

# Key Performance Indicators for IPAs

## Quick Scan for NFIA

# IBM-Plant Location International

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# 1. Introduction



# Objectives

- NFIA is preparing its new FDI Attraction strategy to be finalized and presented before the end of year 2019.
- As one of the elements in this strategy NFIA aims to develop a new set of Key Performance Indicators (KPIs) that will help to guide the efforts in FDI attraction.
- To develop these KPIs, NFIA has requested IBM-PLI to perform a quick scan of KPIs used among other Investment Promotion Agencies (IPAs) in Northwest-Europe.
  
- This quick scan is composed of 2 parts:
  1. Benchmark of key performance indicators of various Investment Promotion Agencies in Northern Europe
  2. Advice related to potential targets for NFIA

# Introduction to KPIs: Performance evaluation in investment attraction

- Variety of performance measurements can be developed for IPAs, based on different objectives:

Performance of:	Focus on:	Objective:
Location	Country-Region-City	<ul style="list-style-type: none"> <li>Monitor success in FDI attraction</li> <li>Compare to others</li> </ul>
Organisation	IPA	<ul style="list-style-type: none"> <li>Measure effectiveness of organisation and strategy</li> </ul>
Individual	IPA-staff	<ul style="list-style-type: none"> <li>Measure contribution to organisation's objectives</li> <li>Personal targets</li> </ul>

- The analysis in this report mainly focuses on KPIs that aim to 'measure' the success of attracting FDI to the location (country, region, city) that the IPA represents.
- These measurements in most cases also reflect the performance of the IPA organisation, but this is not always the case. More about this later in this report.
- Some elements of the organisational effectiveness of an IPA (as far as related to FDI attraction) will also be covered in the report.

## Introduction to KPIs:

### Performance evaluation for locations: countries-regions-cities

- Until today, most KPIs for assessment of success in investment attraction (national and local) have focused on **traditional tangible measurements** such as number of attracted projects, job creation from these projects, capital expenditure associated with these projects, lease/sale of land or square meters built space, etcetera
- In many cases, these assessments are performed in isolation for an individual location, focused on **absolute numbers** for above metrics. The performance may be valued against specific targets (defined upfront as part of a wider investment attraction strategy) or reviewed in a historical context (to assess progress over time). The latter requires that historical investment data are comparable across the whole period.
- For many years, an international comparison of performance in investment attraction was difficult, given the weak comparability of the relevant data sets for individual locations. This has improved in the past 10-15 years as several international data sources have been developed (mostly focused on FDI) that monitor investment attraction across international locations in various ways. This has also allowed to introduce a measurement of (international) **market share** as part of the performance analysis.
- Additionally – depending on the type of data monitored – these data sources have introduced opportunities for comparative assessments of **different types of investment**, such as performance by sector, business function, country of origin, etc.

## Introduction to KPIs: Performance evaluation for locations: countries-regions-cities

- This has also introduced first attempts for performance evaluations on the **quality of investment**. Initially, these evaluations were using assumptions that specific sectors or business functions were considered of 'higher quality' for the local economy than others. The focus of these qualitative analysis was then on higher project or job numbers for these sectors and business functions, or on higher market shares.
- More recently, efforts have been made to introduce more comprehensive evaluations of the quality of investment or the extent to which attracted investment is aligned with specific strategic priorities for the country/city. Examples of such efforts can be found among individual Investment Promotion Agencies (IPAs) as well as specialized research or consulting firms. An example of an evaluation of quality of jobs attracted (developed by IBM-PLI) is presented in Annex.
- One of the key objectives of this Quick Scan for NFIA is to identify learning lessons or 'best practices' from a selected group of peer IPAs in Northwest Europe with a view on KPIs that can address the strategic priorities for FDI attraction as developed by the Dutch government.

# Approach

- In this benchmark analysis, we have assessed the use of KPIs by multiple IPAs. This research has been performed purely by means of desk research, mostly through reviews of available documents from the relevant IPAs. This has been complemented with specific questions to selected IPAs in case of unclarities or gaps in the information.
- The initial request was to focus on IPAs in Germany, France, Belgium, the United Kingdom, Ireland, Switzerland and Denmark. We have reviewed information from all these at national level, but had to conclude that the outcomes were not always of value. In particular, Germany and Switzerland have national organisations that have much wider mandates – with a strong focus on trade promotion - and don't present specific KPIs for investment promotion.
- We have also reviewed information from IPAs in several other countries, such as Austria, Hungary, Finland and Sweden. Moreover, we have not limited our research to the national IPAs in the requested countries, but have extended this to several regional IPAs which we expected to be valuable for this assessment.
- This type of quick scan is very dependant on the type of information that is made publicly available by IPAs, and the outcomes for the various IPAs are consequently quite mixed. In this report we will present more detailed findings for the IPAs for which the research provided most value for NFIA's objectives, and will use selected information from the other IPAs in our overall analysis and conclusions.



# Approach

- Following the request by NFIA, the research has addressed below key questions:
  1. Which KPIs do the IPAs use?
  2. What are the differences between the various KPIs?
  3. Is their focus on qualitative or quantitative measures?
  4. Do the IPAs report on how they perform against their KPIs?
  
- Additionally, we explored the following questions that relate to focused investment attraction policies and strategies, and how these policies/strategies may translate into KPIs:
  5. To what extent are IPAs mandated to attract high-value, strategic and/or technology related activities?
  6. To what extent are specific KPIs developed to achieve this?
  7. What is the nature of these specific KPIs (qualitative, quantitative, time horizon, frequency of reporting and evidence, etc.)?
  8. International comparability of these KPIs
  9. The way in which these are / can be determined
  10. As far as known, experience related to the usability of these KPIs and/or ways of reporting

## Presentation of outcomes

- This report presents the main findings from the quick scan, and is structured as follows:
  - Chapter 2 includes quick overviews (profiles) for each IPA on some of the main factors and provided questions. These are complemented with key observations for each IPA, which aim to highlight some of the specific approaches that the IPAs use
  - Chapter 3 starts with a section on Main Findings. This aims to provide answers to the key questions that NFIA wanted to be answered by this quick scan.
  - This is followed by a section with multiple Learning Lessons. This touches upon a variety of outcomes of this research that we felt valuable for NFIA, even if just anecdotal at some points. This section also includes some observations for IPAs that we reviewed but for which the output was not sufficiently valuable or substantial to prepare a separate profile.
  - Finally this chapter presents a set of key recommendations for the NFIA to take into account for future development and monitoring of KPIs related to FDI attraction.
- In Annex, we have included an example of how an international comparison can be produced on the quality of FDI. NFIA is already familiar with this approach and has used outcomes from this at occasions in the past.
- Finally, the individual IPA profiles in Chapter 2 list the most relevant documents that were reviewed for this quick scan. These can be reviewed individually based on personal interest. We recommend:
  - As example of ‘best practice’ KPI approach: IDA Ireland’s Winning FDI strategy
  - As example of detailed economic impact analysis: London & Partners.

## Presentation of outcomes

- It is important to note that there is a **difference between KPIs and targets**.
  - KPIs are measurements used for monitoring performance. There can be many different way of measuring performance in FDI attraction, and consequently there can be many different KPIs
  - Some of these KPIs are used for setting specific targets: end-goals that an organisation aims to achieve and by which achievement it is able to provide proof of successful or 'on target' performance. Most organisations only use a small subset of KPIs for target setting. These KPIs/targets typically reflect the most important strategic objectives that an organisation has defined.
  
- In our analysis and in the recommendations that we will provide, we will make a clear distinction between KPIs and targets. While only a few KPIs are translated into targets, there may be more KPIs that may be used for analysing performance, and as such providing more detailed insights and clarification of performance.

