Enterprise policy evaluation: Is there a ‘new’ way of doing it?

Summary:
The research highlights issues for consideration by those evaluating new enterprise policy interventions. The ‘new’ enterprise policy is systemic, shaping externalities and capabilities. Based on R&D, innovation and education, it shifts away from direct intervention towards creating an enabling environment for small firms and entrepreneurship. Currently, there is a lacuna of research which evaluates such policy interventions. This research argues that new enterprise policy interventions can be evaluated more effectively. Traditional enterprise evaluation metrics are too narrow, focussing almost exclusively on private firm impacts rather than broader societal impacts. This research explores a holistic evaluation framework for enterprise policy, analysing the potential of extended ‘logic models’ to account for the broader impacts of ‘new’ enterprise policy and developing an enhanced logic model framework.

Research Context
Interest in enterprise policy has recently experienced resurgence both nationally and internationally. Driven by macroeconomic factors such as the Lisbon agenda and the global financial crisis, as well as high levels of unemployment and low growth, policymakers are looking to small innovative firms as drivers of economic growth. Robust evaluations are becoming increasingly important: the public purse is more constrained than ever, so policymakers must identify cost-effective interventions with optimal returns and policy improvements; and new enterprise policy interventions target business models which are distinctly different from those which characterised previous recessions.

Too often, evaluation studies focus on resource inputs and immediate impacts of particular initiatives at the level of the assisted firm. Current metrics tend to be narrow and uni-dimensional, and fail to account for the broader and longer-term societal impacts of new enterprise policy interventions. While some improvements have been made in this regard, time horizons are often overlooked. The key challenge remains how to evaluate enterprise policy interventions; methodological issues become more challenging in the context of ‘new’ enterprise policy evaluations.

This research examines the new enterprise policy approach and highlights the potential of refining and extending commonly used logic models to account for broader societal impacts.
Key Questions
This research examines the key issues for consideration by those evaluating new enterprise policy interventions. As enterprise policy shifts its emphasis to increased innovation and technological focus, enhanced logic models can be used to evaluate new enterprise policy interventions. The ultimate aim of the research is to explore a holistic enterprise policy evaluation framework which includes long-term societal impacts.

Research Method
The research presents a framework for evaluating new enterprise policy interventions which applies a more holistic logic model. Building on previous work by the author, new features are added to earlier models whose characteristics apply to more traditional enterprise policy evaluation frameworks.

Key Findings
Traditional evaluation metrics focus mainly on firm level impacts, and fail to identify broader societal impacts. Enhanced logic models can correct many of the deficiencies that characterise previous evaluation approaches by accounting for these broader impacts. Logic models are useful ex-ante and ex-post evaluation frameworks and can help policymakers consider linkages between problems, activities, and impacts of a programme. Many evaluation frameworks view firms in isolation; logic models take the firm’s operating environment into account.

The new enterprise policy approach has innovation, R&D and education at its core and is characterised by a systemic view of policy interventions. The approach sees innovation systems/clusters as fundamental policy frameworks and emphasises the importance of interdependencies between firms, universities and development agencies. The new enterprise model concerns itself with novelty; views lack of predictability as an opportunity for growth; attains efficiency through innovation and flexibility; combines internal and external expertise; handles risk; and outsources large parts of the supply chain. Such an approach sees knowledge as a competitive asset and acknowledges that the world of ideas is different from the world of physical capital.

This new approach calls for ‘new’ ways to evaluate. Logic models are not new to the enterprise evaluation ‘tool kit’, but they have the potential (when enhanced) to incorporate broader impacts key to future evaluation metrics. ‘New’ enterprise policy evaluation metrics should incorporate dimensions such as:

• the contribution of interventions focussed on the broader socio-economic fabric of locality or region;
• extent of additionality (impact, output, behavioural);
• opportunity cost;
• impact on ‘wider publics’;
• impact on sustainable development;
• impact on average wages and growth rates within the local/regional economy;
• displacement/crowding-out effects across firms in the targeted area and in neighbouring areas;
• capacity building;
• multiplier impacts;
• knowledge creation through institutional diversity and pluralism;
• impact of the environment shaping the economy on dynamics of entrepreneurship/enterprise activity;
• government or bureaucratic failures.

Holistic logic models along the lines suggested in this research have the potential to serve as all-encompassing evaluation frameworks for assessing new enterprise policies. Whatever the ultimate investment in such holistic methodologies, government spending would benefit in the short term from clearly outlining and specifying enterprise policy objectives.

Only when this is done can we begin to think about evaluating impact. The specification of objectives is the vital first step in any enterprise evaluation exercise. In current times, which demand fiscal prudence in government spending, this would be a worthwhile investment.

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