

## **Defining success in business retention and expansion: What do economic development organizations measure and why?**

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**Abstract:** Understanding what constitutes success in business retention and expansion (BRE) is a vital first step in determining the extent to which economic development organizations (EDOs) emphasize and use performance measurement for this particular strategy. The limited literature available on the topic suggests that the emphasis EDOs place on performance measurement in BRE will vary, and is likely a function of certain organizational and program characteristics. As such, the article seeks to address three inter-related research questions: 1) How do EDOs define success in BRE based on the specific metrics they collect? 2) What factors explain the variation in emphasis that EDOs place on BRE metrics? and 3) What success factors are evident in the implementation of BRE programs that may increase the chances of achieving desired results? The analysis uses data from a national survey of EDOs and short case studies of five BRE programs in examining the research questions.

**Keywords:** Business retention and expansion; economic development metrics; performance measurement in economic development

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## **Introduction**

The desire for greater accountability in economic development has sparked interest in measuring the performance of activities that are intended to support private investment and job creation. Public officials, investors, and community stakeholders desire to know how well economic development programs are working in terms of both efficiency and effectiveness. Much of the focus in recent years has centered on assessing the use of financial and tax incentives for business recruitment. However, as business retention and expansion (BRE) gains traction and becomes more widely used to promote economic development, it makes sense to consider how success is defined and measured for this particular strategy and set of activities.

Understanding what constitutes success in BRE is a vital first step in determining the extent to which economic development organizations (EDOs) emphasize and use performance measurement for this strategy. However, we cannot assume that different organizations will apply performance measurement to their respective BRE efforts with equal levels of intensity. In fact, the limited literature available on the topic hints that we should expect the opposite: that the emphasis placed on performance measurement in BRE will vary and is likely a function of certain organizational and program characteristics. Research that specially examines why some EDOs use and emphasize BRE performance measurement more so than others does not exist. As such, the article seeks to address three inter-related research questions: 1) How do economic development organizations (EDOs) define success in BRE based on the specific metrics they collect? 2) What factors explain the variation in emphasis that EDOs place on BRE metrics? and 3) What success factors are evident in the implementation of BRE programs that may increase

the chances of achieving desired results? The analysis uses data from a national survey of EDOs and short case studies of a select number of BRE programs in examining the research questions.

### **Literature review: Performance measurement in economic development**

This study of BRE success metrics can be situated within a larger body of literature that focuses on performance measurement in economic development. One of the recent themes emerging from that work is the need to do a better job at incorporating outcome metrics in measuring the success of economic development activities. With calls from elected officials, funders, and other stakeholders for greater accountability in economic development expenditures, programs are being asked to show that their efforts are producing results and making a difference in measurable ways. Indeed, there is evidence that state and local governments are going beyond workload, effort, and other output measures and are now collecting and reporting outcome metrics such as job creation and capital investment (Ammons & Morgan, 2011). Other observers suggest that economic development performance measures must broaden to reflect the changing nature of a knowledge-driven, innovation-based economy and the increasing role of quality of life factors in economic prosperity (Klein, 2007; Nourick, 2012). Another theme in the literature is that economic development performance measures should ideally be tied to a formal strategic plan (EDAC, 2011).

It is reasonable to think that the use of performance measurement in economic development may vary from one organization to another depending on any number of factors. The literature on this specific research question is very limited. In one of the few empirical studies conducted explicitly within an economic development context, Lindblad (2006) attempted to explain differences in the use of performance measurement across municipalities. He found the most

significant determinants of performance measurement in local economic development to be organizational characteristics such as staff size, budget, and number of economic development activities. Having a formal written plan for economic development and partnering with other local governments were also found to be positively associated with the use of performance measurement.

The most comprehensive inventory of economic development metrics compiled to date is based on a national survey conducted by the International Economic Development Council (IEDC). The IEDC survey results provide insight about the extent to which EDOs collect metrics generally and offer a detailed view of the various types of metrics tracked across specific categories of economic development (Ghosh & Chen, 2014). The IEDC survey found that a significant majority of EDOs consistently track performance. The authors of the IEDC survey report used a basic cross-tabulation of the results to suggest that EDOs with a strategic plan are 80% more likely to track metrics than organizations without one. The IEDC survey examined the use of specific metrics for business attraction, business retention and expansion (BRE), real estate development, business creation, and technology and innovation. The BRE metrics data from the IEDC survey are used for the analysis in this article.

A strand of the literature on economic development performance measurement focuses specifically on BRE metrics and success factors. This includes short how-to guides on measuring the performance of BRE programs and identifying the key attributes that are necessary to achieve success (Cothran, Farnsworth, & Clark, 2015a; Cothran, Farnsworth, & Clark, 2015b). Some articles report the results of surveys conducted with BRE coordinators in discussing the resources and programmatic components needed for success (Loveridge, Smith, & Morse, 1991;

Loveridge & Smith, 1992). Other BRE-specific articles present formal evaluation frameworks and apply them to actual BRE programs in order to assess program effectiveness and impacts (Smith, Morse, & Lobao, 1992; Davis, 2012; Darger, 2014). One previous study examines the implementation and benefits of BRE-specific strategic plans (Morse & Ha, 1997).