## 2. Findings for Individual IPAs



# AWEX Wallonia: quick scan

<b>AWEX Wallonia</b>					
<b><i>KPIs focused on:</i></b>	<b><i>Target</i></b>	<b><i>Monitor</i></b>	<b><i>Report</i></b>	<b><i>Type KPI</i></b>	<b><i>Description/comment</i></b>
Number of FDI projects	Y	Y	Y	Quantitative	Target 101 projects /year (new + exp)
Number of direct jobs created	Y	Y	Y	Quantitative	Target 1,683 new jobs / year = +42%
Number of indirect jobs created	N	N	N		
Amount of capital investment	Y	Y	Y	Quantitative	Target 641 million / year =+26.5%
Geographic market share	N	N	N		
Greenfield vs expansion	N	N	N		
IPA involvement or added value	N	N	N		
<b><i>Strategic priorities:</i></b>					
High value investment	N	N	N		
Investment in digital economy	N	Y	Y	Quantitative	Number and share of projects in digital ("numérique")
Sustainable investment	N	Y	Y	Quantitative	Number and share of projects in environmental technologies
Regional investment	N	Y	Y	Quantitative	Activities recorded for each of the 6 regional offices in Wallonia - no targets set per office
<b><i>Satisfaction with IPA support</i></b>	Y	Y	Y	Qualitative	Target investor satisfaction score 7.5/10
<b><i>Performance assessment based upon:</i></b>					
Own FDI 'clients' vs all FDI in region	own				
Own tracked data vs external data source	own				
<b><i>Timing and impact of monitoring:</i></b>					
Review and update FDI targets	Y	Management contract for 5 year targets, annual status review			
Assessment of Brexit impact	N				
<b><i>Relevant documents:</i></b>					
AWEX Rapport d'activités 2017					

## AWEX Wallonia: findings of interest (1)

- AWEX is managed through a Management Contract for a period of 5 years; its latest version was signed in 2017 for period 2017-2021.
- This contract defines multiple objectives and includes 8 “impact indicators” as well as 13 “result indicators” which are all used as KPIs. Every year the agency’s performance against these indicators is published in detail in an annual report. In 2017, 17/21 were attained or exceeded, with a success rate of 148%.
- The 3 main impact indicators are recalculated each year based on a target of 10% increase versus the average of the past 3 years and include:
  - Capital investment of 641 million EUR injected in the regional economy
  - 1,683 new jobs announced
  - 100 investment projects (including new projects and expansions)
- The 4<sup>th</sup> impact related KPI related to investment activities requires that at least 50% of investment projects materialize in the region’s 6 key target clusters.
- The “result indicators” assess the agency’s operational performance and include:
  - Level of satisfaction of foreign investors versus the services provided by AWEX
  - Share of investment cases that materialized in success (minimum of 50% required)
  - Target of 46 visits organized for foreign companies that are candidates for investment
  - Target of 200 annual after-sales visits to AWEX client companies (for FDI & export)
  - Target of 100 new members to the network of ambassadors for Wallonia
  - Target of 120 new leads to be identified by the agency’s foreign offices

## AWEX Wallonia: findings of interest (2)

- The agency also monitors and reports on a wide variety of its investment promotion activities, examples including the number of promotion actions in foreign media, its members on social media, the distribution of its magazines abroad, Public Relation operations and information seminars held.
- Another key target of the agency is to reconfirm annually its ISO certification (Vincotte certification taking into account management of risk, context and internal & external activities)
- It is interesting to note that special attention is also attributed to the well-being of AWEX' employees and collaborators which is being measured on a regular basis.
- Most investment into Wallonia is coming from Europe and the share of Asian investment has been increasing. While the proportion of enquiries and projects handled and materialized by origin is clearly analysed, the agency does not seem to have quantified specific objectives with respect to its geographic target markets.
- From a regional perspective the agency also records the activities of each of its 6 regional offices but no sub-regional FDI targets seem to be set.

# Invest in Denmark: quick scan

<b>Invest in Denmark</b>					
<b><i>KPIs focused on:</i></b>	<b><i>Target</i></b>	<b><i>Monitor</i></b>	<b><i>Report</i></b>	<b><i>Type KPI</i></b>	<b><i>Description/comment</i></b>
Number of FDI projects	Y	Y	Y	Quantitative	2018: 58 projects (result: 62)
Number of direct jobs created	N	N	N		
Number of indirect jobs created	N	N	N		
Amount of capital investment	N	N	N		
Geographic market share	N	N	N		
Greenfield vs expansion	N	N	N		
IPA involvement or added value	N	Y	Y		Annual survey by EY
<b><i>Strategic priorities:</i></b>					
High value investment	Y	Y	Y	Quantitative	Share of High Quality Projects (based on set of criteria). Target 2018: 40%, 2019: 45%
Investment in digital economy	N	N	N		
Sustainable investment	N	N	N		
Regional investment	N	Y	Y	Quantitative	
<b><i>Satisfaction with IPA support</i></b>	Y	Y	Y	Qualitative	Annual survey by EY
<b><i>Performance assessment based upon:</i></b>					
Own FDI 'clients' vs all FDI in country	own				
Own tracked data vs external data source	own				
<b><i>Timing and impact of monitoring:</i></b>					
Review and update FDI targets	Y	annual monitoring of results			
Assessment of Brexit impact	N				
<b><i>Relevant documents:</i></b>					
Invest in Denmark, Annual Report 2018. Results and Perspectives. March 2019					



## Invest in Denmark: findings of interest (1)

- Invest in Denmark (IDK) sets annual targets that are strongly focused on the number of projects attracted. This is an exception to the general trend of European IPAs focusing more on job creation as a key target.
- This focus is clarified by the fact that Denmark is a small market, with relative high operating costs, which is not a proposition to attract many labour intensive projects. On the other hand, Denmark offers a strong pool of talent and competence, which is advantageous for (smaller) projects focused on knowledge and expertise.
- IDK's strategy is strongly focused on attracting high quality investment, and it has further increased this focus in 2018. To monitor success, it has defined so-called High Quality Projects (HQP) on the basis of 6 criteria, of which 4 need to be met to be qualified as a HQP:
  - International function or decision making responsibility
  - Science-based R&D or knowledge-intensive activity
  - Include entail one of five core business solutions: innovation and design centre, HQ, production, R&D and ICT, energy and services infrastructure
  - Is the project in one IDK's target sectors (currently 14 strategic sectors)?
  - Investment amount over DKK 15 million in the first year
  - Create or retain minimum 15 jobs in the first year of operation
- As a target, IDK aims at a minimum share of HQP projects in the total number of attracted projects (in 2018: 40% of projects; for 2019: 45%)
- IDK attracted 61 projects in total in 2018 (target: 58)

## Invest in Denmark: findings of interest (2)

- IDK also uses the term 'Competence driven' projects, which are projects driven by access to highly skilled labor and/or knowledge embedded in local knowledge environments. It aims to focus on such projects, but has mentioned no specific targets.
- Although IDK sets no target for job creation, it monitors new job creation by year. Oddly enough – and as the single IPA that we are aware of – it includes initial construction jobs in the overall number of new jobs created per year.
- IDK's focus on regions in Denmark (outside the Copenhagen area) will increase in the future as regional IPAs in Western Denmark have been closed and IDK now takes full responsibility for investment attraction in the regions. This has not yet been translated into separate KPIs or targets, but this may well happen in the near future.
- IDK also analyses its own performance by means of an annual survey by EY. All projects are surveyed on their experience with IDK on Value, Professionalism and Difference (making). Results are compared on annual basis to monitor progress.

