A Client Tracking For Economic Development

by Christopher Kallio

Introduction

The incorporation or expansion of Canadian economic development offices mushroomed in the late 1970s and 1980s, partly in response to the problems communities were experiencing during this period of slow economic growth. Today, economic development agencies are firmly entrenched within the municipal structure of this country and have become a highly visible, sometimes controversial, component of municipal government. Yet, the public, and even occasionally the politicians, are sometimes uninformed regarding the duties and responsibilities of economic development professionals (EDPs). This is exacerbated by the nature of the job itself. For example, the confidentiality of client relationships, the perception of endless travel, in addition to countless other duties, usually requires justification of EDP activities. This is particularly relevant at budget time, when projected expenditures are scrutinized in great detail.

This paper outlines a model developed by the Sudbury Regional Development Corporation (SRDC) that quickly and accurately provides a "bottom line" assessment of measurable components of an economic development organization's performance which, if used consistently, should enable EDPs to continue to encourage economic activity within their communities rather than devote inordinate amounts of time and energy defending their actions to the local bureaucracy.

A Client Tracking Model For Accessing EDP Performance

The wide variety of duties performed by the EDP makes this profession both challenging and rewarding. Knowledge and experience in finance, public relations, engineering, planning, economics and a range of other disciplines enable the EDP to achieve the primary objectives of the organization: to create or retain employment and generate tax revenues for the community, and measurements of effectiveness should be based on the above criteria. Using available data on clients, an EDP can easily compile information to measure his/her effectiveness in the economic development process.

Virtually all economic development agencies gather extensive information on potential clients. The number of jobs expected, building size expected, total project costs, financial assistance required, project status and other details about a project are usually readily available within client files. By utilizing microcomputers and readily available software, this data can be assembled into a useful reporting format.

All client files within an economic development agency can be categorized according to three criteria: projects completed, projects pending and projects terminated. Completed projects are those where the client has gone through the entire client/EDP process from first contact and assessment of the proposed business venture, to final start-up of the business within the community. Pending projects are comprised of those where initial client contact is made and a file opened, but, for various reasons, the status of the project has not moved through the client/EDP process to a successful completion. Pending projects normally take up the majority of all client files. Terminated projects are those that do not end up in the successful establishment of a new company or the expansion of an existing business. Reasons for this are quite varied but two commonly experienced by EDPs are lack of financing or management ability, and the client preference for one location over another.

A sample spreadsheet in FIGURE 1 was prepared using LOTUS 123 software, but other spreadsheet or database programs can be effectively utilized showing the type of information considered to be useful in Sudbury.

The assessment of an economic development agency's performance begins with the compilation of all completed projects for a reporting period, usually a calendar year. There are twenty-three headings within this model that cover essential data on client projects (APPENDIX 1). The model is designed to be flexible so that the

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structure can be altered to suit individual preferences or to highlight items of immediate concern. It follows the natural evolution of the client/EDP relationship from initial contact where expected measurements of jobs to be created and/or saved, building size and value, project size and costs, taxes to be generated, and funding required, are calculated, to project completion where actual values, not estimates, are inserted.

Information on the SRDC client highlighted on Figure 1 can be interpreted as follows: initial contact was made in April, 1989 and a client number assigned. The municipality within the Region (column 7) and Standard Industrial Classification code (column 8) follow. The following three columns indicate the employment component of the project: jobs expected, jobs created, and jobs saved. Column 10 is particularly important to resource dependant communities or those outside major economic centres of the country.

Columns 11 to 14 deal with the building component of a project. Expected and actual size and value of the building is inserted, with the value computed as building size multiplied by (x) $ per square foot, in the case $55.00, which is the approximate cost per foot of a pre-engineered building at this time. The same formula is used for each project, and the constant value of $55.00 can be modified to suit building costs in particular regions and to reflect yearly increases. Column 15 measures total project costs. This consists of column 14 plus other capital and "soft" costs, such as equipment, land, leasehold improvements and working capital.

Expected and actual taxes (columns 16 and 17) are based on the size of building (columns 11 and 12). In this model, $1.50 per square foot is used, which is the average 1989 tax rate for twenty-five companies within the SRDC-managed Regional industrial park. To determine taxes generated for each project, therefore, a formula comprised of building size multiplied by the constant ($1.50) is used.

Funding (column 18) is the amount of public and private sector money provided towards the project. Depending once again on a community's location within the country, a company, often with EDP assistance, can receive financial support based on the economic value of the project to a particular region. Column 19 permits

comments about the funding or more general comments about the project.

Column 21 designates the EDP within the organization responsible for each particular project. A project with the letter "G", (General), indicates various members of the organization played a key role in the success of the project. Column 22 simply refers to the status of the project, in this case, all have been successfully completed.

The final column is the most critical of the entire model. The "Q" factor refers to the role of the EDP in the project. It measures the influence of the EDP in the success of the project so that realistic economic benefits of EDP can be calculated and reported. This is not arbitrarily based on estimates but on the clients' evaluation of EDP assistance in the project. This client data is gathered from a follow-up questionnaire after the project is completed.