### **Research methods and data**

To probe our research questions, we employed a mixed methods approach using both quantitative and qualitative data. The quantitative analysis used data from a 2013 survey of economic development organizations in the US conducted by the International Economic Development Council (IEDC) (Ghosh & Chen, 2014). The IEDC survey asked a series of detailed questions about the use and importance of various economic development metrics including those being used for BRE. We were granted access to the raw IEDC survey data in order to empirically determine what variables may be associated with the level of emphasis placed on measuring BRE performance. This part of the analysis will shed some light on why some EDOs tend to emphasize BRE metrics to a greater extent than do others. The IEDC survey data enable us to compare the use of BRE metrics to the use of metrics for other prominent economic development strategies, such as business attraction and entrepreneurship (see Figure 1).

We readily acknowledge the limitations of self-reported, non-random survey data and the potential threats to the external validity and generalizability of the findings. However, the sample size of the IEDC survey is large enough to mitigate some of the potential selection bias. While it is difficult to know precisely the extent to which the IEDC survey sample resembles the larger population of EDOs, we have no reason to think that the sample is grossly unrepresentative.

Moreover, our mixed methods approach enables the triangulation of data sources. The survey findings can be checked against data from the case study interviews we conducted for the qualitative component of the analysis.

For the qualitative analysis, we interviewed the managers of five local BRE programs in order to probe more deeply what BRE success means and the extent to which performance measurement is valued and used. We also gained insights on how the BRE programs are implemented and identified the factors that are thought to contribute to success in achieving desired results. We selected five communities/organizations that were known to have active BRE programs and that represent a diverse cross-section of demographic and organizational characteristics and service areas.

### **IEDC survey data analysis**

IEDC conducted its survey during April-June 2013. The survey was widely distributed to IEDC's entire contact list of members and non-members consisting of EDOs and professionals in the US and in several countries abroad. The number of usable responses ended up being 416, with 369 of those coming from within the US representing 47 states. The survey included more than 200 possible economic development metrics and asked respondents to indicate which ones are collected and used by the EDO and to specify their level of importance as performance measures. We primarily use the responses for the BRE survey questions in the statistical analysis for this article.

The IEDC survey asked respondents who had indicated that they conduct BRE activities to select all the BRE metrics they collect from a list of 13 different items. The survey results for the use of BRE metrics are shown in Table 1. The most frequently cited BRE metrics are: number of

businesses expanded, number of businesses assisted, number of jobs retained, and number of businesses retained. It is notable that the second most frequently reported BRE metric tracked is an output measure (number of businesses assisted) and not an outcome measure. Nearly half of survey respondents collect metrics on the amount of financing provided and ratings of the local business climate.

[Insert Table 1 about here]

Respondents were asked to rate the importance of each of the BRE metrics they reported collecting and using on a scale of 1 to 3 (1 = not useful, 2 = nice to have, 3 = important measure). The mean scores for importance of BRE metrics are shown in Table 2. The average importance scores are highest for the same metrics with the highest reported use. This suggests that EDOs use BRE metrics they consider to be important indicators of success.

[Insert Table 2 about here]

The level of detail in the full IEDC survey analysis is substantial, and the results provide practitioners and policymakers with timely and useful information about the possibilities for measuring the performance of economic development programs. In the next part of our analysis, we examine a slice of the IEDC survey data in a more empirical way by employing statistical techniques to identify potential relationships between key variables. Since the IEDC survey data are based on a non-random, non-probability sample, we cannot be sure about the validity of any statistical inferences.<sup>1</sup>

One clue about the representativeness of the IEDC sample is that the distribution of population size ranges and community types served by respondents indicates a wide ranging mix

of organizations. At present, the IEDC dataset is the only source of current and comprehensive information about economic development metrics. We expect that our exploratory analysis of this unique and novel dataset will catalyze future research within this nascent body of literature.

### ***Explaining variation in EDO emphasis on BRE metrics***

For analytical purposes, we created a new measure to use as the primary dependent variable. This was done by combining the IEDC survey item on BRE metric usage with the item on metric importance. The new variable is the sum score of each BRE metric used multiplied by the reported level of importance (values ranging from 1-3). The resulting variable, which captures the use of metrics weighted by their importance, is essentially a measure of the *emphasis* an EDO places on BRE metrics.

As a frame of reference, Figure 1 shows the emphasis EDOs place on measuring the performance of BRE activities relative to other major economic development functions. Drawing from the larger IEDC dataset, the scores shown were derived as described above. The EDOs responding to the IEDC survey tend to emphasize measurement of their business attraction and marketing efforts much more so than they do their BRE activities. EDOs place considerably less emphasis on measuring their efforts in real estate development, entrepreneurship, and technology/innovation.

[Insert Figure 1 about here]

We converted several IEDC survey items into independent/explanatory and control variables. These include:

- total number of economic development functions performed by the EDO



- dichotomous indicator of whether or not the EDO has a strategic plan or similar guiding document (yes=1, no=0)
- organizational structure that best characterizes the EDO (private nonprofit, public-private partnership, public)
- type of community served by the EDO
- jurisdiction served by the EDO
- population size of the EDO's service area (9 categorical ranges)

To explore variation and differences among EDOs in their emphasis on BRE metrics, we compared mean scores on the dependent variable between groups of respondents, ran bivariate correlations, and ultimately estimated multivariate relationships among the variables using OLS regression. This part of the analysis helps us better understand the determinants of BRE performance measurement—the question of "why" some EDOs emphasize BRE metrics more so than others. That is to say, what variables or factors explain the differing levels of emphasis placed on BRE performance measurement?

One variable that previous studies have found to be an important predictor of economic development performance measurement is having a formal strategic plan. Lindblad (2006), in particular, found that municipalities with formal written plans for economic development were more than twice as likely to use both effectiveness and efficiency measures in assessing economic development program performance. At first glance, there is some initial evidence of this in our analysis of the BRE metrics data from the IEDC survey. The mean score for the BRE metrics emphasis variable was higher for EDOs with a strategic plan (11.52, n=260) than those without one (10.20, n=55).

