

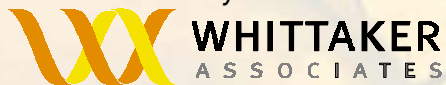
BAY COUNTY Measurement and Evaluation Guidebook

*ALIGNING ORGANIZATIONAL PERFORMANCE
WITH TOP-LEVEL GOALS*

October 2004

Prepared especially for Bay County/Bay Future

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INTRODUCTION

The focus of Bay Future is to achieve high-impact outcomes through clear strategy, effective execution, and well-defined performance metrics.

This guidebook describes the BAY FUTURE measurement and evaluation process.

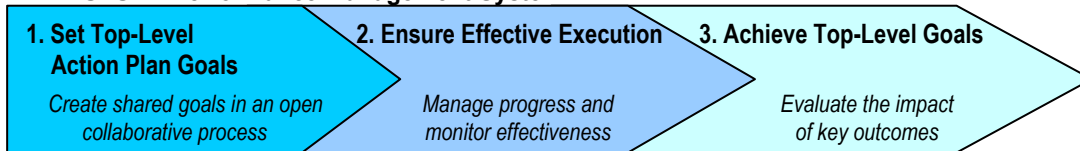
This measurement and evaluation process is a key ingredient to the successful execution of the BAY FUTURE program and presumes three things:

1. Continued active engagement of public and private leadership.
2. Sustained efforts to develop and retain talented staff.
3. Sufficient provision of resources to carry out the BAY FUTURE mission.

This guidebook has been developed to provide new and existing leadership members with the information needed to participate in the measurement and evaluation process. The document explains how BAY FUTURE leadership and management work together to:

1. Develop meaningful Top-Level Goals and a closely-linked annual Action Plan.
2. Ensure effective program execution with leadership monitoring overall organizational effectiveness and management overseeing staff performance and outcomes.
3. Evaluate the extent to which annual Top-Level Goals have been achieved.

BAY FUTURE Performance Management System



EXECUTIVE SUMMARY

Overview – Bay Future, since inception, places significant emphasis on organizational performance and measurement. Accordingly, the organization desires to be a national model for program evaluation among economic development organizations.

What does it mean for an economic development organization to perform well? And how can its performance be effectively measured? These are difficult questions that require the organization's leadership and management to be effectively engaged in mutual goal setting and program evaluation. As the BAY FUTURE evaluation process evolved, the following interrelated program areas are identified as key for program assessment:

- **Achieving Impact:** Making progress toward the organization's goals and delivering measurable results and outcomes.
- **Setting the Agenda:** Defining the organization's vision and mission, specific goals and strategies, and overall approach to its work.
- **Managing Operations:** Monitoring internal processes and managing the organization's human and financial resources.

The BAY FUTURE model for evaluation includes three types or dimensions of measurement:

- **Progress:** Carrying out program activities on schedule and within budget.
- **Effectiveness:** Determining whether efforts achieve prescribed objectives.
- **Impact:** Measuring positive changes in the economic environment and relating those changes to specific program efforts and activities.

Process - The effectiveness of an ED organization is based on the success in achieving measurable program goals. BAY FUTURE is viewed as successful only when the results of its efforts are both viewed as successful and consistent with stakeholder expectations.

Top leadership is engaged in setting a number of goals that are described in measurable terms and include interim milestones along an explicit timeline. Annually, BAY FUTURE leadership and management reach agreement on top-level goals that drive the annual work plan and support the region's multi year economic development plan.

Reporting - Implementation progress is reported by management on as follows:

- **Monthly.** BAY FUTURE management prepares written reports and a top-level goal dashboard that are presented and reviewed with both area leadership on a monthly basis. Additionally, these reports are mailed to all public and private stakeholders as a part of the public and private contract compliance.

*What gets
measured
gets done!*

*Are we doing the
right things
right?*

*Effective
evaluation begins
with reaching
agreement on
what is important!*

- **Semi-Annual.** A mid-year review is conducted each year in January – February. As a part of this review, management prepares a written report that serves as a guide to determine any needed mid-year budget and/or program adjustments.
- **Annual.** In addition to the independent audit, management prepares a written evaluation of organizational performance in achieving top-level goals and objectives. This report is used by leadership to determine eligibility of the CEO and staff for adjustments in base pay and/or incentive compensation awards.