# Business France: quick scan

<b>Business France</b>					
<b>KPIs focused on:</b>	<b>Target</b>	<b>Monitor</b>	<b>Report</b>	<b>Type KPI</b>	<b>Description/comment</b>
Number of FDI projects		Y	Y	Quantitative	New investment decisions
Number of direct jobs created		Y	Y	Quantitative	Jobs created or maintained
Number of indirect jobs created	N	N	N		
Amount of capital investment	N	Y	N		
Geographic market share		N	N	Quantitative	Ranking and increase in position in European FDI rankings
Greenfield vs expansion		Y	Y	Quantitative	Share of greenfield above 50% and increase
IPA involvement or added value		Y	N	Quantitative	Share of FDI projects and jobs having used Business France services
<b>Strategic priorities:</b>					
High value investment		Y	Y	Quantitative	Share of activities with high added value (5 activity types defined)
Investment in digital economy		Y	Y	Quantitative	Number and share of projects / jobs in digital ("numérique")
Sustainable investment		N	N	Quantitative	Number and share of projects / jobs in related segments (energy efficiency, renewable energy new resources & materials, bioeconomy)
Regional investment		Y	Y	Quantitative	Investment intensity per region
<b>Satisfaction with IPA support</b>		Y		Qualitative	Level of satisfaction and recommendation
<b>Performance assessment based upon:</b>					
Own FDI 'clients' vs all FDI in country	both				
Own tracked data vs external data source	both				
<b>Timing and impact of monitoring:</b>					
Review and update FDI targets		Not clear - strategic document (Contrat d'objectifs et de performance) not publically available			
Assessment of Brexit impact		No impact on KPI, but measuring extent to which foreign decision makers expect to revise their investment strategy for the UK in favor of other European countries			
<b>Relevant documents:</b>					
Business France Bilan des investissements internationaux en France 2018					

## Business France: findings of interest (1)

- For Business France we were unable to access a formal strategic document that describes the agency's strategy, objectives and targets. A “*Contrat d'objectifs et de performance*” has been established between the French state and Business France but is not made publicly available. As a result, our analysis for France is based on metrics as reported in its annual report on international investments which aims at analysing the country's FDI statistics in detail but which does not include specific targets that have been set for the agency, or the agency's performance against these targets.
- The data includes projects where Business France and its regional and foreign offices were involved, as well as projects that were not handled by the agencies. As such, Business France measures the share of FDI projects and jobs that used Business France services.
- The main metrics monitored and reported refer to
  - Number of FDI projects – 1,323 new investment decisions in 2018
  - 30,300 jobs created or maintained (indeed also retained jobs are registered as success)
  - (Improvement of) share of new investments versus expansions (56% new representing an increase of 14% versus previous year)
- Other data point that is monitored and reported and worth mentioning here is the share of large size enterprises generating FDI (vs medium & small size).
- Level of satisfaction with the IPA support and recommendation is also evaluated but no further details were found on how this information is collected.

## Business France: findings of interest (2)

- The agency measures its role in innovation by assessing share and growth of activities with high added value (defined as R&D, design, engineering, HQs, business services).
- Its focus on digital and green economy is illustrated by the fact *numérique* (digital), energy efficiency & renewable energy as well as new resources & materials and bioeconomy are listed among the country's 12 priority segments.
- Business France reports that 37% of its FDI projects in 2018 were generated in the 12 priority segments considered as prime targets for investment attraction, but it is not clear whether any targets are set on this ratio.
- From a regional perspective, investment intensity per region as well as regional sector specialisation are presented, but it is unclear whether the country's strategy includes any specific regional objectives.

# IDA Ireland: quick scan

<b>IDA Ireland</b>					
<b>KPIs focused on:</b>	<b>Target</b>	<b>Monitor</b>	<b>Report</b>	<b>Type KPI</b>	<b>Description/comment</b>
Number of FDI projects	Y	Y	Y	Quantitative	Target 5 yr: 900 projects (new + exp) = +40%
Number of direct jobs created	Y	Y	Y	Quantitative	Target 5 yr: 80,000 new jobs = +40%
Number of indirect jobs created	N	Y	N		
Amount of capital investment	N	N	N		
Geographic market share	N	N	N	Qualitative	Grow market share: in FDI from Europe and Growth Markets
Greenfield vs expansion	N	N	Y	Quantitative	
IPA involvement or added value	N	N	N		
<b>Strategic priorities:</b>					
High value investment	Y	Y	Y	Quantitative	Target 5 yr: EUR 3 billion investment in R&D. Average salaries reported in annual report.
Investment in digital economy	N	N	N		
Sustainable investment	N	N	N		
Regional investment	Y	Y	Y	Quantitative	Balanced regional growth: 30-40% increase in regional investments
<b>Satisfaction with IPA support</b>	N	N	N		
<b>Performance assessment based upon:</b>					
Own FDI 'clients' vs all FDI in country	own				
Own tracked data vs external data source	own				
<b>Timing and impact of monitoring:</b>					
Review and update FDI targets	Y	5 year targets, reviewed at midpoint			
Assessment of Brexit impact	Y	no impact on KPI, but organisational changes implemented			
<b>Relevant documents:</b>					
IDA Ireland. Winning Foreign Direct Investment 2015-2019					
IDA Ireland. Annual Report & Accounts 2017					

## IDA Ireland: findings of interest (1)

- IDA Ireland follows a 5-year FDI Attraction strategy which is presented in the document Winning FDI 2015-2019. The strategy is currently being updated for the next 5 year period.
- IDA's strategy is a good example of how an overall vision on its' strategic priorities and its' role as an IPA can be translated into measurable targets for implementation.
- The core role for IDA Ireland is **job creation**. This is used as the main objective in qualitative and quantitative terms, as well as for regional development. The overall mission for IDA Ireland is presented as:
  - *IDA Ireland partners with multinational companies to win and develop foreign direct investment, providing **jobs** for the economic and social benefit of Ireland.*
- To deliver this mission, the current 5-year strategy defines following **ambitious targets**:
  - 900 investment projects, which is a 40% increase from the previous 5-year target:
    - 'new name' investments and expansions; for each region in Ireland
  - 80,000 new jobs, a 29% increase from previous period
    - leading to 35,000 net increase of jobs at IDA clients: from 174,000 to 209,000 (+40%)
  - 3 billion EUR in RD&I investment
    - including in-house and collaborative RD&I projects with companies and universities
- IDA also aims at a more regional balanced growth. This is translated into 30-40% growth of jobs in the regions outside Dublin.

## IDA Ireland: findings of interest (2)

- IDA monitors the progress on these objectives by midpoint of the 5-year program. This evaluation is also used to identify any desirable changes towards targets or approach. Since progress was very successful by midpoint, the targets remained as they were.
- Since the Brexit decision also came up during this period, the midpoint review resulted in various changes to the marketing approach. The UK was defined as a separate target market (next to US, Europe and Growth Markets), and the London office would no longer serve Europe as a target market. This role was taken over by Frankfurt and Dublin.
- Another new element from the most recent evaluation is that new target markets were identified 'to explore': UAE, Turkey, South Africa
- IDA Ireland also monitors the impact of its so-called 'IDA clients', which are companies that were assisted by IDA in their initial investment into Ireland. A target for this group is to grow the overall IDA client employment from 174k to 209k by 2019. The monitoring of this group concentrates on direct jobs, indirect jobs, exports, contribution to tax, and R&D spending. This is done through surveys.



## IDA Ireland: findings of interest (3)

- Ireland has traditionally attracted many US companies. An additional target for IDA is to grow the market share (of its attracted IDA Clients) of companies from Europe and Growth Markets, although this target is not quantified.
- It also aims to increase the expenditure from FDI companies in the Irish market.
- In its analysis of results and progress of contribution to the Irish economy IDA furthermore looks at expansion investments, new names (first time investors), R&D, Skills uplift, and environmental investments. However these are not used for target setting.
- Nowhere in the strategy or in the monitoring of results does IDA indicate that the amount of capital investment from FDI is a relevant KPI.