Previous research also points to population size as a possible determinant of performance measurement in economic development (Sullivan & Green, 1999; Sullivan, 2002; Reese, 1997). In our analysis, the mean scores for the BRE metrics variable varied considerably across the eight categories of population size. EDOs with service areas in the smallest population range of less than 10,000 had the highest score for the emphasis placed on BRE metrics (15.41, n=17). EDOs whose service area was in the second largest population range of 1 million-4.99 million scored lowest on the BRE metrics emphasis variable (6.63, n=40). A possible explanation for this finding is that EDOs serving smaller areas tend to emphasize BRE performance measurement because of the urgent need to retain existing businesses in smaller communities, many of which are rural and economically distressed.

Another explanatory variable that has not been explicitly included in previous studies is organizational structure. What variation in emphasis on BRE metrics do we observe among the different types of structural arrangements that characterize EDOs: private nonprofit, public-private partnership, or public? Table 3 shows the mean scores for the BRE metrics emphasis variable, stratified by organizational structure. EDOs structured as public-private partnerships appear to place somewhat greater emphasis on BRE performance measurement than do purely private organizations and considerably more so than public entities. This may be due, in part, to the fact that existing firms are often key funders of the economic development activities administered by public-private and private EDOs.

[Insert Table 3 about here]

The EDOs responding to the IEDC survey represent a range of service areas in terms of the level of jurisdiction and type of community served. As shown in Table 4, EDOs whose primary

service area is a county or municipality score higher on the BRE metrics emphasis variable than other types of jurisdictions. This may not be surprising given that BRE is typically a function carried out by local EDOs rather regional organizations. The data in Table 5 show that EDOs serving suburban/rural, urban, and rural areas place greater emphasis on BRE performance measurement than do EDOs serving other types of communities.

[Insert Tables 4 and 5 about here]

Bivariate correlations were calculated as a preliminary way to determine which individual variables may be significantly associated with the level of emphasis EDOs ascribe to BRE metrics. A bivariate correlation coefficient measures the strength of association between two variables. A positive association between two variables means that the value of one increases as the value of the other one increases. By contrast, a correlation coefficient with a negative sign indicates an inverse relationship between two variables: as one increases in value, the other decreases. Correlation coefficients fall between -1 and 1. The closer the correlation coefficient is to -1 or 1, the stronger the association between the two variables.

Several of the bivariate correlation coefficients shown in Table 6 were found to be statistically significant at the 95% confidence level. Testing for statistical significance helps us be more confident that the relationships we observe between variables are real and not occurring just due to chance. The total number of economic development functions an EDO performs has the strongest bivariate association with the emphasis placed on BRE performance measurement. In other words, the more functions an EDO performs, the higher the score on the BRE metrics emphasis variable. This finding is consistent with Lindblad (2006), whose index of development activities was shown to exert a positive, albeit indirect, effect on the use of performance

measurement in economic development more generally. Serving a county jurisdiction, being structured as a public-private partnership, and serving a suburban/rural community are positively and significantly correlated with the emphasis placed on BRE metrics. As previously noted, these results make practical sense given that BRE tends to be a local function, public-private partnerships may rely on existing businesses for funding, and many rural communities cannot afford to lose a single major employer.

The negative correlation coefficients for population size and serving an urban/suburban/rural type of community indicate an inverse relationship between those variables and BRE metrics emphasis. It is interesting that as population size increases, the emphasis on BRE metrics decreases. This may reflect how central a role the BRE function plays in the efforts of smaller communities to promote economic development. If BRE is the primary strategy for smaller communities, it is understandable that they would be committed to measuring its success. A possible explanation for why being an urban/suburban/rural type of community may be associated with less emphasis on BRE metrics could be that such geographically diverse communities likely implement a broader portfolio of economic development strategies and, as a result, tend to not drill down too deeply in measuring the effectiveness of any particular one.

[Insert Table 6 about here]

Bivariate correlation analysis shows the association between only two variables at a time without accounting for other possible explanatory variables that may exert an influence on the variable of interest (dependent variable). Ultimately, we need to determine if the observed relationships between variables hold up when examined in a multivariate context. Multivariate or multiple regression analysis produces a coefficient known as a "beta value" ( $\beta$ ) that estimates

how much the variable of interest changes in relation to a one-unit change in a predictor/explanatory variable, when all other predictor variables in the model are held constant.

The OLS multiple regression results shown in Table 7 are based on the following simplified equation:  $[Y] \text{ BRE Metrics Emphasis} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + \varepsilon$ , where Y is the dependent variable and X corresponds to the various independent/explanatory/predictor variables included in our model.  $\beta_0$  is the intercept and  $\varepsilon$  represents the residual error. The regression results indicate that two predictor variables remain statistically significant even after controlling for several other variables that may influence the level of emphasis placed on BRE metrics. The predictor variables with the most statistically significant effects on BRE performance measurement have p-values of less than .01. The multivariate regression findings confirm that the total number of economic development functions an EDO conducts and being structured as a public-private partnership are both positively associated with greater emphasis placed on BRE performance measurement. The statistically significant positive effect of the total EDO functions variable on BRE metrics is similar to Lindblad's (2006) results for the use of performance measurement in economic development among municipalities.