*The BAY FUTURE
system aligns
management
performance with
top-level goals.*

Compensation Plan - The BAY FUTURE compensation plan is linked directly to the organization’s top-level goals. Employee compensation includes three elements:

- **Base salary.** BAY FUTURE base salaries are benchmarked to the current marketplace every two years. Base salary compensation is divided into four bands:
 - **Senior Management**
 - **Management**
 - **Professional/technical**
 - **Administrative**
- **Pay for additional competencies employed.** BAY FUTURE recognizes that its people are its greatest asset and is committed to the development and training of all employees. Employees can receive increased salary as they develop proficiencies that increase their value, cross-functional capability, and contribution on the job.
- **Performance of incentive based pay.** Incentive compensation is tied to specific results and achievement of performance goals at the individual, team and organizational level. Incentive compensation eligibility is calculated as a percentage of base salary and awarded annually after a comprehensive review of performance against prescribed goals.

Questions to Consider: The following chart outlines the key questions for leadership and management to consider in establishing an effective performance assessment process.

Regional Economic Development Performance Metrics		
Metrics	Key Questions to Consider	Type of Measure
Achieving Impact <ul style="list-style-type: none"> ▪ Targeted Program Goals ▪ Strengthening ED Partners ▪ Improving Competitiveness ▪ Leveraging other Efforts 	Have we succeeded at meeting program goals? Are we improving community effectiveness? Have we directly advanced issues by effectively engaging public policy makers, stakeholders and allies? Are we achieving sufficient leverage in efforts?	Effectiveness – Impact Effectiveness Effectiveness Effectiveness
Setting the Agenda <ul style="list-style-type: none"> ▪ Focus Areas ▪ Goals ▪ Approach 	Have we identified the correct program areas? Do we have achievable and measurable goals? Have we selected the correct approach?	Progress Progress Progress
Managing Operations <ul style="list-style-type: none"> ▪ Staff Recruitment/Retention ▪ Consistency with Objectives ▪ Resource Development ▪ Cash Reserve Targets 	Is our staff qualified, satisfied, and high performing? Have we adhered to our articulated strategy? Have we generated revenues to meet our budget? Are we maintaining sufficient cash reserves?	Progress – Effectiveness Progress Effectiveness Impact

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Measurement and Evaluation Overview

ACHIEVING IMPACT

SETTING THE AGENDA

MANAGING OPERATIONS

MEASUREMENT AND EVALUATION OVERVIEW

Meaningful evaluation and measurement is important in demonstrating the value of an economic development organization, especially in a 'down' economy. And while some outcomes are difficult to measure, or even outside the direct control of any one organization, it is valuable to develop innovative, collaborative approaches to help estimate key impacts.

ED leadership and management generally agree on the importance of key impact areas. It is in these areas – achieving impact, setting the agenda, and managing operations – that management and leadership work to continuously refine the measurement process. Effective performance measurement provides both leadership and management with needed information on a monthly or quarterly basis to understand how the organization is doing.

1. **Achieving Impact:** Making progress toward the organization's goals and delivering measurable results and outcomes.
2. **Setting the Agenda:** Defining the organization's vision and mission, specific goals and strategies, and overall approach to its work..
3. **Managing Operations:** Managing internal processes and human and financial resources.

Achieving impact is the most challenging and important performance category. A wide range of variables and participant inputs make impact assessment difficult. Assessment involves measuring positive change in the economic environment and relating that change to organizational efforts. Additional process measures that support the desired impact are also considered.

The most basic, but at times most influential, aspect of economic development is setting the agenda. This precedes all others and defines the nature of the impact to be achieved. Performance measures in this category are the most qualitative.

The final category of activity is the management of operations and internal processes. These measures are easiest to track, although the connection to the overall economic impact is less direct. It is presumed that sound operations and processes within the organization translate into a greater probability of achieving economic impact.

The BAY FUTURE model for evaluation includes three types or dimensions of measurement:

- **Progress:** Carrying out program activities on schedule and within budget.
- **Effectiveness:** Determining whether efforts achieve prescribed objectives.
- **Impact:** Measuring positive changes in organizational resources and the external economic environment and relating them to specific program efforts and activities.

Measurement frequency and timing is also important. For example, payroll generated can be measured monthly, quarterly and yearly. Change in regional image, however, is best measured over a longer time horizon due to cost and the type of measurement.