# London & Partners: quick scan

<b>London &amp; Partners</b>					
<b><i>KPIs focused on:</i></b>	<b><i>Target</i></b>	<b><i>Monitor</i></b>	<b><i>Report</i></b>	<b><i>Type KPI</i></b>	<b><i>Description/comment</i></b>
Number of FDI projects	N	Y	Y		
Number of direct jobs created	Y	Y	Y	Quantitative	Dropped as KPI recently
Number of indirect jobs created	N	N	N		
Amount of capital investment	N	N	N		
Geographic market share	N	N	N		
Greenfield vs expansion	N	N	N		
IPA involvement or added value	Y	Y	Y	Quantitative	Additional GVA for London impacted by L&P
<b><i>Strategic priorities:</i></b>					
High value investment	Y	Y	Y		Overall Additional GVA created for London
Investment in digital economy	N	N	N		
Sustainable investment	N	N	N		
Regional investment	N	N	N		
<b><i>Satisfaction with IPA support</i></b>	N	Y	Y	Qualitative	L&P surveys FDI companies
<b><i>Performance assessment based upon:</i></b>					
Own FDI 'clients' vs all FDI in city	own				
Own tracked data vs external data source	own				
<b><i>Timing and impact of monitoring:</i></b>					
Review and update FDI targets	Y	annual monitoring of results (quarterly reports)			
Assessment of Brexit impact	N				
<b><i>Relevant documents:</i></b>					
The Greater London Authority's Key Performance Indicator Handbook 2014/15					
London & Partners Evaluation Methodology 2018					
London Performance Reviews. Multiple quarterly review documents up until Q3-18/19					
London & Partners' 2018/19 Business Plan. March 2018					
London & Partners' 2019/20 Business Plan. March 2019					

## London & Partners: findings of interest (1)

- London & Partners (L&P) is the international promotional agency for London and has a wider mandate than the other IPAs screened in this research. L&P's key areas are:
  - Trade & Growth
  - Inward Investment
  - Major Events
  - Business Tourism
  - Higher Education & Talent
  - Leisure Tourism
- As overall target, L&P looks at creating 'additional economic benefit' which is measured in Gross Value Added (GVA) in million GBP. For each of the above areas an attempt is made to assess the GVA created for the London economy.
- For Inward Investment and Trade & Growth combined the most recent annual target is GBP 111 million. This was reduced from GBP 190 million the year before. No separate GVA target is set for FDI attraction alone.
- 80% of this GVA is targeted to come from L&P's target sectors.

## London & Partners: findings of interest (2)

- L&P aims at assessing the additional GVA that its activities create for London. For FDI it measures the number of new FDI jobs created and multiplies this with an average GVA per job. The outcome is then discounted (based on assumptions coming out of previous surveys) for investors' over-optimism (in announcing new job creation) and displacement of already existing jobs. This provides the additional GVA for London based on L&P's efforts.
- To assess the impact of L&P's activities it then applies an additional percentage factor (based on surveys) to reflect the added value that L&P had on the investment decision making.
- For more insight in this GVA impact evaluation methodology see: London & Partners. Evaluation Methodology 2018.
- Until last year, L&P formulated separate targets for new job creation (4,000 jobs in 2017/18) and job retention (1,000 retained jobs) through inward investment. These KPIs were dropped recently and the focus is now fully on GVA. The outcome of the job retention assessment was based on information provided by companies and L&P experienced that companies were less willing to share this information recently, and related this to the concerns around a possible Brexit.

# Invest Northern Ireland: quick scan

<b>Invest Northern Ireland</b>					
<b>KPIs focused on:</b>	<b>Target</b>	<b>Monitor</b>	<b>Report</b>	<b>Type KPI</b>	<b>Description/comment</b>
Number of FDI projects	N	N	Y		
Number of direct jobs created	Y	Y	Y	Quantitative	Target 2017-2021: 7,200 - 10,600 new jobs, with detailed annual interim targets
Number of indirect jobs created	N	N	N		
Amount of capital investment	N	N	N		
Geographic market share	N	N	N		
Greenfield vs expansion	N	N	N		
IPA involvement or added value	N	N	N		
<b>Strategic priorities:</b>					
High value investment	Y	Y	Y	Quantitative	New jobs with higher salaries
Investment in digital economy	N	N	N		Separate Digital NI strategy, but no FDI targets
Sustainable investment	N	N	N		
Regional investment	N	N	N		
<b>Satisfaction with IPA support</b>	N	N	N		
<b>Performance assessment based upon:</b>					
Own FDI 'clients' vs all FDI in country	own				
Own tracked data vs external data source	own				
<b>Timing and impact of monitoring:</b>					
Review and update FDI targets	Y	4 year strategy, results monitored annually			
Assessment of Brexit impact	Y	no impact on KPIs, but organisational changes implemented			
<b>Relevant documents:</b>					
Invest Northern Ireland. Business Strategy 2017-2021					
Invest Northern Ireland. International Strategy 2017-2022					
Invest Northern Ireland. Scorecard and Operating Plan 2018/19					
Invest Northern Ireland. Annual report and accounts 2018-2019					
Invest Northern Ireland. Digital Northern Ireland 2020					

## Invest Northern Ireland: findings of interest (1)

- Invest Northern Ireland (INI) applies a 4-year International Strategy (2017-2021) which aims at increasing exports from NI based companies, and attracting new FDI jobs (in particular from first time investors). In its wider 'Business Strategy' it also emphasizes the ambition to increase R&D expenditure.
- INI works with ranges for their new jobs targets. The International Strategy 2017-2021 defined as target 7,200-10,600 new jobs from externally owned companies, of which 5,340-7,700 from first time investments.
- INI does not set targets in number of projects, but it does report results on project numbers. Similarly, while previous year's reports include results expressed in capital investment, this is not indicated as a KPI in most recent strategy reports.
- INI produces an annual Corporate Scorecard and Operating Plan in which performance is measured and any adjustments in strategy are discussed. In this scorecard, the above job targets are further detailed on an annual basis, and divided into new jobs from locally owned, externally owned companies.
- Additionally, INI aims to attract higher value jobs which is expressed in jobs with salaries above PSM. The annual targets per sub-group of companies also detail the targeted numbers of jobs with higher salaries.

## Invest Northern Ireland: findings of interest (2)

- The annual Operating Plan provides a detailed overview of 4-year and annual targets (ranges), annual results, new targets for next year, as well as lead officials responsible for executing the individual activities in the plan.
- The Operational Plan also analyses risks and uncertainties of a diverse nature (organisational, budgetary, trade relations, etcetera) and defines mitigating actions as needed.
- Although Northern Ireland faces a similar regional economic balancing challenge as the Republic of Ireland, the various strategy plans do not express any ambition or actions to promote inward investment in regional areas of Northern Ireland (outside Belfast).