[Insert Table 7 about here]

### **Qualitative case study analysis**

The BRE programs of five economic development organizations (EDOs) were researched as case studies: Dorchester County Economic Development (SC); Randolph County Economic Development Corporation (NC); Roanoke Economic Development (VA); Wake County Economic Development (NC); and Wayne County Development Alliance (NC). The EDOs and the communities they serve represent a range of population sizes, budgets, geographies, urban

and rural services areas, organizational structures, and staffing levels. Table 8 summarizes the key characteristics of the five organizations and their BRE programs.

[Insert Table 8 about here]

The communities range in population from the City of Roanoke at 99,897 to Wake County at 1,024,198. Wayne and Randolph Counties are considered rural counties in North Carolina. Wayne County is approximately one hour east of Raleigh. Randolph County is 30 minutes south of Greensboro. Dorchester County is somewhat rural, although situated adjacent to Charleston County, SC, one of the fastest growing regions in the country. Wake County, which includes the City of Raleigh, NC (pop. 431,716), and Roanoke are urban areas.

Four of the five economic development programs serve a county level jurisdiction. The City of Roanoke is the exception. Three of the five operate as public-private nonprofit economic development organizations (EDOs) with funding from local governments as well as the private sector. Two of the EDOs, Roanoke and Dorchester County, operate as public departments within units of local government. When asked if the public or public-private structure was a positive or a negative for the BRE program, all responded that their structure was positive. The nonprofits reported that businesses like working with nongovernmental organizations. The public entities reported that businesses do not have a preference, and some see the alignment with local government as a positive.

Annual budgets for the five organizations range from \$358,000 to \$9.2 million. The share of budget dollars allocated to BRE activities varies across organizations. Staff levels are between three and eight full-time staff with the average being 5.2. All of the organizations have a staff person devoted to the BRE program. Overall economic development programming includes

recruitment, business retention and expansion, product development, workforce/talent development, community development, marketing, and investor relations.

Generally, the BRE program of these organizations is mature, some dating back to the late 1970s/early 1980s. Dorchester County's program is the most recently formalized (2008) even though there was an informal program prior. The BRE programs focus outreach on the target industry sectors of the community, although any business requesting support is served.

### ***BRE metrics in the case study organizations***

BRE programs collect metrics data using several sources. They will interview companies during BRE visits, conduct surveys, and compile information on announced expansions, job creation, and capital investment from public data sources such as government agencies, tax records, incentive documents, grant applications, and news reports. We asked the case study organizations to indicate which of the same 13 BRE metrics included in the IEDC survey they collect and track. On average, the five case study organizations collect seven metrics, higher than the 5.4 average of the IEDC survey respondents.

The most frequently tracked metrics reported by all five case study EDOs are the number of businesses expanded, the number of businesses assisted, and the number of jobs retained (see Table 9). This aligns with the results of the IEDC survey. The metrics with the next highest reported use among case study organizations are the number of businesses retained and the amount of financing provided to businesses. The least tracked metric is local business-to-business investment levels, which was not tracked by any organization. This also aligns with IEDC survey results as the least tracked metric.

In addition to the IEDC list of metrics above, the case study BRE programs reported they would like to track more workforce data and business growth challenges. The interest in workforce data metrics reflects the ongoing challenge of finding skilled workers that many existing businesses face. As noted below, the case studies report how BRE metrics influence workforce development programs. Growth challenges refer to a wide range of items such as the availability of capital, regulatory environment, transportation, utility limitations, and workforce issues. The use of metrics such as these frames BRE program success in terms of how easy it is for businesses to expand and grow in a community.

[Insert Table 9 about here]

The BRE metrics that EDO staff members rated as being most important are jobs retained, businesses retained, businesses expanded, businesses assisted, and retention and growth of at-risk businesses (see Table 9). A BRE metric not among the IEDC survey items that the case study EDOs cited as being important is interactions. The metric of business interactions (contacts or touches) is becoming more widely tracked both in recruitment as well as BRE. Some BRE programs measure what services they are providing, how often, and the outcome. Another BRE metric mentioned but not tracked by the case study EDOs is customer/client satisfaction. Whereas the number of business interactions is an output measure, customer satisfaction is an outcome.

Organizations would like to track at-risk firms, wages, international trade (value of sales exported out of the country and their destination), and long-term development plans at the corporate level. They reported not tracking these metrics, as well as others, because of the lack of time available, especially in small offices; they do not know where to get the data; companies are



unwilling to provide data; and it is often difficult to compare data across a range of companies.

These metrics, except for international trade, may not be particularly useful in measuring the effectiveness of the BRE program. They would, however, help with BRE program development.

EDOs report metrics to a wide range of stakeholder groups, including boards, investors, industry groups, elected officials, chambers of commerce, and internally to staff. Stakeholder groups included not only funding partners, but also strategic allies.

The five economic development organizations use a variety of BRE data tracking tools. Some use or have used Synchronist Business Information System and ExecutivePulse, both well-known BRE software applications. One uses a data tracker by Blue Ocean Market Intelligence. BRE staff may enter information from visitation interviews, surveys, and public sources into systems such as these that track existing business trends as well as changes in specific companies. There is often a gap in BRE data tracking tools between those that measure activities/outputs and those that measure outcomes.

We can glean some interesting insights by comparing the aggregate indicators of BRE performance measurement across the five case study EDOs. As shown in Table 10, Dorchester County Economic Development reported using highest number of BRE metrics at 10. By contrast the Wayne County Development Alliance used the lowest number of BRE metrics at 5. There is not much variation among the five EDOs with respect to the average levels of importance attributed to BRE metrics. Randolph County Economic Development and Roanoke Economic Development assigned the highest overall importance to their BRE metrics both with a mean score of 2.85. When the use of metrics is weighted by reported importance, Dorchester

County Economic Development comes out on top in its emphasis on BRE performance measurement relative to the other case study EDOs.

