Entrepreneurship Policy Innovation and Performance Measurement in the States

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When looking back over the past five years of state and local rural development policy, one is struck by the growing interest in supporting rural entrepreneurship. After long being viewed as "something the Chamber of Commerce does," entrepreneurial development is entering the mainstream of local economic development policies. In 2000, few states had formally articulated strategies to promote entrepreneurship. Today, a majority of states have announced programs of this type. As one indicator, researchers at the RUPRI Center for Rural Entrepreneurship note that there are now 600,000 places you can go on the Internet to explore rural entrepreneurship.[1]

As states and localities embrace entrepreneurial development strategies, they face a number of challenges often faced in new and emerging policy arenas. These include the creation of systems for sharing effective practices, crafting new professional development opportunities, and developing processes for measuring and assessing policy impacts. These myriad challenges all link to an even greater challenge---moving entrepreneurial development into the mainstream discussions of rural development strategies.

This essay reviews the state of art in state and local entrepreneurship policy. It reviews current trends in the field, and assesses the strengths and shortcomings of ongoing initiatives. In particular, we focus on issues of measurement and assessment. How are we doing in terms of assessing the effects of entrepreneurship development programs, and where can we improve? Finally, we conclude with a series of recommendations for strengthening the field via improved data collection, performance measurement, and information sharing. This paper argues that entrepreneurship must be viewed through a more expansive policy lens. Entrepreneurship is not just about nurturing small business. It should instead be viewed as an integral part of a comprehensive regional innovation strategy.

The Boom in Entrepreneurial Development

While lots of policy initiatives are deemed "entrepreneurial," entrepreneurial development strategies share a few characteristics. At the broadest level, they share a commitment to a "grow from within" strategy. Instead of seeking to recruit or import businesses into a community, leaders seek to nurture home-grown businesses based on existing assets and resources. A variety of policy interventions can be employed, but they all tend to cluster around the promotion of three policy outcomes:

[1] Deborah Markley, Don Macke, and Vicki B. Luther, *Energizing Entrepreneurs: Charting a Course for Rural Communities*, (Lincoln, NE: RUPRI Center for Rural Entrepreneurship, 2005), p. 1.

- Increasing the number of new businesses,
- Increasing the growth rate of new and existing businesses,
- Improving the overall climate for new and emerging firms.

Efforts to promote such goals have existed for some time, but often as isolated programs. For example, the Small Business Administration's various programs have long focused on these objectives, but these efforts were rarely considered part of a mainstream community economic development strategy. This perception still persists, but advocates hope that entrepreneurship will come to be viewed as part of a wider set of economic development strategies designed to build regional prosperity.[2]

A number of indicators reflect the growing interest in entrepreneurial development. First and foremost is the number of state announcing new entrepreneurship policies. In the 1990s, a handful of state had such initiatives. Today, more than 40 states do so. The rise of entrepreneurship education offerings is also impressive. In 1986, 586 few colleges and universities offered small business and entrepreneurship training. Today, more than 1600 schools offer entrepreneurship-related courses.[3]

This policy shift has multiple causes[4], but three sets of inter-related factors predominate. First, macroeconomic shifts created conditions that were less conducive to success for large, capital-intensive corporations, thus opening up new market niches for newer, smaller, and more nimble market entrants. Researchers soon recognized that new entrepreneurial ventures were the primary creators of new jobs and new innovations in the American economy. In fact, small firms now account for anywhere between sixty and eighty percent of net new jobs in the American economy.[5]

Second, the forces of globalization and technological development helped create the so-called "new economy" with its reliance on more rapid innovation, and competition in less stable market environments. As international competition intensified, developed economies began to specialize in more knowledge-intensive and innovative activities. More traditional industries began to shift operations overseas. These shifts opened new opportunities for new

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[2] Mark Drabenstott, A Review of the Federal Role in Regional Economic Development, White Paper, Center for the Study of Rural America, Federal Reserve Bank of Kansas City, May 2005. Available at http://www.kc.frb.org/RuralCenter/ruralstudies/FederalReview_RegDev_605.pdf

[3] George G. Solomon, S. Duffy and A. Tarabishy, "The State of Entrepreneurship Education in the United States: A Nationwide Survey and Analysis," *International Journal of Entrepreneurship Education*, Vol. 1 (1), 2002, pp. 65-86.

