

TECHNOLOGY, TRADE AND COMMERCE AGENCY

Its Strategic Planning Is Fragmented and Incomplete, and Its International Division Needs to Better Coordinate With Other Entities, but Its Economic Development Division Customers Generally Are Satisfied

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Audit Highlights . . .

Our review of the Technology, Trade and Commerce Agency (agency) found that:

The agency has no agency-wide strategic plan, and many program plans continue to lack elements of strategic planning including:

- Goals for all significant aspects of program missions.*
- Targets for significant goals or targets that challenge performance.*
- A comparison of results to targets in external reports.*

Further, external coordination of export services is limited for the agency's International Trade and Investment Division, but recent activities indicate a renewed focus on this issue.

Finally, programs in the agency's Economic Development Division generally satisfy their customers but lack formal processes to measure customer satisfaction.

The Joint Legislative Audit Committee (committee) requested that we review the Technology, Trade and Commerce Agency's (agency) progress in implementing a strategic plan, mission, goals, and performance measures, and that we examine the effect of state policy guidance provided by the World Trade Commission. The committee also requested that we evaluate the agency's coordination activities with external entities involved in export promotion and foreign investment, and the responsiveness of the agency's Economic Development Division to its customers. We found that:

Finding #1: The agency does not have an agency-wide strategic plan, and program plans continue to lack elements of strategic planning.

Despite starting two agency-wide strategic planning processes since 1996, the agency still does not have an agency-wide strategic plan. It has reverted to using individual program plans, which are often incomplete and vary widely because the agency has not set standards for planning. For example, many program plans do not include goals for all significant aspects of their mission or vision statements or for outcomes included in external reports. In some cases, these plans do not include any outcomes goals, thus lacking a focus on the benefits that their programs are trying to achieve. In addition, some plans do not include quantified targets for their goals, and some do not include targets that challenge performance. Moreover, internal and external reports on program accomplishments rarely compare targets that do exist with actual results, reducing accountability within the agency and to stakeholders such as the Legislature. Finally, no programs we reviewed developed plans covering five or more years, and many programs did not consider

opportunities or threats from their external environment in establishing their plans, diminishing their ability to position themselves for maximum effectiveness. By de-emphasizing strategic planning, the agency misses the benefits of a broad, outcome-oriented approach, which is vital to integrating diverse programs, allocating resources to efforts that best advance overall goals, and demonstrating the value of the agency's activities.

We recommended that the agency develop an agency-wide strategic plan covering at least five years and include basic strategic planning elements in its process. These elements include goals and targets for all significant aspects of its mission and vision and for significant accomplishments noted in its external reports, outcome goals that focus efforts on results, targets that are challenging in light of past performance and expected economic assumptions, comparisons of results with targets in internal and external reports, and scans of the environment to identify opportunities and threats that could significantly affect goals. We also recommended that the agency report to the Legislature biennially on its progress in implementing a strategic approach to planning.

Agency Action: Pending.

The agency said that it would review and update its 1997 strategic plan and incorporate elements we recommended, where appropriate. It also agreed to review the format of program plans to add elements we recommended. The agency questioned whether a biennial report to the Legislature on its progress in implementing a strategic approach is necessary.

Finding #2: Vacancies in the agency's International Trade and Investment Division (International Division) weakened planning and operations at the foreign offices and World Trade Commission (commission).

Lengthy vacancies for appointed positions at some of the International Division units weakened planning and operations. Vacancies at foreign offices, where all positions are appointed, resulted in a lack of plans and focus during two recent years. For instance, almost half of the positions at the Mexico office were vacant for about a year or more, causing the office to function at a minimal level. A review of appointments made to all foreign offices since January 1999 showed that, on average, positions were vacant 10.5 months with the agency taking nearly 9 months to

submit nominations. Similarly, the commission lacked a chairperson and did not meet between October 1998 and March 2000. Subsequently, the commission has provided little policy direction. It is now considering initiating its first study since 1998.

We recommended that the agency give high priority to nominating persons to appointed management positions in the International Division and that it nominate persons to appointed staff positions where necessary for program continuity even if managers are not yet appointed. We recommended that the commission consider implementing procedures so it can continue to advise the agency even if a chairperson is not appointed.



Agency Action: None.

The agency did not indicate that it would change its processes for nominating persons to positions in its International Division. It contends that it has always given its highest priority to nominating persons to its appointed management positions. Further, it stated that it cannot commit to fill lower level positions before managers are appointed since it questions whether this is a sound management principle.

Commission Action: Pending.

The commission is revising its bylaws to address the issue of operating when a chairperson is not yet appointed.

Finding #3: Some data on program benefits and outcomes may be unreliable or inaccurate.

