



Measuring Economic Development Return On Investment (ROI): Wisconsin Models

This paper was written by
Roger Nacker, President,
Wisconsin Economic Development Institute, Inc. (WEDI)
and edited by
Victor Grassman, Director
UW-Whitewater SBDC, Waukesha Branch
and
James Otterstein, Director
Rock County Planning & Economic Development Agency

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Wisconsin Economic Development Association, Inc.

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P.O. Box 1230 Madison, WI 53701 608-255-5666

www.weda.org

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Measuring Economic Development Return On Investment (ROI): Wisconsin Models

Recent economic conditions, coupled with statewide fiscal pressures, have resulted in intense discussions among business, government and Economic Development Organizations (EDOs) addressing the value of economic development (ED) efforts throughout Wisconsin. Subsequently, ED practitioners are consistently searching for Return on Investment (ROI) measurements or benchmarks. Due to the immediate, as well as future implications associated with this topic, the Wisconsin Economic Development Association's (WEDA) Communications Committee recently conducted an ad hoc membership ROI survey.

A brief electronic questionnaire was sent to WEDA membership to gather ROI measurement mechanisms, including both quantitative and qualitative. In total, approximately 10% of WEDA's membership responded to this survey. Responses were received from a wide range of EDOs, ranging from single person rural organizations to multi-county regional planning groups.

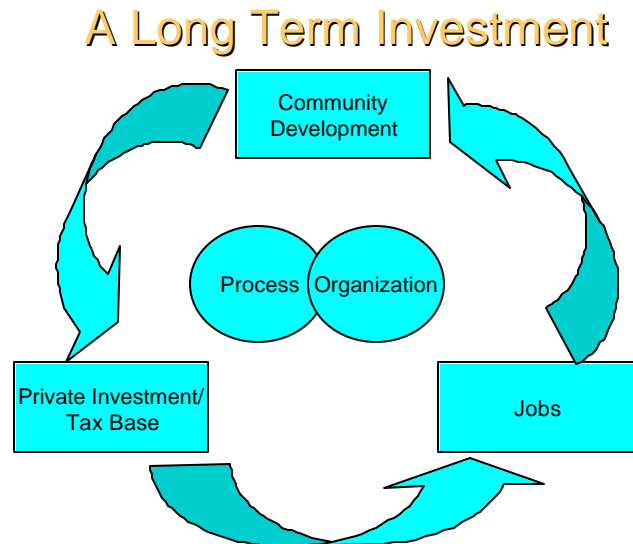
In general, the survey results noted that most EDOs do not use sophisticated methods or highly quantifiable techniques to document and/or validate ED ROI. Nonetheless, an overwhelming majority of EDOs responding to this survey noted that they did prepare some type of accomplishment or outcome report. Surprising enough, roughly five percent claimed their EDO did not produce such a report. Nevertheless, the wide diversity of ROI measurements reported indicates that EDOs customize their reports to accommodate local needs, conditions and mandates. These different ROI measurements are reported and ranked within the table labeled "ROI Measurements by ED Practitioners".

A well planned, managed and funded EDO is a long-term investment designed to improve the community's overall living and working conditions. To the extent that EDOs are successful in their efforts, the community ROI is considerably very high relative to the investment (i.e. dollars) committed. Therefore, the community's investment into an EDO should be viewed as a long-term asset, not a liability.

Typically, the most successful EDOs, as measured by longevity and peer recognition standards, do measure their results. Year-end reports noting relevant accomplishments and outcomes, per the EDO strategic and/or work plan, are commonplace among successful EDOs. By following these documents, EDOs are able to directly compare their outcomes against established organizational budgetary and program perimeters. By incorporating and engaging the expectations, interest and support of their constituents into a comprehensive process, the practitioner and constituent become partners in the development process.

Therefore, ED ROI measurements are cardinal and not ordinal measurements. That is, they are used to measure quantity but not relative or competitive rank order. This point further highlights that ED is a process, one that is heavily dependent upon community planning organizational capacity, and external (global) factors rather than comprised of purely singular events.

This process is continuous and can be visualized as the following:



Overwhelmingly, approximately two-thirds of the respondents indicate that they rely heavily on the positive press associated with their EDO. Constituent or client testimonials and/or survey responses are common ROI measurements. Whether from a quantitative or qualitative standpoint, this is a rather interesting dichotomy of both anecdotal and objective information.

Traditional ED ROI measurements such as employment figures, public / private investment, leveraged resources, EDO contacts, assessment values, building permit numbers, acreage sold, building square footage occupied, etc. continue to remain common EDO ROI measurements. Generally, this data can be obtained from a variety of sources. However, these measurements are traditional and not New Economy ED ROI, dependent upon other reporting entities and do not account for the value-added component provided by ED practitioners.

The survey results noted that some EDOs are beginning to use other types of ROI measurements to compliment their year-end reports. Some rather new and innovative measurements, perhaps reflecting organizational missions or capacities, include such items as sales tax figures, successful brownfield redevelopment projects, web page “hits” or “visits”, Venture Capital raised, inquiry to project completion ratios, quality of jobs created / retained, special project recognition, workshop and/or networking events, etc.

Interestingly, only one response - which derived from a state agency - reported the use of formal econometric models. This finding is quite surprising, given today's emphasis on Smart Growth and strategic economic development planning initiatives. The potential uses of these economic modeling software packages are infinite. Perhaps this void creates an opportunity for larger EDOs to purchase software licenses and underwrite the service cost to their member constituents.

In conclusion, this survey did document that various mechanisms are used, and perhaps are needed, to document EDO ROI. Traditional, as well as innovative measurements are applicable to both rural and urban EDO environments. Effective ROI measurement requires established benchmarks, such as those provided by EDO strategic plans. Therefore, finding the appropriate ED ROI varies from one EDO to another.

Despite the absence of advanced econometric analytical tools, EDOs are able to report their accomplishments and outcomes through the use of spreadsheets, graphs and charts. The presentation, especially in relation to organizational purpose, budget and capacity, is as equally important as the raw data inputs. With the exception of a select group of EDOs, most are required to demonstrate their ROI. Provided below are a few select examples of ROI measurements. Please feel free to replicate and/or customize to meet your EDO needs, conditions and mandates.

Sample Success Reporting Formats

Incubator Success Report

- Current Number of Tenants
- Number of Existing Jobs
- Occupancy Rate (Footage or Suites) (%)
- Number of Graduates
- Number of Failed Businesses
- Success Rate (%)

TIF Districts

- Beginning Assessment
- Current Assessment

Development Zones

- Number of Certified Businesses
- Amount of Private Investment
- Number of Jobs Created
- Amount of Tax Credits Allocated

Sample ED Outcome Measurement Forms

Businesses Assisted

Year	Existing Businesses Assisted	Entrepreneurs Assisted	Business Attraction Requests	General Info. Requests	Inquiry to Successful Project Ratio

Revolving Loan Funds

	Organization	County	City	State	Federal
Initial Capitalization					
Amount of Loans Made (\$)					
Number of Loans Made					
Total Program Dollars					
Dollars Still Available					

Investment Dollars Measured

Applicant Or Company	Year	Federal or State Grant \$ / Loan \$	Local \$	Private \$	Total Project Cost	Private/Public Leverage	Jobs Created or Retained	Acres SF or \$/Job etc

Industrial Park Absorption Rates

Year	# Lots Sold	Cost / Lot	Number of Expansions	Estimated Private Investment \$	Current Assessed Value \$	Growth in Assessed Value	Acreage Absorption Rate

ROI Measurements Used by ED Practitioners

