effectiveness of these organizations, based on valid and reliable methods, is unavailable. This problem is not particular to Massachusetts, it is common nationwide. 16
The way in which economic development organizations often measure and illustrate their progress is in terms of daily activities such as the number of loans given out, industrial parks built, or marketing packages produced. Listing activities is not an adequate measure or illustration of program effectiveness. As one economic development analyst asks, "What do all these activities mean? "What has been accomplished in terms of real economic growth and development of the community?"\textsuperscript{17}

The organizations may also rely on data that measure economic conditions for an entire region, such as unemployment figures, with little proof of the direct impact of their organization. "At best, program managers are usually limited to informal and anecdotal indications of service quality and secondary data for program outcome. The sources and unsystematic nature of this information are of dubious validity and accepted only reluctantly by most policy makers."\textsuperscript{18} In response, economic developers themselves are becoming concerned about the effectiveness and objectivity with which their performance and programs are evaluated.\textsuperscript{19}

As public agencies, economic development organizations should, (and, sooner or later, will) be held to a higher degree of accountability for meeting the broad objectives of their programs and providing the services for which they were organized. Many of these organizations were established in the late 1970s to early 1980s and were the recipients of state funding increases in economic development. Now, however, the fiscal crisis in Massachusetts has seriously decreased the ability of both the state
and the municipalities to fund public programs. This is occurring at the federal level as well. As a result of this funding squeeze, it is forecasted that in the 1990s there will be increased pressure to curtail or dismantle those public programs for which there is "limited evidence of program efficacy and efficient delivery of services".  

Accountability is not the only factor that makes evaluation of economic development organizations important. Evaluation also provides assistance to decision makers in improving the quality of these organizations through the identification of strengths and weaknesses. This information allows them to determine modify or improve programs to increase effectiveness.

If evaluation of economic development organizations is so important for accountability and program improvement, why isn't it being carried out to the degree it should? The answer is that formulation of appropriate evaluation methodology and attempts to utilize it are still in the experimental stage. Currently, there are no broadly accepted and practiced evaluation procedures. As pointed out by the Urban Institute- "Effective means for assessment of program quality and outcomes are lacking" and attempts at evaluation have been "sporadic, insufficiently comprehensive, unsystematic, or unreliable".  

The research for this project has substantiated these claims. Information on the evaluation of economic development organizations
proved to be very difficult to obtain as it was scarce and widely dispersed. Until this information becomes more defined and accessible, economic development organizations at the local level will have a difficult time attempting to implement evaluation procedures. According to a recent publication on economic development efforts:

"If there is a single most important challenge to our profession and professionalism as we go forward into the 1990s, it may be the development of effective and acceptable methods and measures of our performance and impact."23
Part IV

Analysis of Evaluation Methods

This section provides a discussion designed to illustrate the concepts behind evaluation methodology for economic development organizations. The material contained in this section is derived from pertinent literature, discussions with professionals in the field of economic development evaluation, and analysis of that information.

The first step in conducting any evaluation study is to determine the particular goals of the evaluation. As stated earlier, the goal of evaluating economic development organizations in this case is twofold: 1) to assess and document their impact and effectiveness for accountability reasons and 2) to provide information that will assist in performance improvement efforts.

The next step is to design an evaluation technique best suited to reach those goals. The type of evaluation used for assessing and documenting impact and effectiveness is known as the impact assessment. An impact assessment measures the extent to which a program is producing its intended effects, or causing change in the "desired direction" or, the objective of the organization. Objectives are defined as "the formally stated ends to whose achievement the programs resources are directed." Although there are various designs for an impact assessment, they have the same basic objective: to produce an estimate of the impact of a program which excludes the influences of any other factors that could affect that impact.