[4] See also, Brett Anitra Gilbert, David B. Audretsch, and Patricia P. McDougall, "The Emergence of Entrepreneurship Policy," *Small Business Economics*, 22 (2004), pp. 313-323.

[5] For a review of this data, see U.S. Small Business Administration Office of Advocacy and the Ewing Marion Kauffman Foundation, *Entrepreneurship in the 21st Century: Conference Proceedings*, March 26, 2004. Available at www.sba.gov/advo.

businesses, and for those individuals with in-demand skills and knowledge. The old industrial conglomerate or branch manufacturer has been replaced by the nimble, service-sector-focused, entrepreneurial start-up.

Finally, demographic shifts and changing industry practices severed the implicit bargain between employer and employees. As secure lifetime employment options dwindled, more Americans began to actively consider starting a business as a viable career option. Polls of high school-aged youth in the 1990s showed that roughly two-thirds were interested in starting their own businesses.[6] Perhaps a stronger reflection of youth sentiment can be found in a September 2003 poll of Junior Achievement participants which found that high school youth consider owning their own business to be a more secure occupation than working for a large company.[7] Clearly, Generations X and Y have shown a strong interest in pursuing entrepreneurship as a career option.

By the mid-1990s, these trends coalesced into the mania that was the dot-com bubble. Yet, even after this bubble burst, its long-term effects remain. More economic activity is occurring in new businesses, more people have interest in becoming entrepreneurs, and more community and political leaders believe that entrepreneurship must be a part of their economic development policies and programs.

What's Occurring? What Are States Doing?

The phrase, "Let a thousand flowers bloom," may be the simplest way to describe current state and local efforts to nurture entrepreneurship. While the policy objectives of business formation and growth are widely accepted, such consensus does not extend to the area of actual policy interventions. A hugely diverse set of policies---ranging from regulatory reform to statewide business plan competitions to new financing schemes—have all been introduced under the guise of supporting entrepreneurship.

Because states and localities are using different policy tools, it still remains difficult to isolate a consensus menu of initiatives that represents "entrepreneurship policy." Instead, states are pursuing a variety of measures designed to support both the creation and growth of new business ventures. Programs vary from state to state, but a few key program areas are receiving priority attention.

- *Access to Capital*: New programs cover the full range of financing needs from microenterprise to support for institutional venture capital. Most new initiatives include a heavy emphasis on early and seed stage equity capital.

[6] Marilyn Kourilsky and William B. Walstad, *The E Generation*, Dubuque, IA: Kendall-Hunt, 2000.
[7] September 2003 Junior Achievement Poll available at http://www.ja.org/files/polls/Entrepreneurship_and_Teens_2003_.pdf

- *Technology Development/Incubation*: Support for technology-based firms builds on programs that first began in the 1980s. In addition to supporting various industry clusters (e.g. biotechnology, nanotechnology), many new programs provide seed funding and technical assistance to early-stage technology businesses.
- *Regulatory Reform*: Reform efforts involve programs such as creation of a small business advocate or scrubbing of existing regulations to make them more "entrepreneur-friendly."
- *Education*: Efforts to expand availability of entrepreneurship training at all levels of education system—from primary schools to adulthood.
- *Awards and Recognition*: Initiatives, such as an Entrepreneur of the Year Award, designed to increase public recognition and appreciation of entrepreneurship.

To date, these individual programs have normally operated in isolation. Different agencies operate different programs, and generally serve different customers or constituencies.

Within this environment of policy experimentation, the dominant trend may be that there is no dominant trend. In many ways, policy makers are acting like an entrepreneur entering new markets. They are testing new ideas, and responding to signals from the marketplace by expanding successful programs and redesigning or eliminating less successful efforts.

As a result, it is premature to discuss a tightly-defined core content of entrepreneurship policy. Multiple experiments are underway, and multiple policy streams are being pursued. While the *content* of policy is still being defined, we can identify some useful themes around the *context* of entrepreneurial development efforts.