# Scottish Enterprise: quick scan

<b>Scottish Enterprise</b>					
<b>KPIs focused on:</b>	<b>Target</b>	<b>Monitor</b>	<b>Report</b>	<b>Type KPI</b>	<b>Description/comment</b>
Number of FDI projects	N	N	N		
Number of direct jobs created	Y	Y	Y	Quantitative	Create or safeguard 8,000 to 10,500 jobs paying at least the real living wage
Number of indirect jobs created	N	N	N		
Amount of capital investment	N	N	N		
Geographic market share	N	N	N		
Greenfield vs expansion	N	N	N		
IPA involvement or added value	N	N	N		
<b>Strategic priorities:</b>					
High value investment	Y	Y	Y	Quantitative	Create/safeguard 2,750-3,250 High Value Added jobs. Enable up to £300-£350 million of R&D investment and up to £200 million of capital investment.
Investment in digital economy	N	N	N		
Sustainable investment	N	N	N		
Regional investment	N	N	N		
<b>Satisfaction with IPA support</b>	N	N	N		
<b>Performance assessment based upon:</b>					
Own FDI 'clients' vs all FDI in country	own				
Own tracked data vs external data source	own				
<b>Timing and impact of monitoring:</b>					
Review and update FDI targets	Y	3 year strategy with annual monitoring			
Assessment of Brexit impact	Y	qualitative			
<b>Relevant documents:</b>					
Scottish Government. Scotland's Economic Strategy. March 2015					
Scottish Enterprise Business Plan 2018-2019					
Scottish Enterprise. Annual Report and Accounts 2018					



## Scottish Enterprise: findings of interest (1)

- Scottish Enterprise (SE) has formulated a 3-year Corporate Strategy. This covers a broader range of economic areas (such as export promotion, skills development, etc). Inward investment is key area which is delivered by the Scottish Development International (SDI) division.
- The FDI strategy is strongly focused at job creation, and sets overall targets for the attraction of new jobs and safeguarding of existing jobs. No KPIs have been indicated for number of projects or capital investment.
- Similar to Invest Northern Ireland, SE works with ranges rather than fixed target numbers. The target for job creation/retention at the start of the 3-year strategy was set at 8,000-10,500 jobs (paying at least the real living wage). This was a slight increase from the previous 3-year strategy (7,750-9,750).
- The corporate strategy indicates a focus on high quality jobs. In the previous strategy this was translated into a separate KPI/target of 2,750-3,250 so called High value Added job.
- One of SE presented ambitions is to “Build vibrant economic communities across Scotland, spreading increased wealth and wellbeing”. However, this ambition is not translated into separate KPIs for regional development related to investment attraction.

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## Scottish Enterprise: findings of interest (2)

- Progress towards the target from the 3-year Corporate Strategy is evaluated on an annual basis and publicly reported in the Annual Report and Accounts. The latest available report (March 2018) compares outcomes of the latest year with the previous year, as well as with the targets and provides a short update on most relevant actions.

## 3. Conclusions and Recommendations



# Main findings: comparative overview

	Belgium	Denmark	France	Ireland	UK	UK	UK	NL
	<i>AWEX</i>	<i>IDK</i>	<i>Business France</i>	<i>IDA Ireland</i>	<i>Invest Northern Ireland</i>	<i>London &amp; Partners</i>	<i>Scottish Enterprise</i>	<i>NFIA</i>
<b><i>KPIs focused on:</i></b>								
Number of FDI projects	Y		Y	Y		Y		Y
Number of direct jobs created	Y	Y	Y	Y	Y	Y	Y	Y
Number of indirect jobs created								
Number of jobs retained/saved						Y	Y	
Amount of capital investment	Y							Y
Geographic market share								
Greenfield vs expansion			Y					
IPA involvement or added value	Y	Y	Y			Y		Y
<b><i>Strategic priorities:</i></b>								
High value investment		Y	Y	Y	Y	Y	Y	Y
Investment in digital economy	Y		Y					
Sustainable investment	Y							
Regional investment	Y		Y	Y				
<b><i>Satisfaction with IPA support</i></b>	Y							
<b><i>Performance assessment based upon:</i></b>								
Own FDI 'clients' vs all FDI in country	own	own	both	own	own	own	own	both
Own tracked data vs external data source	own	both	both	own	own	own	own	own
<b><i>Timing and impact of monitoring:</i></b>								
Period of target setting (years)	5	1	?	5	4	1	3	1
Monitoring per every x yr	1	1	1	2.5	1	1	1	1
<b><i>Other KPIs</i></b>								
Value added to local economy						Y		
Export from FDI companies/'clients'				Y	Y			
Sales/expenditure from FDI companies				Y	Y			
Donor country specific KPIs	Y			Y				
Sector specific KPIs	Y		Y					
Company specific KPIs								
In-country region specific KPIs	Y		Y	Y				

## Main findings (1)

- Almost all IPAs use **new job creation** from foreign investment projects as the main KPI.
  - This includes both new projects and expansions although not all IPAs indicate this.
  - Occasionally, retention of jobs is mentioned as a KPI (London, France) but only once is this included as a target (Scotland includes ‘safeguarded’ jobs in its overall job creation target).
- The **number of projects** is also commonly used as a KPI and a target. But in the formulation of priorities it is frequently clear that the number of projects is secondary to the number of jobs. Denmark is the only exception. Invest in Denmark uses number of projects as the main KPI, and pays very little attention in its evaluations to the number of jobs.
- Very few IPAs use **capital expenditure** from foreign investment as a target. Next to NFIA, only AWEX Wallonia and Invest Bavaria indicate this as a separate target (next to projects and jobs). Some other IPAs monitor capital investment, but this factor has clearly become less important in performance measurement. An increasing number of IPAs seems to recognise that capital investment is a much weaker indicator for economic impact than job creation (among others since capital is only partly spent in the selected location).

## Main findings (2)

- Multiple IPAs use some form and measurement of **quality of FDI** as a KPI.
  - Often this is directly related to the quality of jobs, given the strong emphasis on job creation. Invest in Denmark has developed a methodology for classifying FDI projects as High Quality Projects (based on several criteria) and evaluates the share of High Quality Projects in the overall FDI attraction. This also is used as an important target.
  - Additionally, ambitions to attract ‘high quality FDI’ is regularly linked to the attraction of R&D investment projects, or the R&D expenditure generated by FDI projects. In the latter case, expenditure includes the funding (by international companies) of partnerships or individual research projects with local organisations such as universities.
- The use of KPIs for other **strategic priorities** (than quality FDI) is limited.
  - Multiple IPAs use priority sectors as key target sectors for marketing, and monitor the success in attracting FDI in these sectors, but rarely does this translate in separate targets (projects, jobs, etc) for individual sectors. Although we are aware of IPAs that use such targets for internal priority setting, we have not seen any publicly announced sector targets among the screened IPAs
  - Technology sectors are among the priority sectors for most IPAs. But few IPAs make specific notion of KPIs and/or targets (across sectors) that aim to improve the contribution of FDI to the digital economy.
  - Similarly, priority sectors often include sectors related to a circular or green economy, but few KPIs and/or targets (across sectors) have been identified that strive at a stronger contribution to sustainable development.

## Main findings (3)

- All IPAs perform regular **reporting on results against KPIs**. In most cases, reporting is done on an annual basis. IPAs with a multi-year strategy which has been translated into end targets deviate from an annual reporting. IDA Ireland for example applies a 5-year strategy with clear end targets, and reports on progress by midpoint of this period. Others with a multi-year strategy still monitor and report on an annual basis (Invest Northern Ireland, Scottish Enterprise).
- The traditional KPIs that most IPAs use (number of project and jobs) are suitable for **international comparisons**. But none of the IPAs included in this quick scan reports results on such international comparison in their public reports.
  - Note however that simply comparing total numbers of projects and jobs across countries or regions is analytically incorrect (and therefore misleading) since it does not account for different sizes of the individual geographies or economies
  - International comparisons are therefore best made on the basis of ratios against size of population (for example: new FDI jobs per 1 million inhabitants) or GDP.
  - In Annex an example is presented of a realistic international comparison of performance, taking into account differences in sizes of countries.
- None of the identified KPIs on quality of FDI is suitable for international comparisons, since each of these KPIs is defined differently based on the specific needs and priorities of the local IPA. Therefore, none of the IPA included in this quick scan has attempted such international comparison.