Whichever design is utilized for an impact assessment, it must...
"demonstrate persuasively" through a valid means that the program being studied is the cause of the specified effect. This is known as establishing "causal relationship" - the impact cannot be attributed to efforts of the program unless it cannot be accounted for by any other influencing factor. A classic example of the causal theory is: "A" - the program Head Start, causes "B" - the desired outcome, equalization of cognitive skills among preschool children.²⁷

The most common means of performing an impact assessment is through the use of experimental designs. There are two major classes of experimental designs: randomized-experiments and quasi-experiments. The basic idea behind the randomized experiment is to pick at random two sub-samples of the population, study the characteristics, expose one group to the program or intervention, and then measure the differences, contributing any changes to the program. In a quasi-experiment, the samples are not picked at random; instead, they are chosen specifically or they self-elect for treatment.²⁸ Within each of the two categories of experimental designs, there are a number of techniques with different variations on the technical approach that are in accordance with those general principals.

There are also "non-traditional" methods of conducting an impact assessment. These are judgmental approaches and they are used when the experimental designs are unsuitable for a particular evaluation. In these cases, either the administrator of the program, clients or a hired expert make fundamental judgements
about the impact of a program through their informal observations. Non-traditional approaches are less scientifically rigorous than experimental designs, but they are still considered to have validity.\textsuperscript{29}

The approach most widely advocated in current literature to illustrate causal relationships for economic development organizations is the judgmental assessment. In this case the assessment would be done by clients: the local businesses which have interacted with the economic development organizations. They are questioned on the extent to which they believed the services of the organization contributed to reported outcomes. This is considered to be a relevant indicator of a causal relationship.\textsuperscript{30}

As discussed in part two, most information on the performance of economic development organizations is that which is produced by the staff or director of the program. In recent years, however, program evaluation has been increasingly turning to the clients of public programs for measures of program performance. This is based on the belief that clients can provide more valid and less biased information than official records.\textsuperscript{31} Furthermore, client assessments are believed to have the most validity for programs that have as their goals increasing "customer satisfaction".\textsuperscript{32} This makes them particularly suitable for evaluating economic development organizations. In many cases the function of economic development is to assist local businesses or to make the community an atmosphere conducive to economic growth. The satisfaction of the business community with those services is directly related to the
objectives of the organization being achieved.

Why are less "scientifically rigorous" judgmental assessments recommended over experimental designs? Experimental designs are costly and time consuming types of impact assessments, which may make them unfeasible for many organizations. The directors of economic development organizations interviewed in the study of Western Massachusetts agencies stated they faced growing budget and personnel constraints. Also, the technical expertise required for experimental designs may not be available to local economic development organizations. Furthermore, experimental designs are often difficult to use. The inapplicability of experimental designs to many "real world" evaluation situations is widely recognized in the evaluation field.

After the appropriate impact assessment approach is targeted, a basis by which the effects of the program can be measured must be chosen. This involves the selection of criteria through which any impacts can be assessed and documented. The appropriate measurement criteria is that which best represents the goals and objectives of the organization. Proper selection of this criteria is extremely important when conducting an impact assessment. "An outcome measure that is unreliable is likely to underestimate (or overestimate) the effectiveness of a program and could lead to incorrect inferences about its utility." Measurement criteria selection can be a problematic issue when evaluating economic development organizations because goals of economic development efforts are often vague and hard to translate
into a measurable unit. At the broadest level the goal of economic development efforts is defined as; "to build a communities capacity for shared and sustainable improvement in its economic well being". The characteristics of "economic well-being" are listed as such:
- access to good jobs
- a decent quality of life
- sustainable over time
- shared distribution of the fruits of the economy
- capacity and well being of the labor force
- vitality of the business sector
- long term commitment by the public and private sectors".

The problem with these types of goals and objectives is apparent. What is an appropriate definition for a decent quality of life, or vitality of the business sector? How can they be measured? A lack of clearly defined, measurable objectives is a recognized problem in many program evaluation studies and "developing criteria that have broad consensus is probably the most difficult task associated with program evaluation".