Most policy innovations are emerging from policy entrepreneurs. New initiatives are being developed in non-profits, foundations, and selected local government agencies. Traditional state and local government agencies have assumed more of a spectator role. For example, in North Carolina, the non-profit North Carolina Rural Development Center, has served as a primary advocate for entrepreneurial development efforts. In Nebraska, a coalition of educators, economic developers, foundations, and elected officials have assumed this role. As in many newly developing policy arenas, innovation is emerging from the bottom up.

As these examples indicate, policy leadership and innovation is emerging from host of different players. Individual leaders build informal coalitions or networks to advocate for and develop programs that support entrepreneurs. This diversity has spawned a host of interesting innovations, but it has also complicated efforts to develop a stronger institutional base for the field. While many local collaborations have been strong, cross-jurisdictional collaboration has

been relatively rare at the regional, state, or national levels. Existing networks have tended to develop and promote new initiatives in relative isolation from one another. These networks are often vertically linked due to funding patterns so that SBA-sponsored programs (such as the Small Business Development Center programs) may operate with little interaction with similar initiatives funded by the Commerce Department (e.g. Economic Development Districts) or the Department of Agriculture (e.g. Cooperative Extension Service).[8]

These patterns have the effect of limiting learning across jurisdictions and disciplines, which in turn reduces both the efficiency and effectiveness of new program and initiatives. Each local effort is isolated, and relevant lessons learned are not well disseminated. Data on effective interventions and on policy impacts and outcomes is not developed. Without effective data on "what works" in the field of entrepreneurship, the ability to introduce, promote and refine new initiatives is hampered. Specifically, program managers need better and more timely data on small business formation and growth. They also need opportunities for networking and professional development. In the absence of this knowledge base, entrepreneurial development strategies operate as a series of unconnected local development experiments where and traditional measures and metrics are employed.

Preliminary research on how states measure entrepreneurship policy impacts indicates some current challenges facing the field. In 2002, Pages and Poole surveyed economic development organizations in three states and found most agencies with a focus on entrepreneurial development employed more traditional measures---job creation and retention, new investments---to assess the impact of their programs. Respondents also expected fairly rapid results, anticipating that they could report business outcomes within an average of sixteen months.[9]

Why does this matter? By using traditional economic development metrics to assess entrepreneurial development, program managers are employing inappropriate performance measures**.** Building businesses takes time. It is unrealistic to expect quick results in terms of traditional economic development outcomes. Program managers need a more thoughtful approach to tracking the performance of their efforts. Moreover, new measures for entrepreneurial development need to be devised that reflect the required

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[8] The U.S. Department of Labor's WIRED (Workforce Innovation in Regional Economic Development) Initiative is one promising effort to build collaborative networks. Several of the WIRED projects include an emphasis on entrepreneurial development. See www.doleta.gov.

[9] Erik R. Pages and Kenneth A. Poole "Entrepreneurship Promotion as an Economic Development Strategy: Next Steps in Institutionalizing the Field," *Applied Research in Economic Development*, forthcoming. Czohara and Melkers similarly report that, while the use of alternative performance metrics is growing, program managers still feel pressured to report job and firm creation outcomes. See Laura Czohara and Julia Melkers, "Performance Measurement in State Economic Development Agencies: Lessons and Next Steps for GDITT," Georgia State University Fiscal Research Center Report No. 92, February 2004, p. 13.

patience. Measuring entrepreneurial development using annual job creation impacts alone is like measuring the success of equity investments by the ability of the borrower to repay on a monthly basis. Short-term job creation is simply not the purpose of these programs

The use of these traditional methods also has a broader and more pernicious effect. By "overselling" entrepreneurial development as a short-term fix for communities, advocates run the risk of creating a sense of unfulfilled expectations. Effective rural entrepreneurship initiatives require a long-term commitment and an understanding that new programs alone will not spur a local entrepreneurial boom.