The Follow-Up Questionaire

The questionnaire must be brief in order to maximize the response rate. The client rates how instrumental EDP assistance was to the project's completion. The category selected corresponds to a "Q" factor within the model. For instance, a number 1 ("extremely helpful") would generate a "1.0" within the model, and a number 5 (not helpful at all) reply would generate a "0.0." Similarly, each response category corresponds to a "Q" factor within these extremes: two equals 0.25, three equals 0.50, and four equals 0.75. Based on these percentages, therefore, the EDP assumes responsibility for all or some of the benefits derived from a project.

The "Q" factor for all completed projects is then averaged to arrive at 0.85 percent. This is applied to the total figures of all columns to arrive at the economic benefits which are attributable to the economic development organization. For example, 316 jobs were expected from all completed projects in this model, and 269 (85 percent) can be directly attributable to SRDC. Likewise, over 3.5 million dollars in funding was injected into these projects, and SRDC was instrumental in obtaining slightly over 3 million dollars of this total.

With the use of a slightly more com-

plex formula, the "Q" factor can also be computed across each row for each individual client to obtain more exact data rather than taking the average of all "Q" responses and applying this to the total figures of all completed projects.

This method is particularly beneficial when there is one or more very large project that may skew the data. For example, an EDP would receive credit for 85 of 100 jobs if there was a project of this size, using the standard method of "Q" factor calculation. In reality, the client may have only given the EDP a score of four on the questionnaire, therefore, only 25 per cent, or 25 jobs, are attributable to the EDP. The difference of 60 jobs between the two methods is substantial and caution should be exercised when using the more general method. This particular model was computed using both methods but, as there are no exceptional projects to adversely affect the final calculations, the difference is marginal. The general format of calculating economic benefits, therefore, was used for ease of data manipulation.

Multiplier Data

FIGURE 2 summarizes the direct economic benefits of SRDC from the model. Using commonly applied multiplier data available from several sources (Economic Development Program - University of Waterloo, Ontario Ministry of Industry Trade and Technology), the total benefit to the community of SRDC activity is calculated (FIGURE 3). For example, a multiplier of 2:1 is used to calculate spin-off employment. It is important that conservative multipliers are applied to eliminate questions about the accuracy of reliability of the data.

Benefits Of Client-Tracking Model

This model is useful to EDPs for a number of reasons. First and foremost, its flexibility of design allows input data to reflect various conditions within any municipality yet it provides valuable basic information on the status of client activities that all EDPs require.

Ease of data manipulation is another beneficial advantage of this model. Using the DATA SORT and EXTRACT com-

Figure 1

SRDC CLIENT TRACKING REPORT — COMPLETED PROJECTS

COMPANY	CONTRACT	MO	YR	ID #	MUN	SIC	JOBSE	JOBSC	JOBSS	BLDGE	BLDGA	VALUEE	VALUEA	COST	TAXE	TAXA	FUND	COMMENTS	EDO	STA	Q
		4	89	8953	W	3192	4	3	4	6.0	6.0	330	330	500	9.0	9.0	262	200K NODC, 62K FEDNOR	C	C	1.00
		12	88	8765	W	6583	5	10	—	10.0	10.0	550	550	600.0	15.0	15.0	100	SCAP	G	C	1.00
		1	89	8648	W	5634	2	2	3.0	3.0	16.0	16.0	880	900	24.0	24.0	—	—	C	C	0.75
		4	88	8845	W	3978	2	2	—	3.0	3.0	165	165	195	4.5	4.5	17	NORDEV	C	C	1.00
		6	89	8340	VE	2435	8	7	—	20.0	20.0	1,100	1,100	1,210	30.0	30.0	350	Approximate	G	C	0.75
		9	87	8960	S	5895	18	5	—	16.0	16.0	882	882	1,223	0.0	0.0	100	SCAP mainly	P	C	1.50
		4	89	8953	W	3192	4	3	4	6.0	6.0	330	330	500	9.0	9.0	262	200K NODC, 62K FEDNOR	C	C	1.00
		4	88	8845	W	3978	2	2	—	3.0	3.0	165	165	195	4.5	4.5	17	NORDEV	C	C	1.00
		12	88	8765	W	6583	5	10	—	10.0	10.0	550	550	600.0	15.0	15.0	100	SCAP	G	C	1.00
		4	88	8845	W	3978	2	2	—	3.0	3.0	165	165	195	4.5	4.5	17	NORDEV	C	C	1.00
		9	87	8960	S	5895	18	5	—	16.0	16.0	882	882	1,223	0.0	0.0	100	SCAP mainly	P	C	1.50
		4	88	8845	W	3978	2	2	—	3.0	3.0	165	165	195	4.5	4.5	17	NORDEV	C	C	1.00
		1	89	8648	W	5634	2	2	3.0	3.0	16.0	16.0	880	900	24.0	24.0	—	—	C	C	0.75
		4	89	8953	W	3192	4	3	4	6.0	6.0	330	330	500	9.0	9.0	262	200K NODC, 62K FEDNOR	C	C	1.00
		9	87	8960	S	5895	18	5	—	16.0	16.0	882	882	1,223	0.0	0.0	100	SCAP mainly	P	C	1.50
		4	88	8845	W	3978	2	2	—	3.0	3.0	165	165	195	4.5	4.5	17	NORDEV	C	C	1.00
		9	87	8960	S	5895	18	5	—	16.0	16.0	882	882	1,223	0.0	0.0	100	SCAP mainly	P	C	1.50
		4	89	8953	W	3192	4	3	4	6.0	6.0	330	330	500	9.0	9.0	262	200K NODC, 62K FEDNOR	C	C	1.00
		1	89	8648	W	5634	2	2	3.0	3.0	16.0	16.0	880	900	24.0	24.0	—	—	C	C	0.75
		4	88	8845	W	3978	2	2	—	3.0	3.0	165	165	195	4.5	4.5	17	NORDEV	C	C	1.00
		6	89	8340	VE	2435	8	7	—	20.0	20.0	1,100	1,100	1,210	30.0	30.0	350	Approximate	G	C	0.75
		4	89	8953	W	3192	4	3	4	6.0	6.0	330	330	500	9.0	9.0	262	200K NODC, 62K FEDNOR	C	C	1.00
		12	88	8765	W	6583	5	10	—	10.0	10.0	550	550	600.0	15.0	15.0	100	SCAP	G	C	1.00
		1	89	8648	W	5634	2	2	3.0	3.0	16.0	16.0	880	900	24.0	24.0	—	—	C	C	0.75
		4	88	8845	W	3978	2	2	—	3.0	3.0	165	165	195	4.5	4.5	17	NORDEV	C	C	1.00