The mandates by legislatures, boards of directors or the funding agencies which have created the organization need to be examined to provide a clear understanding of the objectives. Two cautions must be taken when using this approach. First, the objectives must be kept in perspective. Numerous examples exist of evaluations that measure program effectiveness against the obviously unrealistic or overly ambitious initial objectives that were enunciated to support the launching of the program".
example, an organization that is responsible for recruiting new companies to an area should not realistically be expected to cause a permanent drop in the unemployment rate since it is dependent on so many other external factors. Public officials, however, may claim that is the intent of the organization, or citizens may believe it is. "Evaluations that attempt to determine the effectiveness of the programs whose goals are not realistic predictably produce negative results." 41

Second, when looking at the mandates, it is important to differentiate between the objectives and the activities that are performed to achieve those objectives. Activities are used to promote change, but they do not provide true evidence which can be used to assess or demonstrate that the organization is actually having its intended effect.

An example of such an occurrence is a study that looked at the costs and benefits of a financial incentive program in North Carolina that was aimed at creating jobs. The benefits of the study were calculated in terms of the increase in the firm's asset value as a result of the incentive. A criticism of this method is that the firms may not have used their increased wealth to create new jobs, which was the overall goal of the program. In effect, the progress of the organization in reaching its goals was not being measured or illustrated. 42

At the local level, the most common motivations for economic development efforts include:

- increasing employment opportunities
expanding the tax base.\textsuperscript{43}

Given these motivations, the desired impact of economic development programs at the local level can be translated to include increasing the number of jobs and producing tax revenue. Job and tax revenue increases (or saved) are generally accepted to be good criteria by which to measure the impact of local economic development organizations. Those indicators should be of greatest interest to the general public and to officials and funding sources.

Some economic development organizations have goals more specific than simply creating or saving jobs or producing tax revenue. These may include jobs for minorities or low income populations, "high quality" jobs, or export promotion efforts. In these cases, the criteria must be further tailored to ensure that they demonstrate that these targets are being met.

The last issue, related to conducting an impact assessment of economic development organizations, is the importance of including indirect outcomes in impact calculations. When new manufacturing jobs are created, this translates to more payroll dollars flowing into the area. This spurs demand and increases activity in all sectors of the economy, generating additional jobs in the community. These indirect effects must be measured and documented to provide a true picture of the impact of economic development organizations.\textsuperscript{44}

The number of additional jobs that may be created as a result of an increase in direct jobs can be calculated through the use of...
that it provides a basis by which the results of the work of an economic development organization can be compared to that of others. Through this comparison, a determination can be made if that organization is achieving optimal or satisfactory productivity levels. Tables like the one below may be used as a comparison basis.

Table 1
Cost Per Job for Economic Development Projects

<table>
<thead>
<tr>
<th>PROJECT TYPE</th>
<th>COST PER JOB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
</tr>
<tr>
<td>Public Works</td>
<td>Less than $3,500</td>
</tr>
<tr>
<td>Business Loan</td>
<td>Less than $4,000</td>
</tr>
</tbody>
</table>


When comparing cost effectiveness ratios, caution must be taken to compare the work of similar programs in similar environments, to provide some control for the external variables which can affect productivity. It is recommended that factors such as project age and level of economic distress be taken into account in considering basis for comparison. The table above came from averages of a number of different economic development efforts, and so should be regarded only as a rough guide. As more evaluations of this type are done in Massachusetts a data base of this information which could make these comparisons possible should
be created.

The cost-effectiveness analysis can also be used to compare the results of different types of economic development strategies, such as loans vs. technical assistance. This information is useful to communities as they attempt to make plans for further economic development efforts. However, it must be taken into consideration that certain types of economic development efforts do not provide for useful comparisons. The results of recruitment efforts can be vastly different from that of an incubator policy. In the short run, the recruiting effort could look much more effective if even one large company located in the area. In the long run, however, as the businesses in the incubator grow, it might be discovered that it was a much more productive effort.

The second purpose in the evaluation of economic development organizations is to provide information that will assist in performance improvement efforts. The impact assessment and the cost-effectiveness analysis are useful in indicating if the impacts of an organization fall below a desired level. They do not, however, detail possible causes for that occurrence.

Identification of strengths and weaknesses is useful in guiding program improvement efforts. Program managers need to answers to questions such as- What is working and what is not? What could be done to improve the system? A good source for this information is again, regarded to be client assessments, on the premise that since they are the recipients of the service, they are best able to judge its quality. Client opinions can then be
analyzed and appropriate action can be taken, fulfilling the second purpose of the evaluation.\textsuperscript{55}

To summarize, the following key points have been made as to the design of the evaluation methodology.

