ECONOMIC DEVELOPMENT PROGRAM EVALUATION GUIDELINES

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Preface

These guidelines were developed for use by the economic development programs of the Technology, Trade and Commerce Agency. The material provides standard evaluation methods for assessing program usefulness and effectiveness in a rapidly changing economy.

The guidelines may also be used by other public and private agencies to evaluate their economic development programs.

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INTRODUCTION TO PROGRAM EVALUATION

Program evaluation is a widely accepted practice for determining the performance of a program. Competition for government funding is intense, and program evaluation findings are an important factor in determining funding levels. Each State program can expect to be compared to other State programs. In addition, a program may be compared to similar programs across the country and around the world. As programs outside California raise standards for performance, the demands on State programs to improve their performance increase. For example, federal agencies are required to prepare strategic plans and annual performance reports that compare program results to program targets.

A program evaluation need not consume large amounts of program time and resources, but the first one probably will. Subsequent evaluations should be quicker and easier, primarily because the program will have developed the planning, procedures, and data for monitoring program performance. An initial program evaluation could take about three to six months, while future evaluations might be done in a month or two. Programs should allow sufficient time to prepare a thorough evaluation, because a poorly executed one can hurt the credibility and reputation of even a well-run program.

What is Program Evaluation?

A government program is an activity, or group of activities, designed to serve public needs. Program evaluation is the objective and systematic assessment of program performance. The word “performance” refers to both the efficiency and effectiveness of the program. Efficiency is a measure of how well a program utilizes its resources (also referred to as the productivity of the program). Effectiveness is a measure of the extent to which a program has accomplished its intended purposes.

Although there are numerous types of government programs, charged with a wide range of responsibilities, there is a basic process for conducting a program evaluation. The process consists of six major and progressive steps: (1) Prepare a strategic plan; (2) Inventory current operations; (3) Compile outcomes and resource usage; (4) Measure and analyze outcomes; (5) Assess program performance; and (6) Report program evaluation findings. Within each major step there are specific tasks that should be undertaken, and generally-accepted techniques that should be used. Generally, each major step in the process builds upon the prior steps and, therefore, must be completed in order.

The flowchart that begins on the next page leads readers through the program evaluation process. Additional information on each step in the flowchart are contained in the explanations that follow the chart.

(Please note: While there is a basic program evaluation process, that process may be called by a variety of different names, such as: program review; program analysis; program assessment; performance review; performance measurement; performance planning; or outcomes measurement.)

THE PROGRAM EVALUATION PROCESS

1. PREPARE A STRATEGIC PLAN

- Define the program purpose.
- Establish mission, goals, and measurable objectives.
- Create a tactical plan to achieve objectives.
- Review completed plan and adjust as necessary.

2. INVENTORY CURRENT OPERATIONS

- Identify program resources.
- Document program procedures.
- Organize and update program records.
- Review operations and modify as needed.

3. COMPILE OUTCOMES AND RESOURCE USAGE

Determine quantitative outcomes:
- Program outputs
- Economic benefits
- Fiscal benefits
- Other impacts.

*If quantitative outcomes are scarce or lacking, examine why **Strategic Plan** objectives were not measurable, and/or why **Current Operations** did not produce the needed data. Modify Plan and Operations as needed.*

Determine qualitative outcomes:
- Changes in client status
- Information, training, or counseling provided
- Influences on economy or society
- Other results.

*If qualitative outcomes are scarce or lacking, examine why **Current Operations** did not capture examples or feedback regarding the effects of the program. Modify Operations as needed.*

Identify program resources used to generate outcomes.

*If program resource usage cannot be identified, examine why **Current Operations** do not produce these crucial data.*

to step 4

4. MEASURE AND ANALYZE OUTCOMES

from step 3

Compare quantitative program outcomes to program resources in order to determine program efficiency:
- Measure program efficiency for prior time periods
- Compare efficiency relative to standards or similar programs
- Compare unit efficiency among program elements or sites.

Compare program effectiveness relative to program objectives. Include effectiveness among different program elements on client groups and/or service areas.

Compare effectiveness relative to various standards or ideals:
- Client group relative to control groups or general population
- Similar programs elsewhere
- Industry or professional standards
- Past program performance.