*All economic
development
organizations
measure...*

*...The key is
measuring the
right things.*

ACHIEVING IMPACT

The effectiveness of an ED organization is based on the success in achieving measurable program goals. BAY FUTURE is viewed as successful only when the results of its efforts are both viewed as successful and consistent with stakeholder expectations.

Top leadership is engaged in setting a number of goals that are described in measurable terms and include interim milestones along an explicit timeline. Annually, BAY FUTURE leadership and management reach agreement on top-level goals that drive the annual work plan and support the region's ten-year economic development plan.

A robust
process for
evaluation
shows the
organization is
focused on
results.

TOP-LEVEL IMPACT GOALS

- **Business Development:** Successfully carrying out the region's higher wage business attraction strategy is the top-level goal. Measurement criteria related to the location of new corporate facilities include:
 - **Payroll generated, number of jobs and average salary***
 - Capital investment
 - Conversion rate of prospects to locates
 - Stakeholder satisfaction with results
- **Marketing:** Successfully carrying out the regional marketing and public relations program to support business development is another top-level goal. Measurement criteria related to the location of new corporate facilities include:
 - **Positive change in regional image as a business location***
 - Number of qualified prospects generated
 - Total reach of editorial placements through PR program efforts
 - Editorial exposure return-on-investment (versus advertising cost)
 - Stakeholder satisfaction with results

The following chart summarizes top-level impact performance measures:

Organizational Impact Performance Measures			
Top-Level Goal Area	Measurement Criteria	Type of Measure	Frequency of Measurement
Achieving Impact			
Business Development Successfully carry out the business attraction program incorporating the shift to higher-wage jobs.	1. Payroll Generated	Impact	Month-Quarter-Year
	2. Number of Jobs	Effectiveness	Month-Quarter-Year
	3. Average Salary	Effectiveness	Quarter-Year
	4. Capital Investment	Effectiveness	Month-Quarter-Year
	5. Conversion Rate	Effectiveness	Quarter-Year
	6. Stakeholder Satisfaction with Results	Effectiveness	Year
Marketing Successfully carry out the regional marketing and public relations program incorporating the shift to higher-wage jobs.	1. Qualified Prospects	Effectiveness	Month-Quarter-Year
	2. Positive Change in Image	Impact	Every 2 Years
	3. Total Reach of Editorial Placements	Effectiveness	Month-Quarter-Year
	4. Editorial Exposure ROI	Effectiveness	Month-Quarter-Year
	5. Stakeholder Satisfaction with Results	Effectiveness	Year

* **Note:** Payroll generated and positive change in regional image are shown in bold print in the chart to illustrate their preeminence as the best measurement criteria to use in assessing overall program impact.

BAY FUTURE's success is linked to the effectiveness of its partners, regional competitiveness, and the ability to leverage other efforts and funds. BAY FUTURE's efforts to establish more advanced and comprehensive evaluation processes will likely lead to agreement around performance indicators and measurement criteria in the following goal areas:

- **Strengthening ED Allies**
- **Improving Competitiveness**
- **Leveraging other Efforts**

Accordingly, a brief discussion of these important impact areas follows:

STRENGTHENING DEVELOPMENT PARTNERS

IMPROVING COMPETITIVENESS

A key impact measure is BAY FUTURE's ability to effectively engage public policy makers, stakeholders and allies with regard to local and regional economic development issues. While very important, the dispersed nature of such efforts makes them extremely difficult to measure. The development of an annual competitiveness scorecard by the BAY FUTURE Competitiveness Committee will provide a framework for future outcome measurement.

Possible measurement criteria could include target audience awareness, audience support for key issues, and actual progress made on key milestones. BAY FUTURE will work with its leadership to reach agreement on key indicators, measurement criteria, type of performance data needed and frequency of measurement. Once baseline data is accumulated, then specific performance targets can be set.

LEVERAGING OTHER EFFORTS AND FUNDS

A third indirect impact measure is BAY FUTURE's ability to influence other organizations to support local economic development and fund needed programs. This is important given the relative low level of effort and funding support provided to state, regional and local economic development in the past.

Attention should be given to tracking overall funding and analyzing BAY FUTURE's effectiveness in securing additional funding. A leadership and management review of the level of overall economic development funding support and BAY FUTURE's role in the process should give a reasonably accurate picture of the funding influence achieved.