- The purpose of the evaluation is twofold: 1) to assess and document a program's impact and effectiveness for accountability reasons, and 2) to provide information that will assist in performance improvement efforts.
- An impact assessment will provide information for accountability. When performing this type of assessment, it is important to select appropriate measurement criteria, and attempt to establish causality.
- A multiplier should be included in the impact assessment to account for indirect impacts.
- A cost-effectiveness analysis is recommended to measure productivity.
- A client based assessment of service quality is recommended as a means of improving program performance.
Part V

The Taunton Industrial Commission

Pilot Test

This section will describe a pilot run of an evaluation study which includes the elements discussed in the previous section. It serves to demonstrate how such an evaluation may be implemented. It also provides information on the actual feasibility and usefulness of the evaluation techniques. The organization which these techniques were tested on is the Taunton Industrial Development Commission in Taunton, Massachusetts.

Industrial Development Commissions are authorized under Chapter 40 section 8A of Massachusetts General Laws. According to section 8A:

A city or town may establish a development and industrial commission for the promotion and development of the industrial resources of the said city or town. Such a commission shall conduct researches into industrial conditions, investigate and assist in the establishment of educational or commercial projects, including projects involving private enterprise, for the purpose of expanding and strengthening the local economy and shall seek to coordinate the activities of unofficial bodies organized for said purposes, and may advertise, prepare, print and distribute books, maps, charts, and pamphlets which in its judgement will further the purposes for which it is established.

The main focus of these organizations is usually the recruitment and early "deal-making" with prospective developers and tenants for industrial property in their town or city. The IDC may be responsible for actively recruiting developers or tenants to the area, or it may act as the referral agency that prospective developers or tenants are sent to for preliminary information. 51

An IDC consists of between five to fifteen volunteer members.
who are appointed by the mayor, town manager or board of selectmen. This commission reports to the governing board of the city or town. The commission can hire full-time staff members to carry out the daily work of the IDC. 

The Taunton Industrial Commission is a municipal agency of the city of Taunton, Massachusetts. Taunton is located in southeastern Massachusetts in Bristol County, thirty-two miles south of Boston. It is the 25th largest city in the United States in terms of area, covering 49.6 square miles. It has a population of around 46,000.

The Taunton Industrial Development Commission was created in 1970 by the mayor of Taunton. It is comprised of a 15-member volunteer board and two paid staff members, an executive director and a secretary. The responsibilities of the IDC are stated as:

- liaison services to city, state, and federal agencies
- the retention and expansion of local industry by assisting them to improve competitiveness and efficient operation by introduction to: new means of financing, technological improvements, sources of qualified employees, and applicable training resources
- the recruitment of new companies through the marketing and promotion of Taunton as a city that is business receptive with available property and services for industrial growth.
- and, continual review of city property and services to provide for present and future growth.

The evaluation took the form of a survey sent to clients of the Taunton Industrial Development Commission. For this evaluation, "clients" are defined as every firm located in the city, instead
of only the firms which have actually used IDC services. The total number of surveys sent out was 155. (See Appendix 2 for cover letter and survey copy).

The reason behind sending out a city wide survey was to find out which firms were not being reached by the IDC. This information was useful to the director. Those firms that were not being reached could be targeted for future contact. This was the purpose of the first question of the survey: "Are you aware of the services offered by the IDC?"

Questions #2-5 were designed to obtain information necessary for the impact assessment. The primary activity that was being measured for impact was the recruitment of new firms. The IDC had recently been active in filling a 437-acre industrial park called the Myles Standish Industrial Park. Question #2 was used to illustrate which actions the IDC took to effect their decision to locate in Taunton. The answers to this question are useful in showing which actions by the IDC are most helpful to prospective firms and most effective in causing them to locate in Taunton. Question #3 was used to discover the number of firms locating in Taunton for which the Industrial Development Commission was directly responsible, in attempts to establish a "causal relationship".