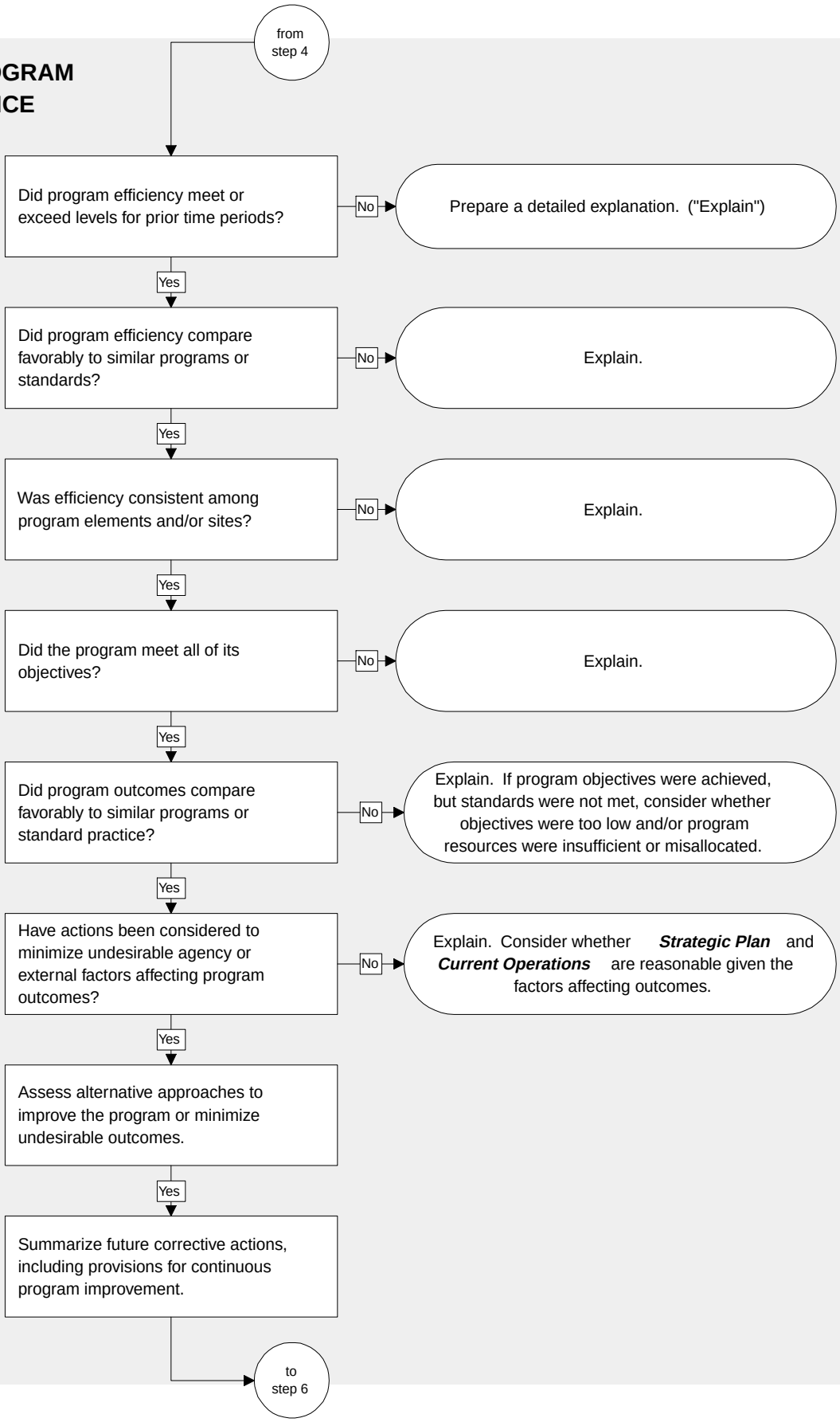
Explain factors affecting outcomes:
- Agency influences
- External factors
- The point in time
- Other.