## Main findings (4)

- None of analysed IPAs uses international market shares in their publicly presented evaluations of performance.
  - Many IPAs regularly review the FDI results of their location in comparison with other locations on the basis of internationally comparable FDI data, either through public reports or by tailored internal research. But no IPA has introduced a market share analysis in their KPIs or FDI targets.
  - The advantage of a market share KPI is that it can still be used very well in economic downturns, when absolute target numbers can become meaningless very quickly. While the overall market may not justify an absolute target number anymore, a specific market share (in a shrinking market) may still serve as a realistic KPI or target.
  - A key condition for using market share as a KPI/target is that it requires access to internationally comparable FDI information. While various international FDI data sources have been developed over the past 20 years (such as IBM-PLI's Global Location Trends database, Financial Times' FDI Markets, EY's European Investment Monitor, Orbis by Bureau van Dijk) differences in these data sets and lack of guaranteed availability over a longer period have probably created hesitation among IPAs to introduce market share indicators among their KPIs.



## Learning lessons (1)

- Align KPIs with **strategic priorities**
  - Often it is unclear why some KPIs are being used or what they try to achieve
  - IDA Ireland's strategy is a good example of how selective set of strategic priorities is translated into objectives, KPIs and subsequently targets for monitoring
- Be **selective** with KPIs
  - Some IPAs perform overkill with their performance assessments, and it becomes unclear which KPIs are truly most important
  - The above mentioned linkage of KPIs to strategic priorities typically leads to a few main KPIs. These can then be laid out in several supporting (measurable) indicators as needed, and as data allow.
- Make KPIs **measurable**
  - It is difficult to monitor performance if it can not be measured.
  - Strategic priorities and objectives can be formulated qualitatively, but translation into KPIs is best done quantitatively. This will allow correct monitoring as well as finetuning while the overall objectives can remain as they are.
- But quantitative **KPIs are not a goal** in itself
  - KPIs are a means to support strategic direction
  - It may sometimes be better to use targets expressed as range ( x-y jobs) rather than as one absolute target number

## Learning lessons (2)

- Follow a **flexible approach** in defining and redefining KPIs
  - Success in FDI attraction is influenced by many factors. The strengths of a location, the level of competition from other locations, and the professionalism and effectiveness of an IPA are all factors that have impact on FDI success, and that can be more or less anticipated upfront and/or translated into a level of ambition for investment attraction
  - But economic cycles are not always predictable (see financial crisis) and unique events can strongly impact the volume of FDI that is in the market. Examples are terrorist attacks, natural disasters, unexpected political disruption/instability, etcetera.
  - KPIs translated into absolute target numbers can quickly become meaningless in such situations. Market shares may then work better as KPIs since they can remain in tact as targets in situations where the disruption has impact on the wider market and not only on one single location. Using market shares as KPIs however requires comparative data for a wider region (market), which are not always available for individual IPAs
  - Another approach to introducing flexibility in targets is the use of ranges of target numbers, where the minimum target accounts for external factors that may negatively impact results, and the maximum reflects the most optimistic scenario. In target setting these minimums and maximums are often referred to as Fall Back target and Stretch target.
  - Regular monitoring also allows for timely adjustments of targets in these situations.

## Learning lessons (3)

- Measure results that you are **accountable** for
  - Most IPAs monitor their performance by only tracking and evaluating FDI projects in which they were directly involved. Sometimes referred to as ‘FDI clients’
  - But some analyse and officially present FDI results for their region/country that cover a wider range of FDI projects: all FDI in the country
  - This approach can be encouraged as it provides a more complete picture of FDI activity as well as the overall performance and attractiveness of the location, but it should be avoided that this overall picture is presented as the result of the work from the IPA
  - If a wider picture is presented it is important to be able to demonstrate the extent to which the IPA was responsible for the results. A measure of ‘involvement’ (NFIA) or assessment of ‘additionality’ (London) is then required for this purpose.
  
- Ensure **comparability of data over time**
  - KPIs that aim to measure performance over time are only useful if the measured data are comparable over time. New mandates for an IPA, changes in definitions of targeted FDI or
    - this is worse - expansion of scope of the measured data can lead to incomparable data sets. There are examples of IPAs who report increases in FDI results, which in reality are caused by expanded scope of FDI projects that are measured.
  - Also, the use of external data sources should be handled with care. Different data sources are likely to measure different things. Single data sources may change content over time.
  - If changes occur in data sets, ensure to make adjustments for previous years’ data.

## Learning lessons (4)

- **Prioritisation of FDI projects** for support

Various IPAs use an approach for prioritising projects to support based on different criteria.

- Often priority target sectors are defined by the IPA and this influences the level of support to individual projects. AWEX Wallonia and Invest in Denmark also use these priorities to assess the share of attracted investment projects from these prioritised sectors.
- Invest in Bavaria uses various criteria to score and prioritise projects for support. Aside from the standard criteria job creation and level of investment these are:
  - Function: HQ and R&D are ranked highest. Next are production and start-ups. Etcetera.
  - Region within Bavaria: Various levels, where rural areas are most important, and Munich city is least. This reflects the importance of the mandate that the Bavarian government has given to the IPA to stimulate FDI in regions rather than in cities.
  - Sustainability, innovation: Projects in certain areas are ranked higher. Examples are: AI, Blockchain, IoT, New Mobility, etc.

## Recommendations (1)

1. Maintain to use as **main KPIs** for target setting and performance monitoring:
  - Number of new jobs created through FDI investment projects.
    - Both new projects and expansion projects (not organic growth!)
    - Not to include retention projects (this can be tracked separately, as needed)
  - Number of new investment projects (including expansions)
2. **Remove capital investment** as a target for investment attraction, while it is ok to continue monitoring this as a KPI, if desirable.
  - Capital is a much weaker indicator for economic impact than jobs
  - Pragmatically, the information is often less available and less reliable
  - Many IPAs are stepping away from setting targets for capital investment attraction
3. Introduce a **new KPI** and related target for **quality of FDI**
  - NFIA now uses a KPI focused on R&D investment. This can remain as is or be integrated into the new KPI.
  - The new KPI should be based on strategic priorities for the dutch economy, which may relate to different economic, societal and technological ambitions or challenges
  - Avoid using a complex approach for this. The KPIs should provide good guidance and are not a goal in itself. The criteria based approach by Invest in Denmark seems to provide a good base for developing such KPI for the NFIA.

## Recommendations (2)

### 4. Consider introducing **market share KPIs**

- Market share KPIs are more resistant to unforeseen changes that make KPIs based on absolute numbers less relevant
- These KPIs can be used for overall performance measurement, and for individual segments (sectors, origin countries, strategic priorities, etc)
- Need to consider use of international comparable data source for this purpose.

Note: market share KPIs can also be introduced to monitor involvement (involved in % of all projects, segments, etc)

### 5. Consider use of other **international KPIs**

- Besides market share analysis, international data sources provide opportunity for other comparative performance monitoring. Based on key priorities such as quality of FDI, NFIA may for example introduce IBM-PLI's Job Value ranking (see Annex) as KPI (in European or global context).

### 6. Introduce a **regional focus** as part of KPIs.

- Minimally for performance monitoring, and – depending on government policy support and mandate for NFIA – for target setting as well.
  - FDI into NL is heavily focused on Randstad. Regional balancing is desirable.
  - Previous research shows that regions benefit strongly from strategic sectors.
- Regional focus has been introduced successfully in other countries and regions: Denmark, Ireland, Scotland, Northern Ireland, Bavaria.

## Recommendations (3)

### 7. Develop **strong link between KPIs/targets and overall FDI strategy**

- Define strategic priorities for a multi-year period, based on ambitions from economic, technological and societal perspective
- Formulate clear objectives aligned with defined priorities
- Define key targets (measurable) for each of the formulated objectives
- Define additional KPIs (not as target) for additional performance evaluation
- Such approach will strongly align KPIs and targets with the overall FDI strategy
- And provides strong base for well structured reporting:
  - Strategy document for multi-year period
  - Annual monitoring: Assessment of performance against targets, other KPI evaluations, clarification of deviations from targets, upcoming risks, need for adjustment.