The purpose of questions #4 and #5 was to collect data to measure the impact of the IDC. The criteria used was number of jobs, and tax revenue (which was to be obtained from city hall records). This criteria was selected because those items are the
major objectives of the IDC. When the IDC was formed the mayor had stated: "I am appointing an Industrial Development Commission to attract new industry and encourage local industry to expand, thus creating new jobs and expanding the tax base." Question #5 was posed to get some indicator of the quality of the jobs that were created through salary measurements, and a better picture of the overall economic impact of the plant locations in Taunton.

For the firms answering "no" to question #3 the total number of jobs, salary and tax revenue can be calculated. This total can be shown to be the impact of the IDC and a measurement of its progress in achieving its objectives. The number of jobs and the tax revenue can be divided by the budget to calculate the cost-effectiveness ratio.

Questions #6-#9 were designed to identify strengths and weaknesses in the services offered by the IDC. In question #6, each service that the IDC performs was subject to a rating by the client. Question #7 asked for feedback on any services in which the quality was rated as poor. This information was asked for in order to help the IDC target any services which could be viewed as poor in quality and find out about specific improvements that may be needed. Question #8 was designed to obtain information on the most attractive features of Taunton to business concerns. The survey results are summarized on the following two pages.
SURVEY RESULTS

* Forty-four firms answered the survey for a 28% response rate. Twenty-one of those were from the Myles Standish Industrial Park. Twenty-three were located in other city locations.

* Thirteen of the firms (29%) stated that they were unaware of the services offered by the IDC.

* Eleven firms (25%) stated that they would not have located in Taunton without the efforts of the Taunton IDC.

* Nine of those eleven firms identified specific actions by the IDC which influenced their decision to locate in Taunton. Their responses are in the box below.

"Introduction to property and contact with financing agencies. Mr. Shafer (Director, Taunton IDC) was very upbeat and receptive—got the project moving."

"The IDC was very cooperative and worked hand in hand with us to be sure we could get in park."

"Showed great interest in our company, other towns did not."

"Contact with finance agencies."

"Helped get financing, helped in reducing the cost per acre due to extra costs in draining the land."

"They made us feel we would be an asset to the community."

"Good site, infrastructure in place, very cooperative, low land cost, excellent liaison between IDC, city government, and regulatory agencies."

"They were supportive and receptive to our manufacturing operation. Also provided considerable support in trying to get our startup operation off the ground. Without their support we would not be operational."

"Tax Incentives."

* The eleven firms which stated that the IDC directly influenced their location choice account for 1,577 jobs in Taunton.

* The average annual payroll total from 7 of those firms is $7,996,000.
* Service quality ratings are indicated in Table Two.

Table 2. Service Quality Ratings for the Taunton IDC.

<table>
<thead>
<tr>
<th>Service</th>
<th>% of firms which responded needs improvement</th>
<th>% of firms which met our expectations</th>
<th>% of firms which exceeded our expectations</th>
<th>% of firms which have not requested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information on economic and social conditions</td>
<td>0%</td>
<td>29%</td>
<td>9%</td>
<td>61%</td>
</tr>
<tr>
<td>Information on building space and sites</td>
<td>0%</td>
<td>20%</td>
<td>20%</td>
<td>56%</td>
</tr>
<tr>
<td>Assistance with specific problems</td>
<td>4%</td>
<td>18%</td>
<td>20%</td>
<td>56%</td>
</tr>
<tr>
<td>Financial assistance referrals</td>
<td>4%</td>
<td>11%</td>
<td>4%</td>
<td>81%</td>
</tr>
<tr>
<td>Job training/employee recruitment referrals</td>
<td>0%</td>
<td>15%</td>
<td>6%</td>
<td>77%</td>
</tr>
<tr>
<td>Liaison assistance with government agencies</td>
<td>2%</td>
<td>18%</td>
<td>11%</td>
<td>68%</td>
</tr>
</tbody>
</table>

* The top three factors which make Taunton a desirable business location were compiled as follows:
1. Quality of Site
2. Labor Supply
3. Cost of Labor

* Suggestions or comments for improvement of IDC services were provided by three firms. Their responses are in the box below.