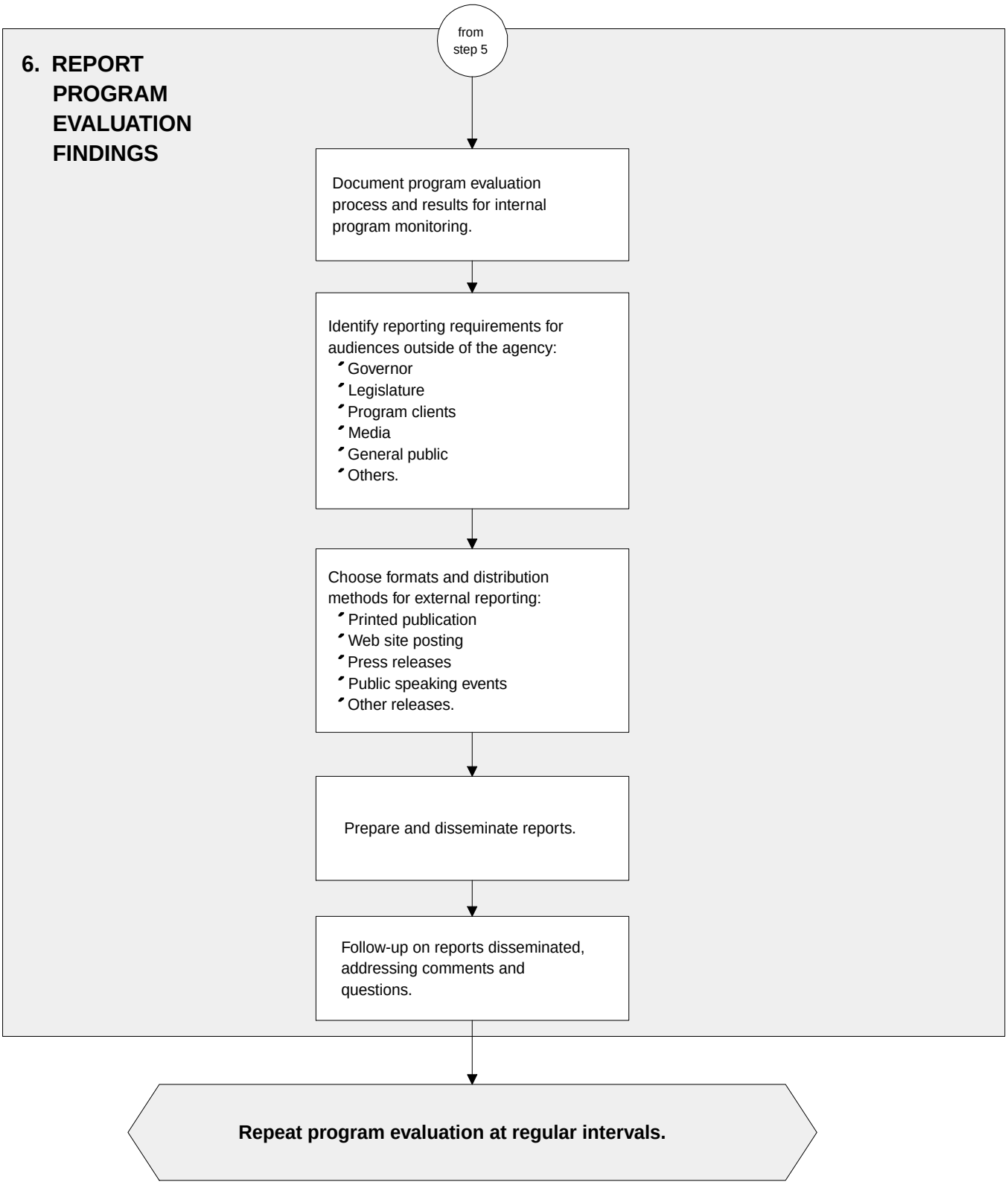
Isolate program influences, by explaining how outcomes were a direct result of the program, rather than from non-program influences.

Identify any unintended consequences of the program. Compare desired outcomes with undesired outcomes.

to step 5

5. ASSESS PROGRAM PERFORMANCE




from
step 5
6. REPORT PROGRAM EVALUATION FINDINGS
Document program evaluation process and results for internal program monitoring.
Identify reporting requirements for audiences outside of the agency:
Governor
Legislature
Program clients
Media
General public
Others.
Choose formats and distribution methods for external reporting:
Printed publication
Web site posting
Press releases
Public speaking events
Other releases.
Prepare and disseminate reports.
Follow-up on reports disseminated, addressing comments and questions.
Repeat program evaluation at regular intervals.

An Explanation of the Program Evaluation Process

The preceding flowchart summarizes the procedures in a program evaluation. The following material provides more detailed information on how the procedures should be completed, and why it is important that they be done correctly.