Beyond Economic Development: Linking Entrepreneurship to other Policy Streams

These shortcomings and challenges are not unique to the field of entrepreneurial development. Many new policy initiatives and subsystems developed in a similar manner. But, what's the solution? Advocates must begin to view entrepreneurship policy through a different lens. It cannot simply be viewed as "just another economic development program." Policy makers must strive to link entrepreneurial development efforts to two other policy streams: the growing fields of community development finance and microenterprise development, and the wider policy discussions around innovation policies. Closer linkages to ongoing microenterprise and small business development activities (both public and private) will help enhance the rigor of efforts to measure the effects of entrepreneurial development investments. Meanwhile, by highlight the effects of entrepreneurship on wider set of innovation policies, advocates can make a stronger case that entrepreneurship is a critical, but the not the sole, component of an effective regional innovation strategy.

Effective measurement of entrepreneurship policy effects first requires that program advocates gain a deeper understanding of their core activity: providing support and services to new and growing businesses. As economic developers have recognized the importance of entrepreneurship, they have not introduced new management models or new tools for assessing program effects. Instead, they have simply imported traditional economic development program models. Under this approach, governments introduce new support programs, market them to "customers," and count jobs and other activities. Meanwhile, numerous microenterprise and community development efforts and small development centers have been going about their daily business of working with aspiring and new entrepreneurs. Not surprisingly, these professionals have developed some effective and impressive tools for measuring program impacts.

In the microenterprise field, the Aspen Institute's FIELD (Microenterprise Fund for Innovation, Effectiveness, Learning and Dissemination) program has

played a critical role in collecting, developing and disseminating new programs ideas and new performance measures and tools.[10] Its MicroTest program provides a useful framework for assessing both program performance and client outcomes. Similar comprehensive efforts are underway at leading organizations in the field. These include the CDFI Data Project, the Opportunity Finance Network's CDFI Assessment and Rating System (CARS), and the Community Development Venture Capital Association's Return on Investment Project.[11]

Local groups are also experimenting with new methods. For example, Maine's Coastal Enterprises, Inc. has developed a very rigorous and comprehensive set of program measures.[12] Its Social Information System combines a host of measures that provide internal feedback to management and employees, permit assessment of program outcomes, and also generate data and case studies that can be communicated to an outside audience. Similar initiatives are underway among other trade associations and leading service providers across the US and overseas.

All of these efforts include slightly different measures or approaches, but they all share a commitment to a robust set of diverse measures that goes beyond simple counting of new jobs or new businesses. They present a more holistic picture that includes factors such as job quality, wealth creation, overall portfolio risks, program costs per customer, and, most significantly, realism about community outcome measures. State and local economic development agencies should consider adoption of these comprehensive methods for performance assessment.

While enhancing their abilities to track program outputs and outcomes, entrepreneurship advocates also need to "tell a better story" about why entrepreneurship matters. Entrepreneurship is not just about helping small business; it is part of a wider strategy to build innovative communities and regions.[13] New business formation is an intermediate goal along a path toward the outcome of increased wealth generation and community prosperity.

These desired outcomes are similar to those promoted by advocates of regional innovation strategies. Growing interest in entrepreneurial development has emerged along with an even more prominent movement to support new innovation strategies. Innovation policies have been a subject of public discussions for decades. For example, in the 1980s, fear of the "Japanese miracle" led to the creation of numerous policies designed to bolster American competitiveness. Federal programs like the Manufacturing Extension

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[10] An excellent review of effects of microenterprise programs can be found in Signe-Mary McKernan and Henry Chen, "Small Business and Microenterprise as an Opportunity and Asset-Building Strategy," Urban Institute Issue Brief, No. 3, June 2005.

[11] Community Development Venture Capital Association, Measuring Impacts Toolkit (NY: CDVCA, 2005)

[12] Coastal Enterprises, Inc*., Measuring Impact in Practice*, (Wiscasset, ME: CEI, February 2006).

[13] For a good discussion of this issue, see Markley, Macke, and Luther, pp. 49-57.

Partnerships and various technology transfer initiatives date from this period. At the state level, programs like Pennsylvania's Ben Franklin Centers and Ohio's Edison Centers were designed to spur technology development and regional competitiveness.