"More frequent mailings on such topics as city finances, workmans compensation, legislative initiatives affecting the area, new developments in energy, water, transportation and the like."

"In the current economy, access to cash or cash equivalents is critical to small businesses. Anything the IDC could in this regard would be very helpful."

"Negatives for Taunton: real estate taxes and power rates compared to out of state alternatives."
ANALYSIS OF SURVEY OUTCOMES

When interpreting the survey returns, it is important to look at the initial purpose in conducting the evaluation. The first objective was "to assess and document the impact and effectiveness of the organization". From the data obtained through the surveys the following conclusion can be drawn: The impact of the Taunton IDC was to create 1,557 jobs in Taunton. Using the Ullman Dacey Model multiplier, the indirect job impact is 1,103 for a total of 2,660. It is important to note that these impact estimates are based on a 38% response rate so they are most likely on the low side.

The average payroll reported from seven of the firms is $7,996,000. The reluctance of firms to report their average annual wage makes this number low and therefore somewhat useless. The tax revenue calculations also proved unusable as they could only be calculated for one year (1991), due to difficulty in obtaining past records from city hall. The ideal would be to obtain the total tax revenue these firms contributed since their location in Taunton.

The critical issue in impact evaluation is whether or not a program produces effects different from what would have occurred without the intervention. Through the survey returns it is safe to say that the effects described above would not have occurred without the efforts of the IDC. This conclusion should be of help to decision makers when examining the utility of the organization.
The comments by business owners indicated three services performed by the IDC which were important in achieving those effects. One was the initial reception they received from the Industrial Development Commission. The second was contact with finance agencies. The third was the help they offered the firms in getting through the different steps in the location process: directing the firms to the various municipal departments they needed to meet with in order to obtain approvals and permits. There were also favorable comments on the personality of the director of the IDC. His personal actions appear to be a factor that influenced the firms location decision. The fact that these firms can cite specific activities influencing their location choice is a positive step toward identifying specific cause and effect.

In order to examine the effectiveness of the IDC in achieving that impact the number of jobs was divided by the total budget for the last five years. The measurement unit of the cost-effectiveness ratio came out to be $183 spent per job created. This is quite impressive in comparison to the program averages on compiled in Table 1 "Cost per Job for Economic Development Projects". Again, a cost effectiveness analysis would be more useful with a better basis of comparison.

The second goal of the evaluation was to assist in performance improvement efforts. The service quality ratings showed no major weaknesses. Only two replies were marked "needs improvement"—one simply because the firm had not heard of the service. The other listed three specific problems they had in past interactions with
When examining these results, an important point to note is that clients tend to provide highly favorable evaluations of government programs. According to this finding, a majority of satisfied responses should be expected and those findings considered inconsequential. But a majority of negative or dissatisfied responses should be recognized as an unusual result and perhaps a danger signal. A somewhat high number of respondents stated they had not requested the services of the IDC. This may be construed as normal as it is estimated that on the average, economic development agencies serve only a small percent of local businesses.

The characteristics of Taunton that were identified as most attractive to firms were the quality and cost of labor and the site quality. The comments or suggestions which respondents to the survey made provided useful information for the IDC to work from, though the response rate was rather low.

According to the director of the IDC, the survey was very useful. It helped him to identify those firms which didn’t know enough about the services of the IDC. It also allowed him to discover any problems which the IDC could follow up on. The self-evaluation and review of services which it provided, was useful in informing him which of his actions were most effective. As a result of the survey returns, which showed that a number of firms are unaware of services, the director has decided to begin more outreach to city businesses to alleviate this problem. With a few
exceptions, which are discussed in the next section, this evaluation approach appears to be feasible and useful for assessing economic development organizations such as the Taunton IDC.
Part VI
Conclusion

The purpose of this study was to provide information on evaluation techniques for local economic development organizations. The study has examined issues surrounding the evaluation of economic development organizations, information on current "state of the art" techniques, and a pilot run of an evaluation study. Through the integration of this information, an evaluation approach that includes the following elements was proposed:
- an impact assessment
- a cost effectiveness analysis
- collection of information to assist performance improvement efforts.