Step 1. PREPARE A STRATEGIC PLAN

The program strategic plan is the foundation of any evaluation, because it identifies what is to be achieved by the program, how it will be accomplished, and how progress will be measured. The plan also translates legislative mandates and other directives into specific tasks or actions. If a plan already exists, it should be thoroughly reviewed at the start of the program evaluation process to ensure it is still relevant and appropriate. The following subsections highlight aspects of strategic planning that are most crucial for program evaluation.

Define the Program Purpose

This task defines the origin and purpose of the program, and therefore provides the justification for its activities. The program purpose should describe the problem that requires government intervention, and explain why the private sector cannot address that problem.

If a program was mandated by the Legislature, the intent of that mandate should be reviewed to ensure the program is still in compliance. If the program was created as a result of other factors or circumstances, they should be re-examined to ensure that the original need for the program still exists.

Establish Mission, Goals, and Measurable Objectives

The program mission statement should express the overall intent of the program. An inadequate statement, or one that does not correspond to the Agency mission, can result in an ineffective program that wastes money.

Program goals, which are derived from the mission statement, describe the desired end results. Goals do not need to be quantitative or measurable, but must be expressed in a manner that allows for an assessment of whether they are being achieved. Goals should consider external factors that could affect program performance, such as economic or social conditions.

Program objectives are specific and measurable targets towards accomplishing program goals. Objectives contain quantitative goals with specific target dates, and identify the outcomes that will be used to measure progress. Outcomes are records and data generated by the program that document operations and provide evidence of what the program has accomplished. They can provide information on program operations, as well as the impact the program has had on its clients.

Create a Tactical Plan to Achieve Objectives

The tactical plan identifies actions that will be taken to accomplish objectives, and describes how outcomes will be used to evaluate program performance. The tactical plan identifies processes to be performed, the person or group responsible for each process, and the objectives that will be completed at specified points in time.

Review Strategic Plan

After preparing the plan, recheck each plan element to ensure it is accurate, complete, and consistent with the other elements . Many problems during program evaluation can be traced back to faulty strategic plans. This situation is particularly noticeable when program outcomes are compared to plan objectives.

Step 2. INVENTORY CURRENT OPERATIONS

This step consists of preparations that must be made before program outcomes can be compiled and analyzed later in the program evaluation process. If the operations of a program are not organized and up-to-date, the program will not be able to process and analyze all of the information required for a program evaluation.

Identify Program Resources

Identifying program resources provides the program with a list of all the resources at its disposal. This list will help the program identify possible areas of improvement, such as underutilized resources. Program resources may go beyond the program budget, staffing, and equipment. They may include all of the support services the program may receive from the agency, other programs, and organizations or individuals outside the agency. These services may be in the form of data processing, administration, research, or delivery services.

Document Program Procedures

Procedures are the “how to” part of the program tactical plan. They describe a system of tasks and techniques for performing each program activity. They also provide guidance to staff and establish the rules by which the program is administered. The program evaluation process will examine the procedures a program uses to achieve its objectives.

Organize and Update Program Records

Program records are crucial to program evaluation, since they contain the information that will be used to describe, measure, and explain program performance. Program evaluation requires the processing of large amounts of program records, and if those records are not organized and up-to-date, it will be difficult to conduct the evaluation.

Program records consist of both quantitative information (data) and qualitative information (descriptive language). The records may be developed by the program, such as client lists, or obtained from outside the program, such as county employment data. Regardless of the type or source, program records should be accurate, reliable, relevant, complete, and timely. In addition, the records should be maintained in a format that allow for convenient processing and analysis.

Below are just a few examples of program records that may be used during a program evaluation:

- Employee time logs
- Client lists and descriptions
- Project files
- Project studies
- Client and public comments
- Expert opinions
- Correspondence files
- Program budget information
- Matching funding received
- Published economic data
- Studies and data on similar programs elsewhere

Review Current Operations

When the inventory of current operations is finished, the program should have a complete, organized, and up-to-date record keeping system, as well as a practices and procedures manual. The manual will not only be a tool for staff training, but also a place to document needed operational changes that are identified during the program evaluation.

STEP 3. COMPILE OUTCOMES AND RESOURCE USAGE

The program records that were updated and organized in the preceding step now need to be examined. This step reviews program records to identify and compile program outcomes and resource usage.

Program outcomes are crucial to the program since they provide the only means of evaluating performance. They can be used to: monitor program efficiency and effectiveness; document program strengths and weaknesses; and provide a basis for future program improvements. In addition, program outcomes provide to the public and other interested parties tangible evidence of what the program has accomplished.