SETTING THE AGENDA

BAY FUTURE's top-level goal in this area is execution of the local economic strategy. This involves direct coordination of the ED strategy and engagement plan with emphasis on mission critical improvements in education, transportation and tax-fiscal policy. Three key measurement criteria have been established:

- **Carry out the ED strategy in cooperation with key partners**
- **Engage state leadership in the strategy and plan**
- **Engage the federal delegation in the strategy and plan**

Economic

development

is a team sport . . .

Measurement of results in this area is largely a qualitative assessment by the BAY FUTURE Executive Committee. The following chart illustrates the type of measurement and the frequency of measurement for these measurement criteria:

Organizational Agenda Performance Measures			
<i>Top-Level Goal Area</i>	<i>Measurement Criteria</i>	<i>Type of Measure</i>	<i>Frequency of Measurement</i>
Setting the Agenda			
Regional Strategy Execution Coordinate execution of the regional ED strategy and engagement plan with emphasis on mission critical foundation improvements in education, transportation and tax-fiscal policy.	1. Carry out the regional ED strategy in cooperation with key partners	Effectiveness	Quarter – Year
	2. Engage new state leadership	Effectiveness	Quarter – Year
	3. Engage the federal delegation	Effectiveness	Quarter – Year
	4. Stakeholder Satisfaction with Direction, Approach and Results	Effectiveness	Year

The new higher wage strategy is critical to BAY FUTURE’s ability to achieve regional economic goals.

Deciding on the right agenda, measurable goals and strategic approach is ultimately subject to the qualitative judgments of BAY FUTURE leadership.

Consistency - BAY FUTURE management and leadership monitor performance to assure stakeholders that operations are consistent with its core mission and objectives. Specific measures that are examined in this regard are:

1. Actual Spending by program area versus stated priorities in the annual work plan.
2. Allocation of Staff Resources relative to annual work plan priorities.
3. Stakeholder Perceptions of the organization’s adherence to its stated mission and objectives.

Such performance monitoring has been helpful in making the program and budget adjustments needed to keep the organization focused on its core mission and goals.

MANAGING OPERATIONS

BAY FUTURE monitors a range of internal processes and financial metrics, but pays the greatest attention to operational measures that are directly linked to organizational vitality and the ability to effectively carry out its mission and goals. BAY FUTURE recognizes the link between operational capacity and program impact. Organizations that use their resources well and achieve operational excellence will also achieve greater economic development impact.

Operational measures generally fall into two categories:

- **Internal processes.** Top-level processes such as staff recruitment-retention and development, responsiveness to stakeholders, and the ability to successfully execute public contracts are key to the organization’s ability to achieve program goals.
- **Financial metrics.** The organization’s ability to execute public funding contracts, retain-acquire private pledges and manage expenses is essential inputs into the year-end cash reserve target. BAY FUTURE considers cash reserves, as a percentage of cash revenue, to be critical to organizational vitality.

Organizational vitality is essential to overall success.

The following chart illustrates the type of operational measures and the frequency of measurement for these top-level criteria.

Organizational Performance Measures			
<i>Top-Level Goal Area</i>	<i>Measurement Criteria</i>	<i>Type of Measure</i>	<i>Frequency of Measure</i>
Managing Operations Fiscal/Human Resource Development and Management Secure needed support to meet budget requirements and effectively manage the organization to execute the action plan within budget.	1. Cash Reserve Target	Impact	Month-Quarter-Year
	2. Retention of Existing Pledges	Effectiveness	Month-Quarter-Year
	3. Acquisition of New Pledges	Effectiveness	Month-Quarter-Year
	4. Approval of Public Contracts	Effectiveness	Year
	5. Executive Committee Satisfaction	Effectiveness	Year
	6. Staff Recruitment – Retention	Progress	Year

BAY FUTURE success formula...

Clear strategy and effective execution.

Operational measures, both internal process- and finance-related, are clearly important elements of organization-wide performance measurement framework. While none of these categories of measures definitively demonstrate achievement of economic impact, taken together, these measures provide valuable insight into the organization’s effectiveness.

Board Responsibilities – Board functioning is a major factor in overall organizational performance. Essential board responsibilities include the fiduciary obligation to help raise funds and steward resources, define goals and set strategy, evaluate organizational performance and impact, monitor budgets, and appoint-evaluate the CEO.