The recommended format for collecting data necessary to the evaluation is a client questionnaire. This method appears to provide the most valid information possible, given the practical considerations related to conducting an evaluation of a local economic development organization. It is an inexpensive approach which is not very time consuming. It does not require technical skills that would be beyond the capacity of the average staff person.

A pilot test of an evaluation was performed on the Taunton Industrial Development Commission. This provided an example demonstrating how such an evaluation could be implemented. It also helped to test out the approach in terms of its usefulness and
feasibility.

Several issues related to the Taunton IDC evaluation are important to consider when using it as an example. First, the survey was sent to every industry in the city, as opposed to only the ones that have actually received assistance from the IDC. While this can help an organization identify firms that are unaware of its services, it may cut down on the effectiveness of the evaluation in other areas. In other cities and towns, the number of firms may be small enough that the information asked for on the survey could be obtained through interviews instead of a mass mailing. This would increase the response rate. If time is not available, the questionnaire could be mailed and those who don't respond could be contacted in person.

The timing of when the questionnaires are sent out is also important. For example, in the Taunton evaluation, the survey was sent to firms that had been assisted by the IDC a number of years back. In some of these cases, management may have changed and the personnel who worked with the IDC were no longer there, or the respondent may have forgotten the details about the assistance. It is recommended that the firm be questioned six months to a year after assistance is received. This will avoid the problems discussed above, but, at the same time, provide the firm some time to generate significant outcomes. These can be updated periodically.

Another important consideration when examining this type of evaluation approach is that it was done by "an outsider" to the
community and the economic development organization. This allowed for a more impartial analysis of the results, and, as the director of the Taunton IDC pointed out, it may have permitted the businesses which were surveyed to be more candid in their replies.

A problem with the type of evaluation done on the Taunton IDC is that many important activities go undocumented and unassessed. For example, the director and members of the commission work to support legislative initiatives to lower energy rates in Taunton in response to local business concerns. The results of their efforts in those types of areas are difficult to translate into concrete outputs. Therefore, a more qualitative approach toward evaluating those types of activities should be used in tandem with the client questionnaire to allow for a more comprehensive evaluation.

The assistance of an agency such as the Center for Economic Development is important to the development and effective implementation of evaluation procedures. The organization should act as an information center to assist and encourage communities in their evaluation attempts. A large part of that assistance could be the actual provision of evaluation services. Given the benefits of using impartial evaluators, students affiliated with the Center could perform objective evaluations for local communities.

The Center should also continue research into evaluation techniques for the many different types of economic development organizations that currently exist. This paper provided an example of an evaluation that could be used for Industrial Development
Commissions. The approach will have to be slightly tailored, depending on the specific activities of a particular organization. Three documents that would be useful for further investigation into this area are listed in Appendix 3. Through the information provided in those documents and this paper, the Center should formulate evaluation procedures which are uniform and consistent, thus allowing outcomes to be measured on a standardized basis.

The Center should also work to create a regional, or statewide data base on evaluation efforts. If results from various local cost-effective analysis were compiled, as in Table 1 "Cost per Jobs for Economic Development Projects", communities would have a way to compare the work of their organizations with others in the area. It would also allow the Center to investigate which types of programs or organizations have proven over time to be most effective - information that would be useful in long term policy decisions for local communities. Furthermore, as the Center compiled enough data over time from evaluation results, it could investigate statistical analysis techniques to provide more conclusive information in linking specific actions of economic development organizations to outcomes.