Outcomes can consist of both quantitative and qualitative measures of program operations.

Quantitative outcomes are measurable records or data, such as the number of loan guarantees processed or the number of jobs created by the program. Quantitative outcomes are used to measure program efficiency and effectiveness, since they can be easily totalled and tracked over time.

Quantitative outcomes may also be interim or final—a status dependent on time or the actions of a third party. For example, an interim outcome would be the number of firms that visited potential sites, but have not committed to relocating in the state. A final outcome would be the number of firms that actually relocated.

Qualitative outcomes are program results that are not easily measured, such as client comments. For example, a qualitative outcome could be the results of a client survey that measures service in descriptive language. Although the number of each type of response can be compiled, an overall total can not be determined since the units of measure are subjective.

Attachment A contains examples of quantitative and qualitative outcomes compiled by The Urban Institute, a nonprofit policy research and educational organization. These outcomes are the result of performance monitoring tests conducted by The Urban Institute on economic development programs in Maryland and Minnesota. They were published to assist other states and local governments in improving their programs and increasing accountability.

Resource usage represents the program resources identified in Step 2, Inventory Current Operations, that were used to generate the outcomes. Such resources generally consist of labor hours and direct expenditures, such as wages, travel, and printing costs. Information on resource usage is crucial for the productivity of the program.

STEP 4. MEASURE AND ANALYZE OUTCOMES

By this stage of the program evaluation process, you have prepared a strategic plan with objectives; inventoried program resources and procedures; and identified program outcomes. In this step of the process, program outcomes and resource usage will be measured and compared to program objectives and standards to analyze program performance. As previously mentioned, performance refers to both the efficiency and effectiveness of the program.

Program Efficiency

Program efficiency is a measure of how cost-effectively a program utilizes its resources over a specified period of time. It is the relationship of program output to resource usage, and often goes by the phrase "program productivity." Outputs are quantitative outcomes that reflect the quantity or level of program activity. Outputs can be, but are not limited to: the number of transactions processed; goods produced; or clients served by the program. Resource usage, as defined in Step 3, are the direct labor and costs used in producing the outputs. Efficiency is calculated by dividing outputs produced by resources used over a predetermined period of time.

Without comparisons to other programs or operations, efficiency cannot be meaningfully interpreted. In evaluating program efficiency, a program should make three general comparisons: past performance, standards or similar programs, and efficiency among program units.

Program Effectiveness

Program effectiveness is a measure of both how well a program meets its objectives, and how that success compares to various standards or ideals.

Program Effectiveness Relative to Program Objectives. This type of effectiveness represents the degree of success a program has in accomplishing its strategic plan objectives. It is determined by comparing program outcomes with program objectives. Program outcomes, identified in Step 1, are the results or impact the program has had on the client group. For example, a program might have an objective to process100 loan guarantees during the year. The outcome would be the actual number of loan guarantees processed. In addition to reviewing overall effectiveness of the program, the evaluation should also examine the effectiveness of individual program elements on client groups and/or service areas.

Program Effectiveness Relative to Standards or Ideals. Programs also need to compare their effectiveness to external references, such as similar programs elsewhere, or industry or professional standards. This comparison must also include a review of program objectives relative to external references. Continuing the example in the previous paragraph, the program could compare its objective (100 loan guarantees during the year) with the loan guarantee objective of a similar program in another state. Next, the program could compare how much of its objective was accomplished to how much a similar program in another state accomplished.

Some possible sources for comparisons might include:

- Program Impact on Client Group Relative to Control Groups or General Population
- Similar Programs Elsewhere
- Industry or Professional Standards
- Past Program Performance.

Explain Factors Affecting Outcomes

Program outcomes may be affected by one or several factors beyond the control of the program. These factors may come from the Agency environment in which the program operates, or influences from outside the program agency. Examples of possible agency influences include a lack of staff or funding for the program, insufficient technical or management support, or the absence of any incentives for program success. External factors could include a lack of input from program clients, poor economic conditions in the state or program area, or a lack of political support for the program. Identify any factors that significantly affected program outcomes and explain how outcomes were affected. Include whether the factors are a temporary or permanent condition that the program must address. (Factors affecting effectiveness should

not be sought just to provide excuses for program weaknesses.)