These early efforts were very technology-centric. Today's perspective recognizes that technology matters, but also emphasizes other factors such as human capital, education, and entrepreneurship. The need for improved regional innovation policies has become something of a consensus opinion in Washington's business community and elsewhere. The current list of organizations promoting new innovation policies is quite long and quite distinguished---from the National Academy of Sciences to the Council on Competitiveness to the National Venture Capital Association to the US Chamber of Commerce. This list culminates with the White House, where President Bush has advocated for his own American Competitiveness Initiative.[14]

While this diverse group of supporters often differs on specific policy prescriptions, they concur on the key underpinnings for an innovative region, state, or nation. These factors[15] include:

- Innovative Capacity: The ability to develop research and bring new ideas to the marketplace.
- Human Capital: Quality of the workforce
- Investment Capital: Includes financial, institutional and cultural investments (e.g. in factors like quality of life).
- Entrepreneurship

This set of factors highlights an important point. While entrepreneurship—and entrepreneurship programs---can help build or support an innovative region, they do not do so in isolation. Instead, they must be viewed as part of a constellation of initiatives targeted toward community transformation.

By portraying entrepreneurship initiatives in this light, advocates gain two benefits. First, they avoid the danger of unfulfilled expectations. Elected officials and other community leaders will not expect entrepreneurship to be a panacea, but will instead come to understand that entrepreneurial development requires a long-term investment as part of wider regional transformation strategy.

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[14] To learn more about the American Competitiveness Initiative, visit http://www.whitehouse.gov/stateoftheunion/2006/aci/.

[15] This list is based on the approach used by the Edward Lowe Foundation et al, *Michigan: Toward an Entrepreneurial Economy, 2005-2006*. (Cassopolis, MI; Edward Lowe Foundation, 2006). The Council on Competitiveness' *Innovate America* report utilizes a similar approach, identifying talent, investment (includes finance and entrepreneurship), and infrastructure as the key underpinnings of innovation. See Council on Competitiveness, *Innovate America*, Report of the National Innovation Initiative, December 2004, p. 22.

Second, this approach helps situate entrepreneurship policy in a wider context which recognizes that an improved entrepreneurial climate requires investments in a variety of areas such as human capital development, infrastructure and the like. Simply creating a good climate for small business is not enough. After all, many rural states rank quite high on traditional indices that measure small business tax burden, regulatory costs, and the like. For example, the Small Business Survival Index, produced by the conservative Small Business and Entrepreneurship Council, has regularly ranked South Dakota, Wyoming, Mississippi, and Alabama among its most "small business friendly" states. [16] These states tend to perform quite poorly on other measures of entrepreneurship, innovation, and human capital.[17]

Finally, by nesting entrepreneurship within a broader category of innovation policies, we provide a wider menu of policy options for community leaders. Rural leaders can focus on the truly critical objective---building a competitive region---and then choose from an array of tools for achieving this goal. They might opt to support business cluster or knowledge networks, to invest more in higher education, or to develop a region's entrepreneurial potential.

These regional innovation strategies can and should be tailored to the needs of specific geographies. Business cluster development is likely to be more common in urban areas where size and scale help create needed concentrations of human capital. University-focused innovation policies will by definition require some linkage to local university systems and research facilities. For rural regions, entrepreneurial development strategies are likely to assume more prominence.[18] These regions may lack many traditional anchors (such as a major research university) for innovation policies, but could exhibit higher levels of what Low and Henderson term "entrepreneurial breadth,"[19] the number of self-employed in relation to a region's total population. Supporting this large base of self-employed resident should be part of any rural region's innovation policy investments.

