

Measuring Up: Benchmarking Regional Success



Studies benchmarking regional competitiveness are common in the popular press, especially on the Web. High rankings or grades often find their way to the home pages and press releases of cities or states that are eager to broadcast their success. Benchmarking studies are popular because they condense a large amount of information into a single data point, allowing the easy comparison of regional economies. Benchmarking studies also can help communities chart their progress over time.

So, what do the rankings mean? What are leaders to do if they aren't where they want to be on that ladder or if their community is too small to be included in metropolitan indices? And, by the way, what exactly makes a region competitive?

Regional competitiveness:

“[U]ltimately competitive regions and cities are places where both companies and people want to locate and invest in.”—Kitson, Martin, and Tyler, 2004¹

There is no standard definition of what makes a competitive. Competitiveness is based on rare, nontradable factors that give regional firms a competitive advantage and help them earn a greater share of global markets.² In turn, employees and the overall community benefit from more and better jobs, higher incomes, and increased quality of life. Competitiveness moves past industrial recruitment and aims for sustainable development based on regional strengths.

Rankings:

Studies with different data, study methods, and definitions of competitiveness can arrive at vastly different conclusions about what regions are competitive. For example, in June 2009 Kiplinger³ and the Brookings Institute⁴ both released regional competitiveness studies. Both studies focused on jobs and income, critical elements to regional survival in an economic downturn. However, Brookings Institute also had a real estate component, and the studies combined their measures differently. Only three of Kiplinger's top 10 cities (out of 361 metropolitan areas) were in the Brookings Institute's top 20 (out of 366 metro areas). In Texas, only Austin ranked highly in both studies.

In fact, a 2007 study showed that county rankings were highly sensitive to the way data were combined.⁵ The researchers created seven indices using different ways of combining the same data for 3,074 US counties. Under three methods, both Dallas County (Dallas) and Harris County (Houston) were in the top 20 US counties, but Dallas and Harris Counties ranked in the bottom 20 counties under two methods. In one of the two indices in which Dallas fared poorly, remote Loving County also ranked in the bottom 20, but in the second, Loving County ranked 12th!

How to use benchmarking studies:

Given the actual and potential disparity of rankings, it's clear that benchmarking studies have a certain margin of error. However, they can also provide valuable information, especially if you are willing to dig a little deeper into the studies. These tips can help you understand benchmarking studies in the context of your community.⁶

Consider the purpose of the study. Some studies focus on business growth, while others focus on quality of life. Check the purpose of the study you are looking at to consider whether the study fits your community's goals. If you can't find a stated purpose, examination of the variables and weights used in the study will often reveal the true purpose (see below).

Reflect on the rankings. Given what you know about the ranked cities from the media, your travels, or your research, think about whether the rankings seem plausible. Does the study rely on inputs (e.g. workforce education, infrastructure, or R&D funding) or outputs (e.g., population, employment, and per capita income)? Your city may be growing by leaps and bounds, and an output study a few years down the road will recognize the value of your inputs today.

Consider realistically whether your community could or would want to emulate some of the ranked cities. If not, then looking to “winners” for advice could be a surefire way to lose support for your economic development efforts. On the other hand, there may be parts of the study that are relevant to your community's goals and where you could learn from successful communities.

Look at the underlying data. Move past the overall rank and consider the variables used. Are the variables relevant to the study's stated purpose and to the goals your community wants to measure? Are important variables missing? Do variables seem to be measured appropriately?

Evaluate the study methodology. Try to find out how the variables were combined (e.g., averaging raw scores, statistical weights, etc.). Understand why the variables are combined in a particular way. Be critical though—do you really think that the percent of high school dropouts and the number of parks deserve equal weight in attracting new industries to town? If data or sub-scores for variables are provided, look at those scores to measure your community's progress toward its goals.

Realize that less data is available for smaller regions. Many data sources collect information on metropolitan areas. That means that many variables simply aren't available for small towns, rural areas, and sometimes even small cities. For example, the Census Bureau's American Community Survey publish data for densely populated areas annually, but less populated regions must rely more heavily on decennial Census figures.

Being Competitive:

Regional competitiveness is influenced by current practices and the region's socio-economic history. Community leaders should consider whether copying other region's successful development plan is a wise strategy. Adoption of some practices may be beneficial. However, adopting the practices of a community with a different history could have a harmful effect on the region.

Community leaders may look for successful regions that have a similar structure and history. These regions may provide more relevant case studies in competitiveness.⁷ Yet each community has its own strengths upon which to be competitive, and the unique aspects of your community hold its potential. Wholesale copying of another region's development strategy is unlikely to be sustainable.

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¹Kitson, Michael, Ron Martin, and Peter Tyler. 2004. *Regional Competitiveness: An Elusive yet Key Concept?* *Regional Studies*. 38(9): 991-999.

²Stolarick, Kevin. 2009. “Best Cities: It's All About Jobs.” *Kiplinger's Personal Finance*, July.

³Berube, Alan, Howard Wial, Alec Friedhoff, and David Warren. 2009. *MetroMonitor: Tracking Economic Recession and Recovery in America's 100 Largest Metropolitan Areas*. Washington DC: Brookings Institute, June.

⁴Ma, Hao. 2000. “Competitive Advantage and Firm Performance.” *Competitiveness Review* 10(2): 15-32.

⁵Mack, Elizabeth, Tony H. Grubestic, and Erin Kessler. 2007. “Indices of Industrial Diversity and Regional Economic Composition.” *Growth and Change* 38(3): 474-509.

⁶Fisher, P. 2005. *Grading Places: What Do Business Climate Rankings Really Tell Us?* Washington, DC: Economic Policy Institute.

⁷Barkley, D.L. 2008. *Evaluations of Regional Competitiveness: Making a Case for Case Studies*. Fellows address to the Southern Regional Science Association, Arlington, VA, March 27-30.