Isolate Program Influences

When several factors or influences contribute to an outcome, a program should be prepared to demonstrate the extent to which it was responsible for the outcome. Explain how program outcomes were a direct result of program efforts. In some instances, it will be difficult to trace outcomes directly back to the program. However, the program should attempt to obtain statements or other information from its clients describing how the program influenced the outcome.

Identify Unintended Consequences

Finally, it is important to recognize that for every service a program provides, there is a cost or consequence to others. For example, if a program provides a service that might otherwise be provided by existing businesses, the program may adversely affect these businesses. Similarly, if a program provides an incentive package to a new business, that business might receive an unfair advantage over existing businesses. Identify any unintended consequences resulting from program services.

STEP 5. ASSESS PROGRAM PERFORMANCE

This is a crucial but sometimes neglected step in the program evaluation process. It is crucial because it provides a unique opportunity to improve the program. However, it may be neglected if a program evaluation is only used to justify whatever the program is doing. The program assessment should be an objective appraisal of program performance, rather than a biased defense of the program against any opposition.

The preceding flowchart listed some major questions that a program needs to ask itself after compiling and analyzing outcomes. Additional questions will likely need to be asked, depending upon the type of program and its mandate.

The assessment of program performance is also a time to re-examine the strategic plan and current operations of the program. Poor performance may be an indication of bad planning and operations — not that the program serves little or no purpose. Program performance may also be due to factors beyond the control of the program, as identified in the previous Step of the program evaluation process. Such factors now need to be addressed to the extent possible. For example, it may be determined that program practices during periods of slow economic growth should be different than during economic expansions.

Unless a program has a totally rigid mandate, it should consider alternative ways of fulfilling its mission. When a program continues to operate in the exact same manner over time, despite changing economic and social conditions, it is probably not meeting all the needs of its customers. Alternatives should not only be considered to make a program more effective, but to minimize undesirable outcomes identified during the program evaluation. For example, a program may be achieving all its objectives, but creating unnecessary problems for other organizations. An alternative may exist that can eliminate those problems without affecting the success of the program.

STEP 6. REPORT PROGRAM EVALUATION FINDINGS

The final step in completing a program evaluation is to report the findings from the process. This seemingly simple step can affect how a program is operated in the future, and how it is viewed by persons outside the agency.

Internal Reporting

Program evaluation generates a large amount of information about a program. Unless that information is carefully documented within the program, the benefits of the evaluation process can be lost. Maintaining good internal records is particularly important regarding program weaknesses. A program needs to document negative findings so that problems can be fixed, and questions relating to those problems can be answered. Internal reporting is also necessary to preserve information that may be too detailed for an external report, but is essential for operating and monitoring the program.

The External Report

Before a program report is prepared for release outside the agency it is necessary to identify all of the intended recipients. This not only ensures that the desired audience is reached, but that the reporting is tailored to the needs and expertise of the audience. The Legislature and Governor are two important audiences outside the program agency. Other government recipients of a program report could include auditors, boards and commissions, other state agencies, and local governments. Private sector audiences could include the clients of the program, economic development organizations, the media, and the general public.

Choose Report Formats and Distribution Methods

The formats and distribution methods of the external report will depend on the audiences being reached, and the resources available to the program. The traditional report is a printed publication. Press releases and/or speaking engagements to the media and the public may also be added to publicize and explain the report.

The Internet has become a powerful tool for reporting program evaluation findings, and one that has the advantage of allowing new information to be added and distributed almost immediately. Interested parties can not only download a report off the Internet, but communicate with program staff via e-mail.

Prepare and Disseminate Reports

The writing of the program evaluation report should only begin after the external audiences have been identified, and the formats and methods of distribution have been determined.

Follow-up on Reports

The program evaluation process is not finished when the report is released. It is also important to ensure that all the intended recipients receive the report, and that questions or comments on the findings are promptly answered. Reader feedback is valuable for assessing the success of the just-completed process, and for planning future evaluations.

Finally, Repeat the Program Evaluation at Regular Intervals

Program evaluation is not a one-time event or a fad. It is well-reconized, ongoing process for monitoring program activities and performance. As a result, the process should be conducted at least once a year, regardless of whether an annual report on the program is required.