The agency's programs generally do not verify data that may be considered inherently unreliable, such as data from clients who may have an incentive to exaggerate results. For example, the Small Business Loan Guarantee Program relies on estimates provided by borrowers on the number of jobs they expect to create or retain through guaranteed loans. These clients may perceive an incentive to overestimate these outcomes in hopes of securing loan guarantees. Where data is not inherently unreliable, the agency may still report inaccurate results. For example, the agency's Office of Foreign Investment receives data from its clients on the number of jobs they expect to create, but it does not have a process for systematically rechecking this data at the completion of a project, when actual figures should be available. When programs base the results in their performance reports on such data, they risk misstating the true benefits of their programs.

We recommended that the agency verify some of the inherently less reliable, client-supplied information on a sample basis. We also recommended that the agency ensure the accuracy of its data, performing follow-up on client estimates as needed.



Agency Action: Pending.

The agency plans to contact the Employment Development Department to obtain data to verify job estimates on a sample basis. The agency did not, however, say how it would address the recommendation to follow up on client estimates.

Finding #4: The International Division's efforts to coordinate its export-related services have been limited.

The International Division has coordinated its export-related services with other entities working in the international community to only a limited extent while it appears to have adequately coordinated its services to promote foreign investment. With only limited coordination, the International Division cannot ensure that it has fully leveraged the State's resources and addressed gaps and redundancies in the delivery of services. For example, its Office of Export Development generally uses its own resources to match potential foreign buyers with California exporters, sending trade leads from foreign buyers to other entities only if it cannot find an appropriate exporter match. In addition, the International Division does not hold regular, broad-based coordination meetings with other entities and has experienced problems coordinating with the California Department of Food and Agriculture and the California Energy Commission. Acknowledging it needs to put more effort into coordination, the International Division has begun some initiatives to coordinate export services. Although they are steps in the right direction, their effectiveness remains to be seen, and further initiatives are needed.

We recommended that the International Division increase its coordination efforts, including holding regular meetings with other entities to discuss goals and operations, analyzing the service delivery system to reduce service gaps and redundancies, establishing agreements that spell out its roles and interactions with other entities, and discussing the trade lead system with other entities.

Agency Action: Pending.

The agency said that the International Division is committed to increasing the level of coordination with other entities, but it did not indicate what specific actions it plans to undertake.

Finding #5: Possible redundancy in the existing service delivery structure merits further study.

The current service delivery structure seems to perpetuate redundancies. Under the existing structure, the International Division promotes its services, generates trade leads, matches trade leads with exporters, organizes trade missions and shows, and guarantees loans to exporters. Various other entities provide similar types of services, and duplication of services appears to occur at the local, state, and federal levels. The question of which entities should provide particular services is, however, complicated. Although some entities may provide similar services, their overall mission, focus, and policy on charging for services may be different. In addition, entities represent different levels of government, and some are not even a part of government. Despite these complications, the issue of possible redundancies warrants further attention, with an eye toward better leveraging each party's efforts.

We recommended that the Legislature consider commissioning an independent statewide study of the existing delivery system for export services to determine the best division of work and resources among the various entities in the international arena.

Legislative Action: Unknown.

Finding #6: The agency's Economic Development Division generally provides good customer service, but it could benefit from formal processes to measure customer satisfaction.

Although programs lack formal feedback mechanisms and targets for customer satisfaction, our survey of a sample of customers for seven Economic Development Division programs found that customer service rankings for five programs were above average. Nevertheless, the survey results indicated room for improvement, with some customers noting specific concerns. Customers' suggestions included improving the timeliness of information, being more proactive in obtaining feedback, and improving the transition process during changes in administration. By using formal methods, such as goals and targets for customer satisfaction

and customer satisfaction surveys, programs would be able to measure their performance and more reliably determine customers' unmet needs and expectations.

We recommended that the Economic Development Division improve customer satisfaction by developing goals and targets for customer satisfaction, periodically surveying customers to gauge the quality of customer service, evaluating performance by comparing survey results with targets, and changing services as needed.

Agency Action: Pending.

The agency agreed with the importance of gauging customer satisfaction and committed to incorporating such measurements into work plans, as resources allow.

Finding #7: The Small Business Loan Guarantee Program needs to work out differences with the financial development corporations.

Although customers for most of the Economic Development Division programs we reviewed were satisfied, those of the Small Business Loan Guarantee Program were not. These customers, financial development corporations, gave the program a score of only 2.2 on a 5-point scale. The financial development corporations' concerns included inconsistent and slow technical service, lack of continuity during the latest transition in state administrations, lack of a statewide marketing effort for the program, and no efforts to gain their feedback. Some also complained that the program did not do enough to promote increased state funding.

We recommended that the Small Business Loan Guarantee Program work with the financial development corporations to discuss their concerns and determine what actions it should take to resolve them.

Agency Action: Pending.

The agency said that it is committed to developing and sustaining a positive and productive working relationship with the financial development corporations. Additionally, it said that it will take steps to develop a more comprehensive statewide marketing effort, but it did not discuss other actions it would take to implement this recommendation.