### 8. Continue measuring and monitoring **involvement** as part of KPIs.

- NFIA is among the best practice IPAs in demonstrating its added value for FDI attraction by measuring its involvement in FDI successes. This is done in a consistent and structured way, with support of investors (Confirmation Letters) and seems to work well.
- This approach is important as it helps to confirm the need for and mandate of an IPA, but it also allows to explain differences between own reported results and outcomes from external market reports.
  - Small improvements can still be made in the speed of registration of successes and thus claiming and reporting success at the right time, but this is a minor point.

# Annex



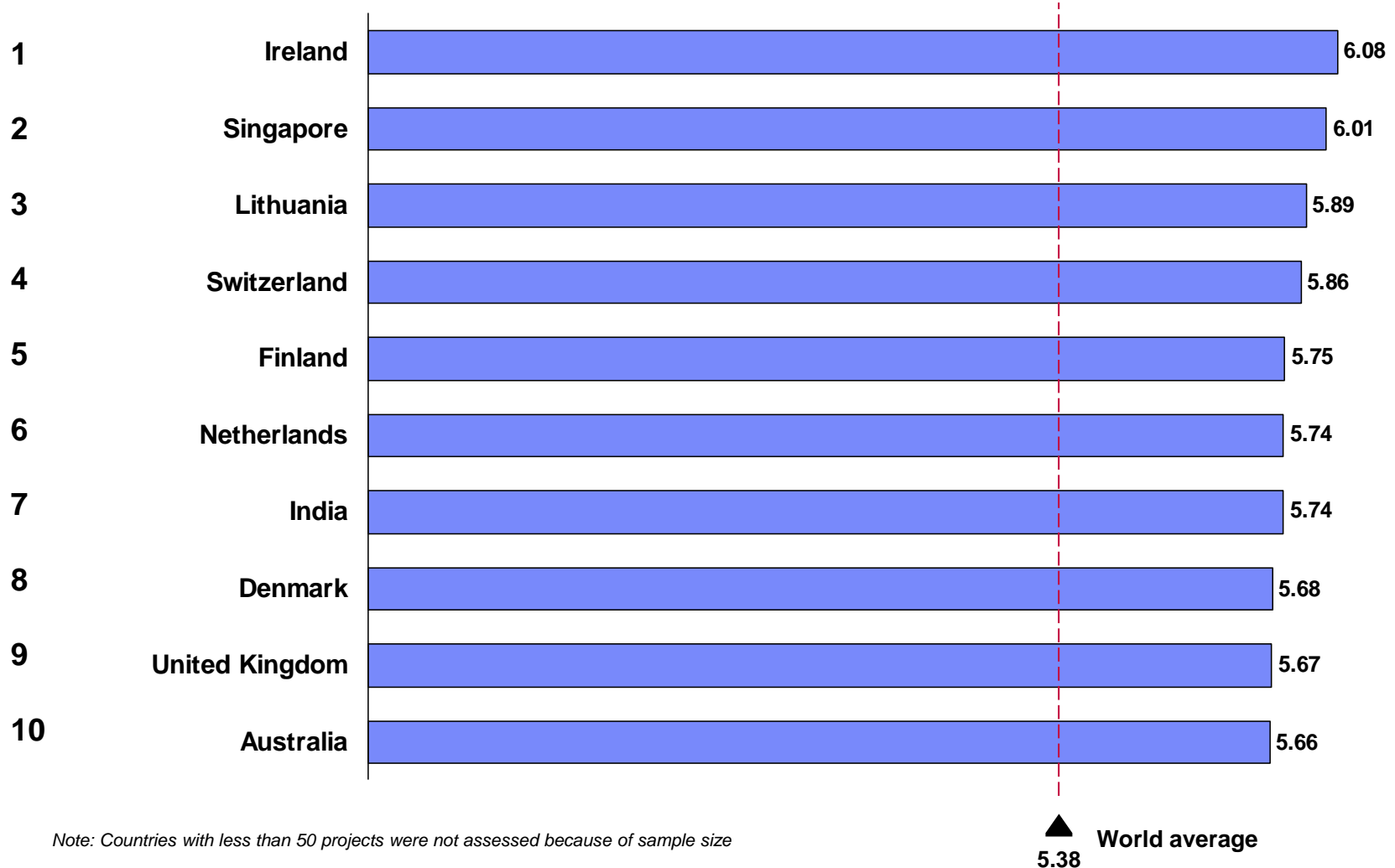


## IBM-PLI Methodology for assessing 'job value' per project

- IBM-PLI's job value indicator aims to assess the **quality of jobs** attracted through FDI, rather than the quantity of jobs.
- The methodology attributes an objectively determined score of 1-10 to each FDI project entered in the database, based on activity and sector of the investment project.
- In order to calculate the value of each sector , two factors are taken into account:
  - Value added – based on gross value added per employee for each sector
  - Knowledge intensity – based on R&D-spending per employee in each sector
- In order to calculate the value of each activity, the occupational value is measured based on remuneration of categories and the level of qualification of staff employed by the project
- For each of these indicators, external data sources are used and raw data are translated into scorings (1-10) without subjective assessment.
- The combination of these factors is used to determine an overall job value score per project.

High value job creation is increasingly important for mature economies. Ireland consistently ranks 1<sup>st</sup>. Netherlands among top performers.

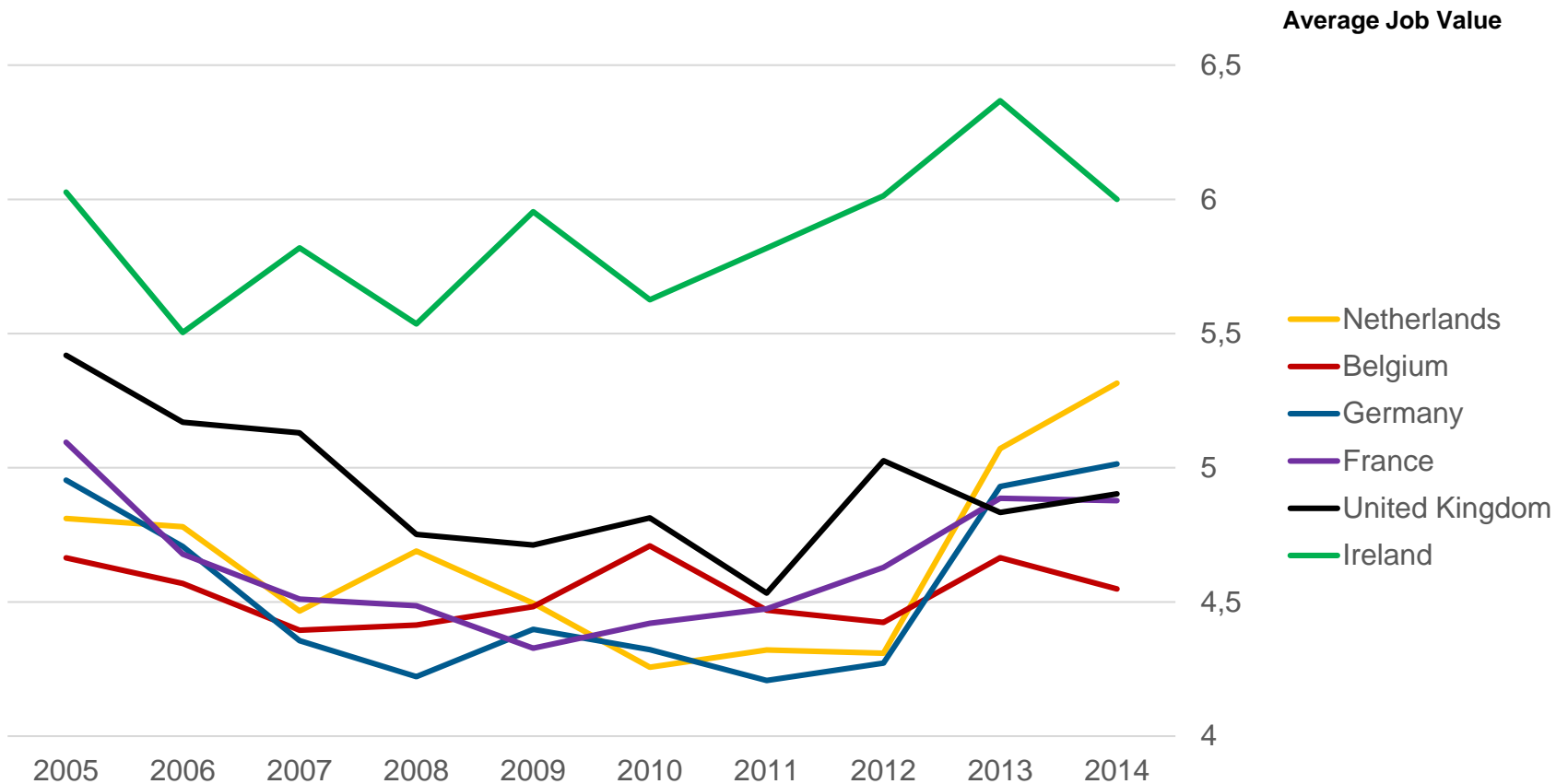
*Top ranking countries by average job value of investment projects – 2017*



