

PPT #7

# Managing the policy research nexus

Ian Drummond  
Analytical Unit  
Enterprise Directorate  
Department for Business Enterprise and Regulatory Reform

## BERR Enterprise Directorate Analytical Unit

- The BERR Enterprise Directorate Analytical Unit provides a centre of expertise that **creates and communicates knowledge** of small business issues.
- It has an influential role in promoting and developing **evidence based policy**. Specifically, the Unit works to build and develop the **technically robust evidence base** required for **effective policy making**.
- The work of the Analytical Unit covers three main areas: **research, evaluation and statistics**.

# Managing the policy research nexus

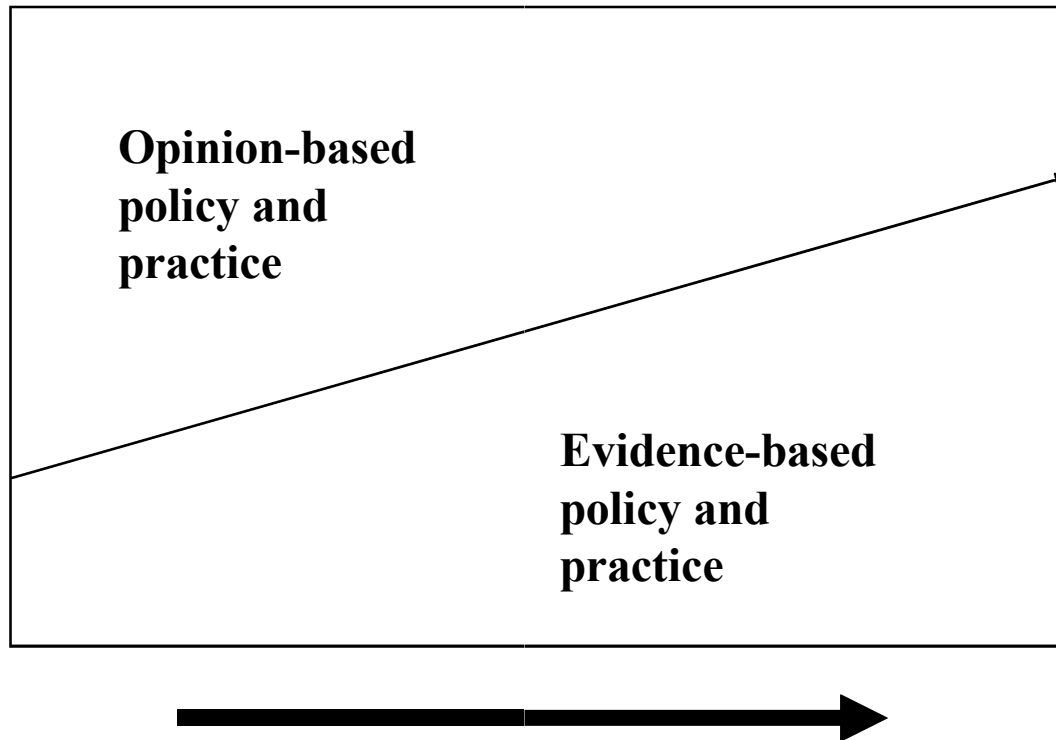
## Presentation

- **BERR's commitment to evidence-based policy making**
- **Practice in BERR – Enterprise Directorate Analytical Unit**
- **Challenges to evidence-based policy making in practice**

# Evidence-based policy

**Motherhood and apple pie .....**

# Evidence-based policy



Adapted from: Muir Gray (1997)

## Evidence-based policy

**There is an increasingly powerful expectation that rigorous, replicable, relevant, and independent research should make an important contribution to the evidence base for action.**