Promising Practices in Innovation Metrics

If policy makers opt to move in this direction, they can tap into many promising new initiatives. Leading organizations, such at the Council on

[16] See, for example, Small Business and Entrepreneurship Council, Small Business Survival Index 2005, (Washington, DC: SBEC, 2006).
[17] For example, the 2005 Corporation for Enterprise Development's Report Card for the States provides the following letter grades in terms of business vitality for the states cited above: Alabama (C), Mississippi (D) , South Dakota (F), Wyoming (D).
[18] See, for example, Drabenstott (2005), and Zoltan J. Acs, The State of the Literature on Small to Medium Sized Enterprises and Entrepreneurship in Low-Income Communities," Manuscript, Federal Reserve Bank of Kansas City and Ewing Marion Kauffman Foundation, 2006.
[19] Sarah Low, Jason Henderson, and Stephan Weiler, Gauging a Region's Entrepreneurial Potential, *Economic Review* (Kansas City Federal Reserve), Third Quarter, 2005, pp. 61-89.

Competitiveness, ACCRA, and SSTI, are all promoting initiatives to develop better innovation metrics and better performance measurement systems. Washington is even getting into the act. The US Department of Commerce is now setting up its own "Measuring Innovation in the 21st Century Economy Advisory Committee."

These initiatives are very exciting, but the real action appears to be overseas where the European Union, the OECD, and many national and regional programs are developing interesting new ways to measure progress in innovation policy. They have also made major efforts to go beyond studies and to get practitioners to use these tools in the field. For example, the OECD has produced the very detailed Oslo Manual for collecting and interpreting innovation data. Not to be outdone, the European Union has its own PAXIS Manual, a 400-page behemoth that profiles hundreds of effective measurement tools and practices. Lots of national governments are also doing good work in this area. For example, Britain's Department of Trade and Industry has recently published a useful study of UK innovation indicators.[20] These efforts all share a commitment to regular comprehensive performance measurements that capture both program outputs as well as community outcomes.

Why is Europe so engaged in this exercise? The simplest answer is that they actually invest in performance measurement instead of simply mouthing the appropriate rhetoric. Perhaps a more compelling reason is that Europe's leaders believe that this matters. Europe's performance on a variety of innovation measures continues to lag, so "getting innovation policy right" is a national and European-wide priority. As a result, European policy makers are investing in new innovation policies and in new approaches to measuring their effects. Under current plans, the EU is seeking to nearly double R&D spending by 2010 and introduce a host of innovation-friendly proposals such as creating a single labor market for researchers and strengthening current intellectual property protection rules.[21]

What would a Good Performance Measurement System look Like?

Each region needs to design a performance measurement system that tracks its own priorities and meets its own idiosyncratic needs. A one-size-fits-all

[20] European Commission, Directorate General, Enterprise and Industry, The PAXIS Manual for Innovation Policy Makers and Practitioners, (Brussels: European Commission, 2006); Organization for Economic Cooperation and Development, *Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data* (3rd ed.),(Paris: OECD, 2005); United Kingdom Department of Trade and Industry, *Innovation in the UK: Indicators and Insights*, DTI Occasional Paper No. 6, July 2006.

[21] Commission of the European Communities, "Putting Knowledge into Practice: A Broad-Based Innovation Strategy for the EU," Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions. COM(2006) 502 final. Brussels, September 13, 2006.

methodology does not exist. However, it is possible to present some general guidelines for what program managers and community leaders need to include in any performance measurement or benchmarking activities:

1) Just Do It!

The most important step is to simply begin the process. Too many organizations quibble about the types of metrics to be used, and regularly delay the introduction of new tracking processes. In their survey of state economic development professionals, Czohara and Melkers found that the initial design of accurate performance measurement systems was the number one cited problem facing the field.[22] Effective performance metrics will evolve over time. Developing effective metrics is a potential, but not insurmountable, challenge. Maintaining such systems after their initial introduction poses a far more pressing challenge. If possible, all new measurement systems should be accompanied by a commitment to a multi-year tracking effort.

2) Be Comprehensive

The exhortation to "be comprehensive" does not imply that hundreds of data points are required. Instead, it suggests that entrepreneurship policy metrics be presented and understood within a wider innovation policy framework. For example, a typical measure such as "new business starts," should be accompanied by an explanation of how and why new business starts are an important component of a regional innovation framework.