### ***BRE success factors***

We asked each BRE program about success - how they define it, how they measure it, and what hinders it. We also asked them to cite how BRE metrics are used to influence the BRE program and overall economic development program. We found the real program influencer to be the information gathered in the BRE program, such as through the visitation program, rather than the actual program evaluation metrics.

### *Dorchester County Economic Development*

The BRE program in Dorchester County centers on workforce development. Staff work with schools, SC Works, and workforce development agencies on soft skills and training.

The hallmarks of success in the Dorchester County program are being available when companies need assistance and providing a quick and thorough response. The consistency of staff was also noted as a success factor because of the importance of forming relationships with existing businesses. Staff rated the program 2.5 on the scale of one (lowest) to three (highest). The main barrier to success mentioned is maintaining an intentional focus on BRE. With a small staff, often the “fire” of the day gets attention.

Dorchester County Economic Development took the lead in bringing a Work Ethics program to the community. The program was a “direct response to feedback from existing industry.” The program was launched in the 2013-2014 school year in one of the county school districts. Aimed at junior and senior high school students, the program focuses on reinforcing the top ten habits

for successful work ethic as identified by Dorchester County industries. Students successful in completing the program are awarded certificates recognized by local employers as a valid workforce credential.

#### *Randolph County Economic Development Corporation*

Randolph County EDC staff members conduct approximately 125 BRE visits every year. They provide economic, regulatory, and community information as well as assess expansion and contraction potential. The organization holds several information and networking sessions each year. The longstanding program attributes its success to the fact that companies know they can trust the EDC to help solve their problems. Randolph County EDC gauges its success by how well they fulfill requests for assistance. EDO staff rated the BRE program a score of three. One challenge noted by staff is that there are some companies who are not interested and do not want to participate in the BRE program.

The BRE data that EDOs track are used to influence product and workforce development programs. Randolph County tracks requests for sites and buildings by new prospects and existing businesses. The information is used to develop real estate that meets the needs of growing and expanding companies. Another best practice is sharing job opening data with Randolph Community College which uses the data in the development of training, certificate, and degree programs.

#### *Roanoke Economic Development*

The City of Roanoke's Department of Economic Development helps existing businesses with property searches, grants, incentives, promotion, and coordination of community resources such

as planning and transportation. The program has a goal of 250 BRE visits each year. Roanoke relies on several partners for support in BRE. The Roanoke Regional Alliance provides research support, which was called “priceless” by the city staff. The importance of the regional outdoor branding campaign to economic development was cited. The campaign helps local companies recruit new talent.

The key driver of success for the Roanoke BRE program is being attuned to the needs of businesses. As an EDO staff member put it, “We are successful when we don’t have businesses leaving because of an issue with the city.” The EDO staffers maintain close relationships with bankers, realtors, accountants, and other allies to keep abreast of changes in the local market. Staff rated the program a three. The main obstacle to further success is just being able to get in the door and in front of companies before there is a problem.

One best practice of Roanoke Economic Development is the City Manager's Business Breakfast program. This is a monthly roundtable networking meeting between the city manager and various existing businesses. The economic development department coordinates the meetings. The purpose of the program is to maintain a close relationship between the city and the business community. Since the program gauges success based on whether a business leaves because of an issue with the city, the city manager's networking breakfast is one strategy to intercept business hurdles.

#### *Wake County Economic Development*

The attitude at Wake County Economic Development is that BRE is everyone’s job and all program activities support BRE. The day-to-day work in BRE includes talent and workforce development as well as regulatory and government affairs. They noted Wake Technical College,

workforce development board, and universities as critical partners in the BRE program – notably all in the area of talent development.

The organization defines success as the ability to position a company in ways that will raise the company's profile. One example is facilitating an expansion. The organization rated the BRE program a three on the scale of one to three. Given the sheer size of staff (eight) and budget (\$9.2 million), the organization has the resources to devote to BRE. The only hurdle to more success in BRE is expanding capacity. Wake County Economic Development understands that BRE needs people power to build and maintain relationships; thus, program expansion depends on the capacity of staff.

The talent development program called “Work in the (Research) Triangle” was initiated at Wake County Economic Development as a direct result of information gathered in the BRE program. Rather than brainstorming internally on how to better serve local businesses, they used data collected in the BRE program to form the talent development program. Work in the Triangle focuses on working, living, playing, and learning in the Triangle. The website connects people to companies, networking groups, economic data, livability, and quality of life information.

#### *Wayne County Development Alliance*

The BRE program in Wayne County has been a cornerstone of the economic development program since 2005. Staff members visit businesses, organize industry appreciation events, and focus on bridging workforce development and economic development. Key partners in the BRE program are local governments and Wayne Community College. Local governments were cited because of their support in the form of utilities and incentives.

BRE success at the Alliance hinges on interactions with existing businesses. Their process includes listening to concerns, then closing the feedback loop by making program changes. Staff rated the BRE program as a two on a scale of one (lowest) to three (highest). The Alliance staff members believe that the greatest obstacle to BRE program success is becoming stagnant, moving through the same program activities without pausing to consider what changes are needed to provide better service. The process of listening, getting feedback, and continually improving keeps the program fresh and relevant.