1. **CEO PERFORMANCE EVALUATION.** The BAY FUTURE Executive Committee with input from the Performance Committee is charged with evaluating CEO performance. The process begins with agreement on written goals and performance targets and ends with an evaluation of the CEO on progress against goals.
2. **BOARD AND EXECUTIVE COMMITTEE GOVERNANCE EVALUATION.** BAY FUTURE does not currently have a systematic board self-assessment process in place. Discussion should occur during the year regarding the best way to initiate a self-assessment process to evaluate the directors’ perceptions of their own effectiveness. This effort will likely involve an annual review process led by the board chair, with input from the CEO.

Top-Level Action Plan Goals and Measures

TOP-LEVEL ACTION PLAN GOALS

The BAY FUTURE Annual Action Plan includes specific top-level goals that are set annually when the action plan is approved. Prioritization is accomplished by assigning relative weight to each category. Variable (threshold, target and stretch) goals are set to prescribe a range of performance. The threshold level goals are included in community funding contracts as performance standards for the organization and program.

Top-level goals drive program action.

CURRENT YEAR PERFORMANCE TARGETS AND MEASURES

Clear performance targets and measures focus management attention and drive action. The following chart details specific targets for the current program year.

2005 Performance Measures and Targets				
Measurement Criteria	Weight	Threshold Goals (BAY FUTURE Contract)	Target Goals	Stretch Goals
Achieving Impact				
Business Development 1. Payroll Generated 2. Number of Jobs 3. Average Salary 4. Capital Investment 5. Conversion Rate 6. Stakeholder Satisfaction with Results	40%			
Marketing 1. Qualified Prospects 2. Positive Change in Image 3. Total Reach of Editorial Placements 4. Editorial Exposure ROI 5. Stakeholder Satisfaction with Results	20%			
Setting the Agenda				
Regional Strategy Execution 1. Carry out the regional ED strategy in cooperation with key partners 2. Engage new state leadership 3. Engage the federal delegation 4. Stakeholder Satisfaction with Direction, Approach and Results	20%			
Managing Operations				
Fiscal/Human Resource Development and Management 1. Cash Reserve Target 2. Retention of Existing Pledges 3. Acquisition of New Pledges 4. Approval of Public Contracts (in \$) 5. Exec Committee Satisfaction with Results 6. Staff Recruitment – Retention	20%			

Note: Processes and methodologies used to determine relative weights and specific performance metrics are explained in the following sections.

Understanding how key indicators are linked and related is critical to a good evaluation process.

Business Development – 40% Weighting within Top-Level Goals		
Measurement Criteria	Measurement Approach	Relative weight within Business Development
1. Payroll generated 2. Number of jobs created 3. Average salary of new jobs 4. Capital invested 5. Conversion rate of prospects to locates	Quantitative goal determined by leadership and management at the beginning of the year	80%
1. Stakeholder satisfaction with results	Measures taken into account at yearend when the discretionary leadership score is determined	20%
		100%

BUSINESS DEVELOPMENT

BUSINESS DEVELOPMENT MEASURES

- **Payroll generated.** This measures the new payroll created in the region by a company that relocates or expands to Bay County. When setting objectives, this measure is the most important since it is linked to and directly influences other objectives such as average salary and number of jobs to be created. For example, the annual payroll goal may be reached by creating fewer new jobs if those jobs pay a higher annual salary. Payroll generated is one of the key drivers in the BAY FUTURE economic impact model.
- **Number of jobs created.** This measure is based on the initial number of new positions (FTE) to be created by new companies that BAY FUTURE assists in relocating or expanding to Bay County.
- **Average salary of new jobs.** This measure is based on the average annualized salary of new jobs created by BAY FUTURE locates.
- **Capital invested.** This measures a company’s new investment in site, building and equipment. Reported capital investment is the first investment a firm makes and directly relates to all subsequent investments and their economic and revenue impacts. Capital investment is a key driver in the BAY FUTURE economic impact model.
- **Conversion rate of prospects to locates.** This measure is used to determine the effectiveness of BAY FUTURE client handling process and what percentage of qualified prospects the organization is able to successfully locate.

Note: Data for reporting the above indicators comes from the BAY FUTURE monthly report and reflects confirmed business locate results for the period.

- **Stakeholder satisfaction with results.** This assessment is drawn from the annual BAY FUTURE stakeholder survey and measures the level of satisfaction with the business development effort by public and private funding stakeholders. Specific goals (threshold, target and stretch) are based on the percentage of

respondents indicating they are satisfied or very satisfied with BAY FUTURE performance in this area.