Most importantly, given the developmental stage that evaluation techniques for economic development organizations are currently in, the Center should continually experiment with, or expand, upon any available information it can obtain. Given the scarcity of definitive material on the topic, it is an area the Center for Economic Development should further pursue. Any
contribution to evaluation attempts can only help to ensure more effective economic development efforts in the future.
### Appendix 1

#### Table 3
Factors Used to Calculate Indirect Employment Effects

<table>
<thead>
<tr>
<th>Area Population</th>
<th>Number of Indirect Jobs Per Direct Job</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 1,000,000</td>
<td>1.3</td>
</tr>
<tr>
<td>800,000-1,000,000</td>
<td>1.2</td>
</tr>
<tr>
<td>300,000-800,000</td>
<td>1.0</td>
</tr>
<tr>
<td>100,000-300,000</td>
<td>0.8</td>
</tr>
<tr>
<td>25,000-100,000</td>
<td>0.7</td>
</tr>
<tr>
<td>15,000-25,000</td>
<td>0.6</td>
</tr>
<tr>
<td>10,000-15,000</td>
<td>0.5</td>
</tr>
<tr>
<td>5,000-10,000</td>
<td>0.4</td>
</tr>
<tr>
<td>Under 5,000</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Appendix 2

Taunton Industrial Development Commission
Evaluation Survey
May 6th, 1991

Dear

The Taunton Industrial Development Commission has been working with Julie Cornelio, a graduate student from the University of Massachusetts, on a study which assesses the quality and impact of the services rendered by industrial development commissions.

Enclosed is a short questionnaire from Ms. Cornelio regarding assistance you may have received from us. Your candid response to this questionnaire will be extremely helpful in providing the information necessary for the completion of the study.

Your responses will be entirely confidential. The results will be reported only in summary form. Your cooperation on this project will be greatly appreciated.

Please return the completed survey as soon as possible to Ms. Julie Cornelio in the enclosed stamped and self-addressed envelope.

Sincerely,

Richard L. Shafer,
Executive Director

Enclosure

RLS/jnc
CONFIDENTIAL SURVEY

1. Are you aware of the services offered by the Taunton Industrial Development Commission?

2. What actions did the Taunton Industrial Development Commission take that influenced your decision to locate in this area?

3. Would you have located here without the efforts of the Taunton Industrial Development Commission?

4. How many full time employees do you currently have?

5. What is your annual payroll for full time employees?

6. Please rate each service you received from the Industrial Development Commission using the following characteristics:

   a. Information concerning the Taunton area's economic and social condition.

   b. Information on available existing building space and/or building sites:

   c. Direct assistance with specific problems relevant to your company's needs:

   d. Financial assistance referrals

   e. Job training/employee recruitment assistance referrals:

   f. Liaison assistance with City, State, or Federal agencies:

7. If you rated any of the above as Needs Improvement In Services, could you please explain why?
Confidential Survey continued:

8. Could you please tell us the three most important reasons you located in Taunton?
(Examples: Quality of Site, Labor Supply, Cost of Labor, Proximity to Markets, Quality of Life, Tax Rate, Energy cost, Quality of City services).

9. Do you have any other comments or suggestions on the services that might help the Taunton Industrial Development Commission improve its assistance to existing firms or firms wishing to locate in Taunton.

Thank you for your help.

Company Name: ________________________________
Contact Person: ________________________________
Telephone Number: ____________________________
Appendix 3


ENDNOTES


5. Haveman, p. 196.

6. Ibid. p. 198.

7. Rossi and Freeman, p. 33.


11. Ibid. p. 22.


13. Ibid. p. 40.


15. Franklin and Thrasher, p. 16.


20. Rossi and Freeman, p. 38.
23. Ibid.
27. Cronbach, p. 31.
29. Rossi and Freeman, p. 263.
30. Hatry, p. 5.
32. Rossi and Freeman, p. 262.
33. Ibid. p. 262.
35. Rossi and Freeman, p. 244.
37. Ibid.
38. Franklin and Thrasher, p. 70.
41. Ibid. p. 30.

45. Ibid. p. 146.

46. Interview with Raymond Milkman, Director of The Lazar Institute, February 1991.


49. Kozlow, p. 38.

50. Hatry, p. 5.

51. Siegal, p. 60.

52. Ibid. p. 60.

53. Fact Sheet on the Taunton Industrial Development Commission, Taunton MA.


55. Rossi and Freeman, p. 231.

56. Stipack, p. 589.

57. Hatry, p. 4.

BIBLIOGRAPHY