Appendix A
Examples of Outcomes by Type of Economic Development Program

	Business Attraction and Marketing Programs	Business Assistance Programs (non-financial)	Financial Assistance Programs	Export Promotion Programs	Community Economic Development Assistance Programs
Interim Quantitative Outcomes	· Number of clients that visited potential sites. · Number of responses to advertising or direct mail solicitations. · Number of jobs projected by clients at the time of the announcement.	· Number and percentage of clients that: a) decided to start a business; b) made a significant change in the nature of their business or markets; c) solved an operational problem; or d) improved regular business operations or methods; and also reported that the program contributed to their outcomes.	· Number and percentage of clients that reported that program assistance either: a) helped start a business; b) lowered interest cost; c) increased financial stability; d) helped in obtaining financing from private sources; e) increased competitiveness; or f) increased profitability.	· Percentage of clients that reported at least some contribution of program services to: a) a decision to begin exporting; b) development of an export marketing plan; c) establishment of overseas market contacts; or d) signing an overseas agent or distributor.	· Number and percentage of clients who reported that the state economic development (ED) agency had contributed at least somewhat to their communities own economic development in the past 12/24 months.
Final Quantitative Outcomes	· Number and percentage of clients that located in a region. · Number of jobs added by clients 12/24 months after initial contact. · Dollars of capital investment made by clients 12/24 months after announcement. · Number and percentage of clients that locate in the region which felt the program contributed to their location.	· Number and percentage of clients that: a) actually started a business; b) expanded current operations; c) increased sales; or d) increased employment;and also reported that the program contributed to their outcomes. · Number of additional jobs reported by clients that the clients attribute to program assistance, orthe number of additional jobs indicated by the state unemployment insurance database.	· Number and percentage of clients that reported increased employment and indicated that financial assistance had been an important reason for the increase. · Estimated number of additional employees reported because of the financial assistance. · Number and percentage of clients that reported the financial assistance prevented layoffs. · Number and percentage of clients receiving financial assistance that are delinquent or in default.	· Percentage of clients that reported at least some contribution of program services to: a) increased export sales; or b) increased export related employment. · Percentage of clients that reported various increases in export sales and reported that one or more program services made at least some contribution to increased sales. · Percentage of clients that reported various numbers of new permanent jobs added at facilities in the region as a result of increased exporting and reported that one or more program services made at least some contribution to the added jobs.	· Number and percentage of clients who reported that additional jobs had resulted over the past 12/24 months due to the program assistance.

Appendix A (cont.)

Examples of Outcomes by Type of Economic Development Program

	Business Attraction and Marketing Programs	Business Assistance Programs (non-financial)	Financial Assistance Programs	Export Promotion Programs	Community Economic Development Assistance Programs
Qualitative Outcomes	· Percentage of clients who rated the timeliness of each service they received as excellent or good rather than fair or poor. · Percentage of clients who rated the helpfulness of each service as excellent or good rather than fair or poor.	· Percentage of clients reporting that they received the services they requested. · Percentage of clients rating the accuracy of information provided by each service as excellent or good. · Percentage of clients rating the timeliness of the services received as excellent or good. · Percentage of clients rating the overall quality of assistance of each service as excellent or good. · Percentage of clients who would recommend program assistance to other businesses.	· Percentage of clients that rated the value of the program to their business as excellent or good rather than fair or poor. · Percentage of respondents who rated as excellent or good, rather than fair poor: a) the timeliness of the assistance; b) the accuracy of the information; c) the completeness of the information; d) the courteousness of the program personnel; e) the knowledge of program personnel; and f) the overall helpfulness of the program. · Number and percentage of respondents that reported that they did not submit applications because either: a) the application process was too complex and time consuming; and b) could not understand what was required to apply.	· Percentage of clients that rated program services as either excellent or good as to: a) timeliness; b) relevance and accuracy; c) professional rendering; and d) overall helpfulness. For businesses not Assisted: · Percentage of respondents that reported that they did not obtain program services because they: a) were not aware of the services; b) felt that the program did not offer the services they needed; c) had heard that the program offered poor services; or d) got poor service from the program in the past.	· Number and percentage of clients who rated each service they received as excellent or good. · Number and percentage of clients who rated the cooperation by state personnel as excellent or good. · Number and percentage of clients who rated the timeliness of the state's services as excellent or good. · Number and percentage of clients that rated the adequacy of communication with the state about state plans and policies as excellent or good.

Source: *Monitoring the Outcomes of Economic Development Programs*, The Urban Institute, Washington DC. 1990.

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