Many rural development practitioners should consider including attitudinal measures in their community innovation assessments. In smaller communities, entrepreneurial development efforts will include a strong commitment to cultural change. For example, youth entrepreneurship training could be utilized to increase awareness about entrepreneurship as a career option. These effects can best be assessed via attitudinal surveys. Similar surveys can be used to develop regional assessments from business and community leaders. [23]

In all cases, multiple measures tracking multiple outputs and outcomes should be utilized. There is no single solution to building regional innovation systems. Similarly, there is no single measure that will capture the effects of related policy interventions.

3) Be Collaborative

Practitioners in the field are beginning to recognize the importance of networks and other bridging institutions as key components of a regional

[22] Czohara and Melkers, p. 21.
[23] For an example, see Council on Competitiveness, *Measuring Regional Innovation*, Washington, DC: Council on Competitiveness, 2006), pp. 40-51.

innovation system. Effective measurement systems should assess the performance of individual agencies as well as the quality, depth, and outcomes related to collaborative initiatives. If networking and collaborations are considered keys to regional innovation, measures of such activity must be included in any effective measurement approach.

This focus on collaboration should take two forms. First, measurement systems must track the presence and effects of bridging institutions such as entrepreneurial networks, investor networks, and the like. These effects can be assessed via surveys, or even through efforts to assess the number and quality of outside collaborations either by economic development agencies or by local businesses.[24]

A second approach entails measuring the overall impact of networked policy delivery organizations such as the fledgling entrepreneurial development systems being created via the Kellogg Foundation's Rural Entrepreneurial Development Systems project. While agencies should report their own individual performance measure and outcomes, they should also report these outcomes as part of the wider service delivery network or collaborative. Several state service delivery networks, such as Wisconsin's Entrepreneur Network (WEN) are beginning to use such approaches.

4) Be Relevant to Managers

The benefit of new tracking systems like CARS or MicroTest is that they are explicitly geared toward improving internal management practices at community development finance or microenterprise organizations. State economic developers also report that refining agency performance is one of the most positive outcomes of their ongoing performance measurement efforts.[25]

Yet, it is not enough to simply track program performance in a vacuum. These metrics should be assessed in relation to industry benchmarks for effective practice. CARS, MicroTest, and other new metrics systems are seeking to develop such industry benchmarks. In areas where financial metrics predominate, such systems can and should be utilized. In other areas, where quantitative measures are less precise, professional certification and accreditation should be utilized. Several international and state economic development organizations have developed such processes, but their use remains infrequent.

[24] For an example of an effort to track business collaborations, see United Kingdom Department of Trade and Industry, *Innovation in the UK: Indicators and Insights*, DTI Occasional Paper No. 6, July 2006.
[25] Czohara and Melkers.

5) Be Relevant to the Community

Effective performance measurements must be relevant to managers, but they should also be relevant to community leaders and residents. A variety of techniques will assist on this front. Examples include using public input to design measurement systems, using user-friendly graphics and story lines, and employing high profile spokespeople.[26] Using relevant metrics and benchmarks is also critical. In the area of benchmarking, regions should assess their performance in relation to neighboring or similar communities. At the same time, metrics should be relevant to the community's current situation and the desired outcomes. Traffic congestion is a critical metric for regions like Silicon Valley, but need not be tracked in some rural regions.

Moving Forward: How to Get There

Federal, state, and local officials should consider adopting a robust performance measurement approach similar to that of their European counterparts. How can they proceed forward in efforts to better assess the development of regional systems for innovation and entrepreneurship? At a minimum, it requires increased investments in performance measurement—not just to track program performance, but also to assess community outcomes in terms of regional economic competitiveness.

It also requires that performance measurement become a critical part of various professional development activities. All economic development professionals should receive some level of basic training in how to do performance measurement right. This job is too important to leave to researchers and consultants alone.

Finally, the many interesting experiments now underway need to be continued. New efforts like the Labor Department's WIRED Initiative are emphasizing the importance of performance measurement. These efforts, and others, need and deserve more resources and more public support. By embracing these efforts, policy makers will not only improve program quality. They will also better fulfill their duties as effective stewards of public investments.

[26] Alliance for Regional Stewardship, *Regional Indicators: Telling Stories, Measuring Trends, Inspiring Actions*, ARS Monograph Series No. 10, November 2005.

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