One example of how the feedback loop has influenced economic development policy is the WORKS (Wayne Occupational Readiness Keys for Success) program. Through the BRE visitation program, staff learned of specific workforce challenges. The Alliance took on the role of idea generator, collaboration facilitator, meeting convener, and advocate for a new workforce development initiative called WORKS. The program facilitates communication and collaboration between stakeholders, assesses workforce needs/gaps, supports local, regional, and state initiatives, and secures adequate workforce development funding. For employers, the program provides talent qualified with Career Readiness Certificates, job profiling, and customized training. For employees, it provides an employment credential. After several years of successful implementation, the program is considered a best practice in North Carolina. The idea of WORKS came directly from information gathered through the BRE program.

### **Synthesis and conclusion**

What are the key takeaways from our analysis of the IEDC survey data and the case study findings from five EDOs and their BRE programs? What findings and results are consistent

across both the survey analysis and case study analysis? To what extent do the findings from our analysis of the IEDC survey data and case studies corroborate one another?

The first research goal of this article was to examine how economic development organizations (EDOs) define success in BRE based on the specific metrics they collect. We found remarkable consistency between what both the IEDC survey respondents and case study EDOs said they used as metrics and considered to be important. The top BRE metrics that EDOs report collecting are clear:

- Businesses expanded, assisted, and retained
- Jobs retained
- Amount of financing provided
- Ratings of the local business climate
- Retention and growth of at-risk businesses

At the same time, there is support for adding additional BRE metrics to the mix. The case study EDOs mentioned the importance of some variables they do not currently collect and track and that were not a part of the IEDC survey. These include customer satisfaction and business interactions/contacts/touches. The BRE measures asked about in the IEDC survey are important, but they fail to capture the extent to which businesses value the services and assistance they receive through the BRE program or the perceived quality of relationships and interactions with firms.

It is important to note a potential caveat about the BRE metrics that EDOs report that they collect and track. As previously mentioned, BRE programs collect metrics data from several

sources including interviews with firms during visits, surveys, and public data sources such as government agencies, tax records, incentive documents, grant applications, and news reports. The accuracy of the data can vary depending on the source. In some instances, EDOs may rely on self-reported information and unaudited data from businesses that can be subject to change. For example, announced job creation and capital investment numbers are notoriously fluid. In some respects, companies have a vested interest in exaggerating the economic impact of their planned expansions and operations. EDOs are on more solid ground when they conduct their own analysis of performance data compiled from reliable, unbiased, and disinterested sources. Even so, demonstrating that BRE programs actually cause or directly influence many of the outcome metrics they report collecting is tricky. Figuring out how much of any observed success can be attributed directly to the activities of the BRE program is complicated by the fact that many of the desired outcomes are not fully within the control of EDOs.

The second aim of this article was to identify which factors explain variation in BRE performance measurement among EDOs. The multivariate regression results revealed that the emphasis an EDO places on BRE metrics may be a function of the sheer number of economic development services it provides, its organizational structure, and to a lesser extent the type of jurisdiction and community it serves. These results are consistent with the practical reality that more economic development functions usually reflect a broader organizational focus, existing businesses often fund BRE programs, particularly within certain structural arrangements, and BRE tends to be a local (rather than regional) function. While the EDOs responding to the IEDC survey who reported having a strategic plan scored higher on our BRE metrics emphasis variable than those without one, we did not detect any statistically significant bivariate correlations or multivariate relationships between the two variables. The lack of a stronger statistical association



between having a strategic plan and BRE performance measurement is a departure from what the few previous studies that exist have found. This could be due to differences in samples, variable measurement, model specifications, and statistical methods across studies. For example, Lindblad (2006) only included municipalities in his analysis and used multinomial logistic regression. By contrast, we used OLS regression to analyze the IEDC survey data for EDOs that serve multiple types of jurisdictions.

The case study findings also indicate a possible disconnect between strategic planning and BRE performance measurement. While the case study EDOs discussed how they use information gathered from business visitation (workforce, regulatory, transportation) for strategic planning and other purposes, there was no mention of how actual BRE program metrics inform strategic planning or vice versa. This could be due to the fact that the data gathered from business visitation allows EDOs to trouble shoot and solve problems within a short time frame. Traditional BRE metrics are most likely to influence the program over a longer time period, after data are tracked and trended. Since most organizations work off an annual program of work and may be guided by a five-year strategic plan, the long time frame needed for BRE metrics to be fully incorporated may exceed the planning window. One case study EDO mentioned using metrics from the “budgeting for outcomes” approach of their local government. Whatever the particular methods and tools, the point is to formalize a process for better integrating both the information collected during business visitation and BRE program success metrics in the strategic planning process.

The third purpose of this research was to identify success factors evident in the implementation of BRE programs that may increase the chances of achieving desired results.

One success factor is the ability to collect meaningful data and information from existing businesses and systematically use them to improve the BRE program. This requires high-quality interactions and relationships with business clients.

The case study EDOs all discussed the process of listening to existing businesses and using what they learned during visitation to enhance their BRE efforts. The data that are used to influence the program can be generally described as business climate data (workforce, transportation, utilities). This can be distinguished from the performance metrics tracked to measure the success of the BRE program itself. An example are the workforce data gathered from BRE visits in Wayne County that were used to create the WORKS program. By contrast, the metrics included in the IEDC survey intend to measure the outcomes of BRE programs. It is true that if the WORKS program, for example, is successful, it should be reflected in the metrics of business expanded, job retained, etc. However, it is difficult to isolate the effects of this program among the other economic development efforts.

A strict dichotomy between the BRE metrics that assess program success and the data gathered during BRE visits with businesses may not be ideal. The case studies show that the latter is utilized to influence programming rather than the former. The success of BRE programs will likely increase as programs figure out how to strengthen feedback loops between the processes of collecting business climate data during BRE visitation, BRE performance measurement, and strategic planning.