*Note: Countries with less than 50 projects were not assessed because of sample size*

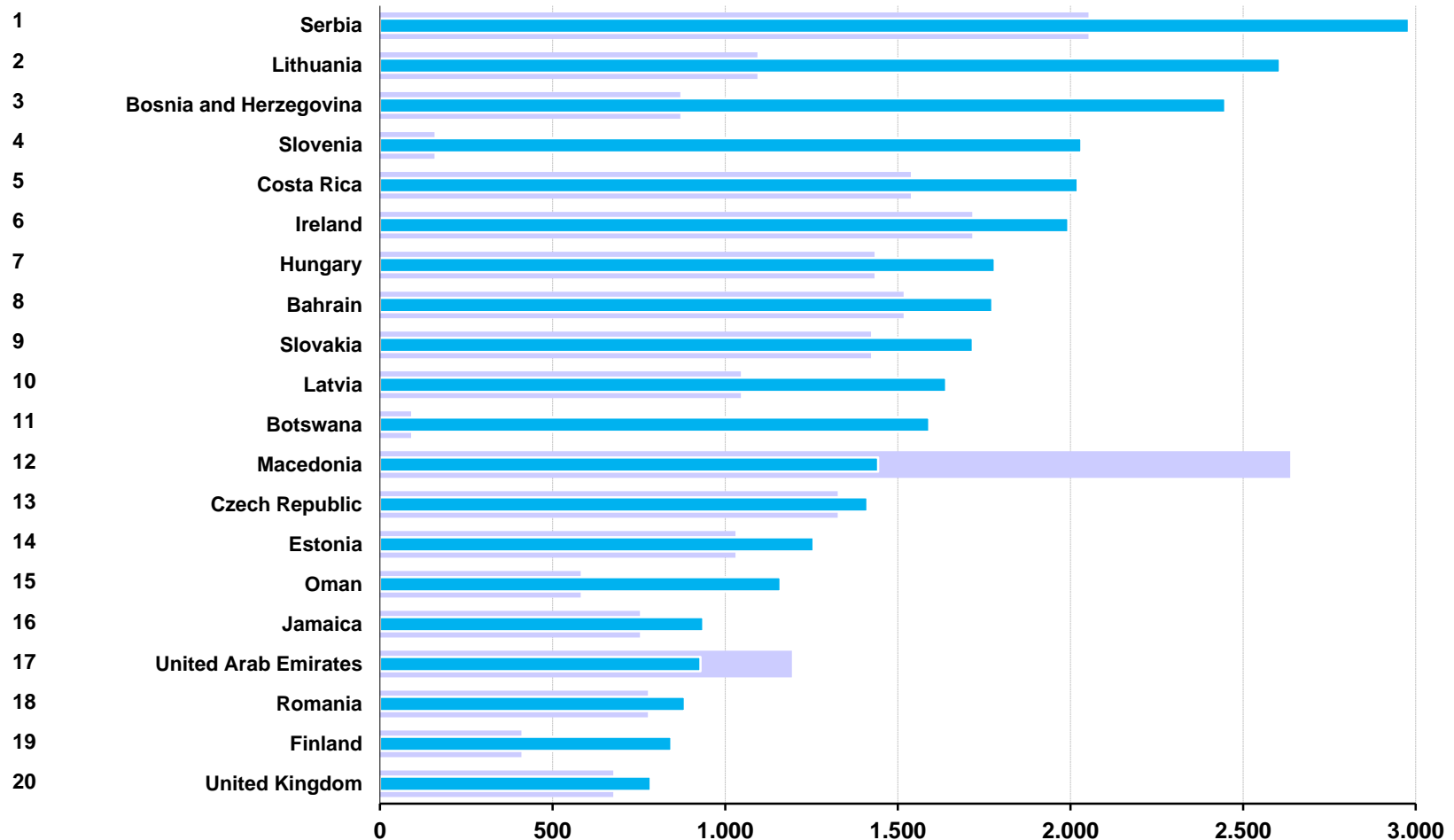
# Ireland shows a consistent strong performance based on the average job value of investment projects

New foreign investment activity in Ireland and Western European countries in 2005-2014, by average job value



# Example international performance measurement corrected by country size

## Top ranking countries by estimated jobs, per million inhabitants – 2017 (12-16)



Note: Countries with less than 1 million population were excluded from the analysis

Source: IBM –PLI - Global Location Trends, 2018

■ 2012-2016 ■ 2017

# Thank you!

## Plant Location International (PLI)

Global Location Strategies

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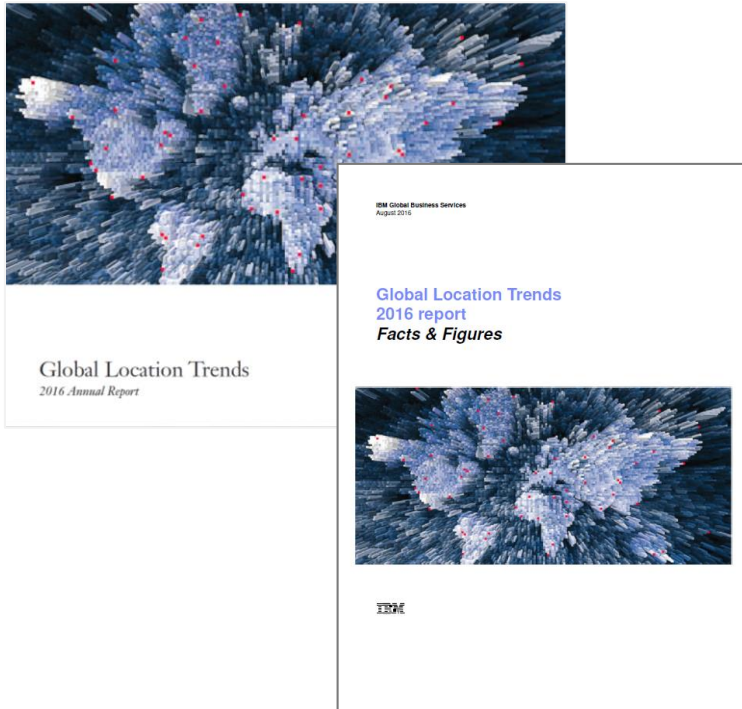
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**Roel Spee**

Global Leader

+32 475 915 832

[Roel.Spee@be.ibm.com](mailto:Roel.Spee@be.ibm.com)



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