Marketing – 20% Weighting within Top-Level Goals		
<i>Measurement Criteria</i>	<i>Measurement Approach</i>	<i>Relative weight within marketing</i>
1. Number of qualified prospects 2. Positive change in regional image 3. Total reach of editorial placements 4. Editorial exposure ROI (versus advertising)	Quantitative goal determined by leadership and management at the beginning of the year	85%
1. Stakeholder satisfaction with results	Measures taken into account at yearend when the discretionary leadership score is determined	15%
		100%

Process is important because it's the means to an end.

MARKETING

MARKETING MEASURES

- **Number of qualified prospects.** The number of actual qualified prospects generated through BAY FUTURE marketing and promotional efforts is measured. This measure reflects those prospects that have a real project under consideration for which there is a good fit with the Bay County region. It is an important indicator and key driver of business development success.
- **Positive change in regional image.** The most important indicator of marketing program success over time is the positive change in regional image. Due to the nature of such an indicator and the cost of evaluation, this measure is reported every two years when the baseline regional image survey is updated.
- **Total reach of editorial placements.** The BAY FUTURE public relations and editorial marketing program is designed to communicate positive messages to key audiences in hopes of fostering a positive change in their image of the region. The total reach of such editorial placement is based on the combined circulation of successful stories placed.
- **Editorial exposure ROI (versus advertising).** The effectiveness of the BAY FUTURE public relations and editorial marketing program is measured against the cost required to generate a similar impact with paid media or advertising. The value of articles placed through the program is determined and a return-on-investment ratio is calculated.

Note: Data for reporting the above indicators comes from the BAY FUTURE monthly report and reflects confirmed marketing program results for the period.

- **Stakeholder satisfaction with results.** This assessment is drawn from the annual BAY FUTURE stakeholder survey and measures the level of satisfaction with the marketing and PR effort by public and private funding stakeholders. Specific goals (threshold, target and stretch) are based on the percentage of respondents indicating they are satisfied or very satisfied with BAY FUTURE performance in this area.

REGIONAL STRATEGY EXECUTION

Regional Strategy Execution – 20% Weighting within Top-Level Goals		
<i>Measurement Criteria</i>	<i>Timing</i>	<i>Relative weight within Regional Strategy</i>
1. Success in cooperatively carrying out strategy 2. Effectiveness in engaging new state leadership 3. Effectiveness in engaging federal delegation 4. Stakeholder satisfaction with direction, approach and results	Measures taken into account at yearend when the discretionary leadership score is determined	100%
		100%

Measurement of results in the area of strategy is a largely qualitative assessment by leadership... to determine whether the organization has the right goals and an effective approach.

EXECUTING REGIONAL STRATEGY MEASURES

- **Success in cooperatively carrying out strategy.** Effectiveness in this area is determined through qualitative or subjective assessments by leadership. Specific goals (threshold, target and stretch) are based on the percentage of Executive Committee members indicating they are satisfied or very satisfied with BAY FUTURE performance in this goal area.
- **Effectiveness in engaging new state leadership.** Effectiveness in this area is determined through qualitative or subjective assessments by leadership. Specific goals (threshold, target and stretch) are based on the percentage of Executive Committee members indicating they are satisfied or very satisfied with BAY FUTURE performance in this goal area.
- **Effectiveness in engaging federal delegation.** Effectiveness in this area is determined through qualitative or subjective assessments by leadership. Specific goals (threshold, target and stretch) are based on the percentage of Executive Committee members indicating they are satisfied or very satisfied with BAY FUTURE performance in this goal area.
- **Stakeholder satisfaction with direction, approach and results.** This assessment is drawn from the annual BAY FUTURE stakeholder survey and measures the level of satisfaction with the regional strategy effort by public and private funding stakeholders. Specific goals (threshold, target and stretch) are based on the percentage of respondents indicating they are satisfied or very satisfied with BAY FUTURE performance in this goal area.