## Notes

<sup>1</sup> Statistical inference and significance testing assume a random sample or, at the least, a probability sampling design. However, it has become commonplace for researchers to use inferential statistical analysis with non-random/non-probability samples and report the findings in published work. This is especially true in instances where it is reasonable to think that a particular sample is representative of the larger population of interest. While the precise makeup of the population of EDOs in the US is unknown, the distribution of population sizes and community types among the IEDC survey respondents provides a measure of confidence in the representativeness of the sample despite the lack of random selection or a probability sampling design. Still, some caution is in order when interpreting the statistical results and generalizing them to the larger population of EDOs.

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Table 1. BRE metrics reported by survey respondents.

Metric	Frequency	Percent
Number of businesses expanded	209	86.4%
Number of business assisted	192	79.3%
Number of jobs retained	184	76.0%
Number of businesses retained	179	74.0%
Amount of financing provided	112	46.3%
Ratings of the local business climate	107	44.2%
Businesses remaining and growing in region amid risk of departure/closure	74	30.6%
Past utilization of and satisfaction with business assistance	60	24.8%
Percent of "jobs at risk" retained	57	23.6%
Number of residents/businesses assisted in distressed communities	42	17.4%
Relocation of suppliers or customers	39	16.1%
Percent of revenue growth for businesses receiving EDO assistance	31	12.8%
Local business-to-business investment levels	23	9.5%

n=242

Source: IEDC Economic Development Metrics Survey, 2013.

Table 2. Average importance of BRE metrics.

(1=Not useful, 2=Nice to have, 3=Important measure)

Metric	Mean
Number of businesses expanded	2.89
Number of businesses retained	2.83
Number of jobs retained	2.82
Number of business assisted	2.74
Ratings of the local business climate	2.53
Amount of financing provided	2.51
Businesses remaining and growing in region amid risk of departure/closure	2.48
Percent of "jobs at risk" retained	2.48
Past utilization of and satisfaction with business assistance	2.35
Relocation of suppliers or customers	2.28
Percent of revenue growth for businesses receiving EDO assistance	2.20
Number of residents/businesses assisted in distressed communities	2.13
Local business-to-business investment levels	2.04

Source: IEDC Economic Development Metrics Survey, 2013.

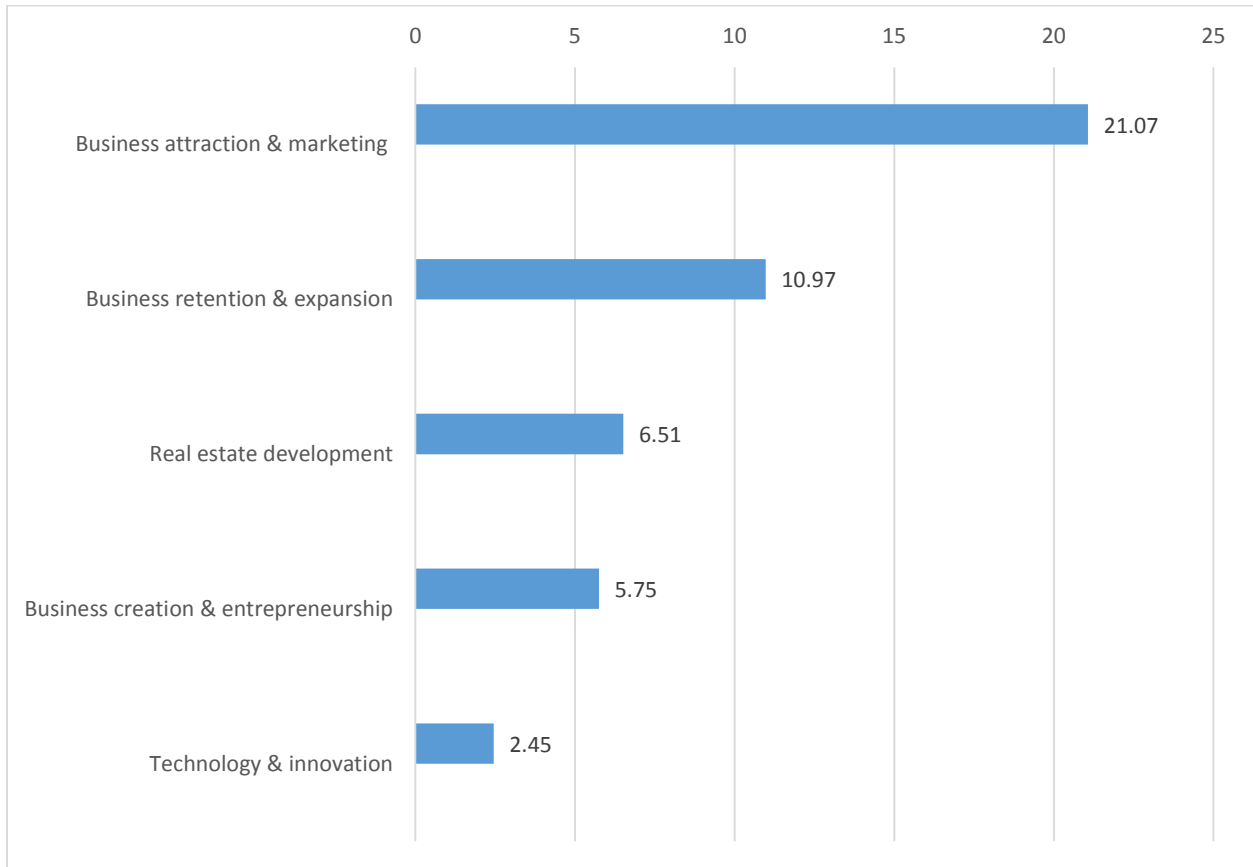


Figure 1. Use of economic development metrics weighted by importance (mean score) by function.