		MO/YR/ID				JOBSE/JOBSC			BLDGE/BLDGA		VALUEE/VALUEA		COST/TAXE/TAXA			FUND					Q
AVERAGE		9.0 4.3 34.5				10.1 10.0			452.5 432.4		639.1		12.3 11.8			170.7					8.85
TOTAL		316.6 157.8 69.0				384.4 290.9			16,742.8 15,999.5		22,376.8		456.6 436.4 3,584.6								
ATTRIBUTABLE TO SADC		269.0 133.7 50.7				259 248			14,253.3 13,621.2		19,844.7		390.7 371.5			3,851.8					

mands of Lotus 123 or similar commands of other software programs, data on economic activity by SIC code and geographic/political location can be readily provided. The data fields within the model can also be expanded to once again reflect the needs of an individual EDP. For example, a new field showing the source of a client lead can be valuable for many reasons, particulary for the allocation of marketing funds.

Figure 2
Economic Summary

Jobs Expected	269
Jobs Created/Saved	193
Commercial/Ind. Const.	248,000 sq. ft.
	$13,621,200
Government Funding Obtained	
By SRDC For Local Firms	$3,051,800

The model also shifts responsibility for accountability of EDP performance from the staff level to that of the clients, thereby increasing the credibility of the reporting system. Many commonly used EDP reporting procedures such as the annual report to a board of directors or to council are based on staff interpretations of benefits of EDP activity. By elevating this function to the client level, any scepticism of the EDP's role in successful projects can be eliminated or at least, diminished.

This model allows management within an economic development organization to assess the performance of reporting EDPs. While a bottom-line comparison of individual EDPs performance will probably serve little or no purpose, as a time management tool the data extracted can demonstrate whether a particular EDP is allocating sufficient time and effort to those clients that provide the most economic benefit. Also, an EDP consistently generating a low response on the questionnaire, and therefore a low "Q" score, may indicate potential problems in this particular EDPs relationships with his/her clients. Management can then investigate this further to rectify these problems.

Conclusion

The SRDC developed client-tracking model is a useful management tool for economic development. It is designed to be evolutionary rather than static in nature as it follows a client's project from initial EDP contact through to its conclusion.

It is extremely important to consider the level of client activity and the economic benefits derived from the model within the context of general economic conditions as a recession or economic upswing will directly affect both of these items. It is imperative, therefore, for the EDP to refrain from comparing year-to-year results and to make this reporting context absolutely clear to the municipal administration or board of directors.

Some projects can not be adapted to this model. The measure of tourism activity, unless there is a related development such as a hotel or attraction, and issue-oriented projects, for instance, lobbying for infrastructure improvements of a local or regional nature, are two such examples.

It is essential to use conservative estimates within the model to ensure its credibility. Assumptions such as taxes per square foot of building, building costs, and multiplier data are purposely underestimated to minimize criticism of economic benefit figures.

Perhaps the most significant benefit of this model is that it enables the EDP to demonstrate concrete and impartial results of the organization's activity to the host authority. This should make budget approval less onerous and generate more favourable reviews from the municipal administration. With strong political support behind the economic development organization, all of the EDP's effort and energy can be directed at continuing to facilitate the economic progress of the community.

Figure 3
Multiplier Data

— Of the 269 jobs expected, 538 new jobs will result.

— An annual payroll of $16 Million will be injected into the Sudbury economy.

— Retail sales will increase $4.3 Million. Eleven new reatil establishments could result. Bank deposits will increase $5.2 Million.

— 538 new workers will increase population figures by 1,100.

— The formation of 491 new households will generate half a million in residential taxes.