FISCAL/HUMAN RESOURCE DEVELOPMENT AND MANAGEMENT

Resource Development/Management – 20% Weighting within Top-Level Goals		
<i>Measurement Criteria</i>	<i>Timing</i>	<i>Relative weight within Regional Strategy</i>
1. Cash reserve target 2. Retention of existing pledges 3. Acquisition of new pledges 4. Approval of public contracts	Quantitative goal determined by leadership and management at the beginning of the year	70%
5. Executive Committee satisfaction 6. Staff recruitment and retention	Measures taken into account at yearend when the discretionary leadership score is determined	30%
		100%

FISCAL/HUMAN RESOURCE DEVELOPMENT AND MANAGEMENT MEASURES

- **Cash reserve target.** The ability to build and maintain adequate cash reserves is a major indicator of organizational vitality. Cash reserve targets are set annually and progress toward the goal is monitored on a monthly and quarterly basis.
- **Retention of existing pledges.** Private sector pledge attrition is closely monitored by BAY FUTURE and specific retention goals are set annually.
- **Acquisition of new pledges.** The Resource Development Committee in cooperation with the Finance Committee sets annual targets for acquisition of new pledges.
- **Approval of public contracts.** As structured, BAY FUTURE cannot exist without the approval and funding of Bay County and member communities. Accordingly, effectiveness in securing annual contract approval is a key measure of organizational vitality.

Note: Data for reporting the above indicators comes from the BAY FUTURE monthly report and reflects actual resource development program results for the period.

- **Executive Committee satisfaction with results.** This assessment is drawn from the annual Executive Committee survey and measures the level of satisfaction with the resource development, fiscal and operational management. Specific goals (threshold, target and stretch) are based on the percentage of Executive Committee members indicating they are satisfied or very satisfied with BAY FUTURE performance in this goal area.
- **Staff recruitment and retention.** The quality of management and program staff has a direct influence on BAY FUTURE's overall effectiveness. The attractiveness of BAY FUTURE as an employer is a central concern of leadership. Accordingly, key indicators relating to recruitment, retention, compensation levels and diversity are monitored. This new indicator will be developed with the 2005 year becoming part of a three-year average used as a baseline for measuring future performance.

DEVELOPMENT OF KEY INDICATORS

BAY FUTURE performance measures have been developed with a collaborative approach. As a part of the annual planning process, BAY FUTURE management provided the initial analysis and formulated recommendations that were presented to the Performance Committee for further refined by leadership. The Performance Committee works with BAY FUTURE management to prescribe specific performance metrics, data sources and evaluation/assessment procedures to be utilized.

BAY FUTURE

performance

measures are

tied to critical

success factors.

ANNUAL STAKEHOLDER SURVEY

BAY FUTURE surveys public and private stakeholders each year in June. The survey includes both specific performance evaluation data and other related data that is utilized in the ongoing planning process. For key goal areas that are a part of the evaluation process, the survey instrument provides information relevant to BAY FUTURE performance against goals and then asks the stakeholder “how satisfied” they are with the stated performance. Stakeholder Survey oversight is provided by the Performance Committee. Scores on key performance indicators are then tabulated, evaluated by the Performance Committee and presented to the Executive Committee in the annual written performance report.

ANNUAL EXECUTIVE COMMITTEE EVALUATION SURVEY

The Executive Committee is surveyed each year in June. The survey includes both criteria to assess management’s performance on general management responsibilities and specific performance evaluation data used to assess management performance on key goal areas. For key goal areas that are a part of the evaluation process, the survey instrument provides information relevant to BAY FUTURE performance against goals and then asks Executive Committee members “how satisfied” they are with the stated performance. The Performance Committee provides survey oversight. Scores on key performance indicators are then tabulated, evaluated by the Performance Committee and presented to the Executive Committee in the annual written performance report.

TIMELINE AND SCHEDULE FOR EVALUATION

BAY FUTURE evaluation is part of a systematic planning and management process.

GOAL SETTING AND EVALUATION TIMELINE

January - February 2005

Mid-Year Performance Review (Executive Committee and Board of Directors)

FY Budget Revision (Executive Committee and Board of Directors)

February – April 2005

Finalize Budget and Plan (Management, and Finance Committee)

May 2005

Budget and Plan Approval (Executive Committee and Board of Directors)

June 2005

Annual Stakeholder Survey

July 2005

Year-End Evaluation (Performance Committee and Executive Committee)

Budget and Plan Final Revision (Executive Committee)

August 2005

BAY FUTURE Management Planning Retreats

BAY FUTURE Executive Committee Planning Retreat

Fall 2005

BAY FUTURE Leadership Planning Retreat to focus on 2006? Program Year

December 2005

Set Initial Budget Targets for 2006 (Finance Committee & Executive Committee)

Heading in the right direction is not enough. A strong bias for action and a schedule with specific milestones is needed.