**Source:** Author calculations based on data from IEDC Economic Development Metrics Survey, 2013.

Table 3. Emphasis placed on BRE metrics by type of organization.

Organizational structure	Mean score BRE metrics (use weighted by importance)	n
Public-private	13.17	75
Private nonprofit	11.51	114
Public	9.53	159

**Source:** Author calculations based on data from IEDC Economic Development Metrics Survey, 2013.

Table 4. Emphasis placed on BRE metrics by type of jurisdiction.

Jurisdiction served	Mean score BRE metrics (use weighted by importance)	n
County	12.76	114
Municipality	12.17	89
Regional	9.46	67
State/province	9.14	51
Other	8.00	15
National	4.40	10

**Source:** Author calculations based on data from IEDC Economic Development Metrics Survey, 2013.

Table 5. Emphasis placed on BRE metrics by type of community.

Type of community served	Mean score BRE metrics (use weighted by importance)	n
Suburban/rural	13.56	54
Urban	13.38	24
Rural	12.18	51
Suburban	10.67	18
Urban/suburban	10.19	68
Urban/suburban/rural	9.59	119
N/A	5.50	10
Tribal	3.33	3

**Source:** Author calculations based on data from IEDC Economic Development Metrics Survey, 2013.



Table 6. Bivariate correlations with business retention metrics emphasis (use weighted by importance).

Variable	
BRE metrics (use weighted by importance)	1.0000
Total ED functions	0.3018*
Strategic plan	0.0526
County	0.1327*
Municipality	0.0741
National	-0.1212*
Regional	-0.0797
State/province	-0.0821
Private nonprofit	0.0405
Public-private	0.1235*
Tribal	-0.0764
Rural	0.0966
Suburban	-0.0083
Suburban/rural	0.1173*
Urban	0.0692
Urban/suburban	-0.0425
Urban/suburban/rural	-0.1087*
Population	-0.1234*

\* indicates  $p < .05$

Table 7. OLS regression model results.

	BRE metrics emphasis (use weighted by importance)
Total ED functions	0.990 (0.000)**
Strategic plan	0.995 (0.467)
Population size	0.037 (0.916)
Private non-profit	2.977 (0.028)*
Public-private	5.030 (0.001)**
County	3.157 (0.248)
Municipality	4.697 (0.096)†
National	1.489 (0.726)
Regional	1.385 (0.634)
State/province	3.742 (0.237)
Tribal	1.171 (0.871)
Rural	5.926 (0.079)†
Suburban	3.060 (0.434)
Suburban/rural	5.066 (0.120)
Urban	4.657 (0.191)
Urban/suburban	2.414 (0.448)
Urban/suburban/rural	2.499 (0.404)
$R^2$	0.17
$n$	312

Note: Standardized coefficients reported in cells with p-values in parentheses.

† indicates  $p < .1$ ; \* indicates  $p < .05$ ; \*\* indicates  $p < .01$ .

Table 8.  
 of case study communities and their BRE programs.

Characteristics

	Population	Structure	Budget	Staff	Dedicated BRE staff	Program activities	BRE program started
Dorchester County, SC	152,478	Public	\$358,108	4	Yes	Recruitment, product development, BRE, workforce development, community development, marketing	2008
Randolph County, NC	142,799	Public-private nonprofit	\$365,000	3	Yes	Recruitment, BRE, product development, marketing	1995
Roanoke, VA	99,897	Public	\$2,000,000	7	Yes	BRE, recruitment, public-private economic development projects	Late 1970s/early 1980s
Wake County, NC	1,024,198	Public-private nonprofit	\$9,200,000	8	Yes	BRE, marketing, talent, site assessment, research	1993
Wayne County, NC	124,132	Public-private nonprofit	\$626,943	4	Yes	Recruitment, BRE, product development, workforce development, investor relations	2005

Table 9. Case studies: Use and importance of BRE performance measures.

	Frequency (n = 5)	Importance (mean score)
Number of businesses expanded	5	3.0
Number of businesses assisted (type of assistance, value of assistance provided, etc.)	5	3.0
Number of jobs retained (full time, part-time, contract, seasonal)	5	3.0
Number of businesses retained	4	3.0
Amount of financing provided	4	2.6
Ratings of the business climate in the community	3	2.8
Businesses remaining and growing in region following a risk of departure or closure	3	3.0
Past utilization of and satisfaction with local business assistance programs	2	2.8
Percent of “jobs at risk” retained	1	2.6
Number of residents/businesses assisted in economically distressed and under-served communities	2	1.8
Relocation of supplier or customers	1	2.6
Percent of revenue growth for businesses receiving EDO assistance	1	2.6
Local business-to-business investment levels	0	1.4

Table 10. BRE performance measurement in the case study organizations.

	Total # of BRE metrics used	Mean importance of BRE metrics	BRE metrics emphasis (use weighted by importance)	Staff reported success rating (scale = 1 to 3)
Dorchester County	10	2.80	28.00	2.50
Randolph County	7	2.85	19.95	3.00
Roanoke	8	2.85	22.80	3.00
Wake County	6	2.38	14.28	3.00
Wayne County	5	2.80	14.00	2.00