PROGRESS REPORTING

- **Monthly.** BAY FUTURE management prepares written reports and a top-level goal dashboard that are presented and reviewed with both EDDT and leadership on a monthly basis. Additionally, these reports are mailed to all public stakeholders as a part of the public contract compliance.
- **Semi-Annual.** A mid-year review is conducted each year in January – February. As a part of this review, management prepares a written report that serves as a guide to determine any needed mid-year budget and/or program adjustments.
- **Annual.** In addition to the independent audit, management prepares a written evaluation of organizational performance in achieving top-level goals and objectives. This report is used by leadership to determine eligibility of the CEO and staff for adjustments in base pay and/or incentive compensation awards.

BAY FUTURE Compensation and Incentive Plan

BASE SALARY

PAY FOR ADDITIONAL COMPETENCIES

PERFORMANCE-BASED INCENTIVES

BAY FUTURE COMPENSATION AND INCENTIVE PLAN

The **BAY FUTURE compensation plan is linked directly to the organization's top-level goals.** Employee compensation includes three elements:

1. BASE SALARY

BAY FUTURE base salaries are based benchmarked to the current marketplace. Employees earn a base salary tied to skills, responsibilities and experience in line with verified market rates for the position. Base salaries for all positions are benchmarked every two years. Base salary compensation is divided into four bands:

- **Senior Management**
- **Management**
- **Professional/technical**
- **Administrative**

Senior management positions are typically benchmarked against a national employment pool for comparable organizations and positions. Management and professional/technical positions are typically benchmarked against the regional or metropolitan area talent pool. Administrative positions are benchmarked against the local talent pool.

2. PAY FOR ADDITIONAL COMPETENCIES EMPLOYED

BAY FUTURE recognizes that its people are its greatest asset and is committed to the development and training of all employees. Employees are encouraged to continuously upgrade their skill sets and proficiencies. Tuition reimbursement is available for coursework consistent with the employee position and function. Employees can become eligible for an increase in base salary as they develop proficiencies that increase their value and cross-functional capability.

3. PERFORMANCE OR INCENTIVE-BASED PAY

Incentive compensation is tied to specific results and achievement of performance goals at the individual and organizational levels. Incentive compensation eligibility is calculated as a percentage of base salary and awarded annually after a comprehensive review of performance against prescribed goals as outlined in the following chart:

Incentive Compensation Ranges			
<i>Salary Band</i>	<i>Threshold</i>	<i>Target</i>	<i>Stretch</i>
Senior Management	6 %	12 %	18 %
Management	5 %	10 %	14 %
Professional – Technical	4 %	6 %	8 %
Administrative	2 %	4 %	6 %

REINFORCING HIGH PERFORMANCE OUTCOMES

Employee incentives are directly tied to performance versus goals at both the individual and organizational levels. The weighting between Individual and Organizational Performance depends on the employee’s role (see the table below for the specific mix).

- **Individual Performance:** Employees work with management to set specific individual performance goals linked to BAY FUTURE’s overall organizational goals. Individual goals are developed in two areas:
 - **Performance:** An individual may earn a portion of the performance incentive by meeting or exceeding the goals set with management on assignments within his/her span of control. Threshold, target and stretch goals are agreed upon at the beginning of each year and drive high-performance efforts and outcomes for every employee. The nature of an individual’s job determines the respective mix of quantitative and discretionary performance metrics.
 - **Collaboration:** BAY FUTURE staff work is organized into projects with cross-functional teams, clear purposes and plans, and specified budgets. Employees earn a portion of their performance incentive based on project collaboration. The portion of the total individual performance incentive earned varies by how often they play a role on team projects and is based on job function. Employees are rated on their level of collaboration by BAY FUTURE Management.

- **Organizational Performance:** Organizations don’t perform; people do. The BAY FUTURE structure and performance system is set up so that each employee has a role and a stake in the organization’s overall outcomes. Each individual earns a portion of his/her incentive based on the outcomes of the entire organization.

As mentioned above, the weighting of individual and organizational performance varies by the individual’s role and assignment. Senior managers and other management team members are responsible for working together to create high impact outcomes across the organization, and as such, their metrics and incentives are weighted toward organizational performance. Employees with more narrow roles have metrics and incentives weighted toward individual performance and collaboration.

Relative Weight of Performance Against Goals		
<i>Salary Band</i>	<i>Individual/Collaboration</i>	<i>Organizational</i>
Senior Management	20 %	80 %
Other Management Team	40 %	60 %
Professional – Technical	60 %	40 %
Administrative	80 %	20 %