*Cabinet Office*

# Good practice in evidence-based policy making

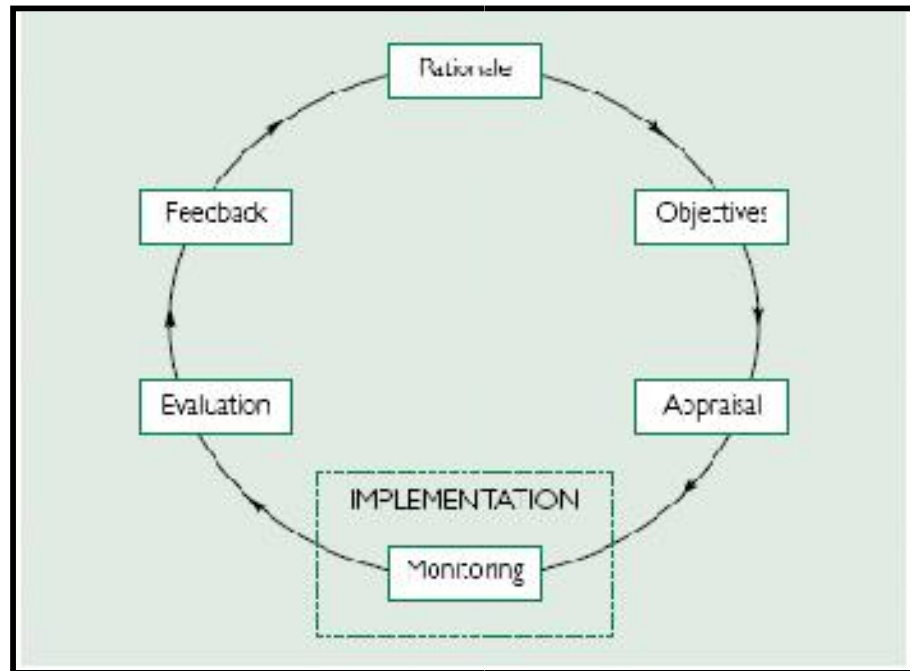
Quite an extensive literature

For example, according to Nutley et al (2002)

1. Agreement as to **what counts as evidence** in what circumstances
2. A **strategic approach** to the creation of evidence in priority areas, with concomitant **systematic** efforts to accumulate evidence in the form of robust bodies of knowledge
3. **Effective dissemination** of evidence to where it is most needed and the development of effective means of providing wide access to knowledge
4. Initiatives to ensure the **integration** of evidence into policy and encourage the **utilisation** of evidence in practice

# The policy development process

- Policy development process is well understood.
- ROAMEF process is logical well rehearsed.
- Evidence and analytical input is relevant at all stages.



# BERR Research

## DTI/BERR Research

### Strategic level/macro level

- 2004 Action Plan and Evidence base
- 2008 **Enterprise Strategy**
- Quantifying the impact of 'churn' & other changes in SME sector on GDP
- Benchmarking UK progress - comparability of international data
- Identifying international good practice in policy development

**Operational level** - detailed evidence around specific themes and policy initiatives and systematic routine evaluation of policy

- The Firm - Business environment
- The Individual - Enterprise Promotion
- Evaluation

# BERR Research

- **Surveys & Quantitative Analysis**
- **Mapping Studies**
- **Literature Reviews**
- **Qualitative Research and Case Studies**
- **Evaluation**
- **Methodological**

# An evidence based Enterprise Strategy

**Early 2008 DTI -> BERR**

**produce a new 'Enterprise Strategy'**

Key AU inputs

- Analytical structure – structure for the strategy
- Focussed evidence and data
- Input into success measures, monitoring and evaluation

# An evidence based Enterprise Strategy

## Enterprise Strategy

Analytical structure – structure for the strategy

- Built on established analysis and evidence base
- Engaged with key (internal & external) stakeholders
- Macro level analysis – ASBS, GEM, CIS, NESS
- Data included in the strategy document

# An evidence based Enterprise Strategy

| Action Plan 2004 Seven themes   | Enterprise strategy 2008 Five 'Drivers' |
|---|---|
| Building an enterprise culture  | Culture                                 |
| Encouraging a more dynamic start-up market  | Knowledge and skills                    |
| Building the capability for small business growth                                   | Access to finance                       |
| Improving access to finance for small businesses                                    | Regulatory framework                    |
| Encouraging more enterprise in disadvantaged communities & under-represented groups | Innovation                              |
| Improving small businesses' experience of government services                       | (Wider benefits)                        |
| Developing better regulation and policy   |   |

# An evidence based Enterprise Strategy

## Enterprise Strategy

Focussed evidence and data

- Ad hoc research e.g., Women's Business Centres

# An evidence based Enterprise Strategy

## Enterprise Strategy

Input into success measures, monitoring and evaluation

Evaluation studies

## Challenges to evidence-based policy making in practice

### Availability of evidence

- Evidence base is inevitably partial

## Challenges to evidence-based policy making in practice

### Nature of the evidence

- Quality – reliability, transferability, generalisability

## Challenges to evidence-based policy making in practice

### Context

- Ministers and officials often under pressure to produce (quick, visible) impacts
- Time and workload pressures
  - Tendency for policy development to get ahead of the evidence
  - Dangers of reductionism

# Challenges to evidence-based policy making in practice

## Structures

- Embedded vs. detached researchers
- Specialisms
  - Economists (6 )
  - Statisticians (5)
  - Social researchers (4)

## Challenges to evidence-based policy making in practice

### Processes

- Privilege quantitative evidence (Business cases, ROAMEF statements, NPV, etc.)

## Challenges to evidence-based policy making in practice

### Culture

- Risk aversion
- Optimism bias - tendency to emphasise the positive
- Tendency to privilege quantitative data

## **Challenges to evidence-based policy making in practice**

**Availability of evidence**

**Nature of the evidence**

**Context**

**Structures**

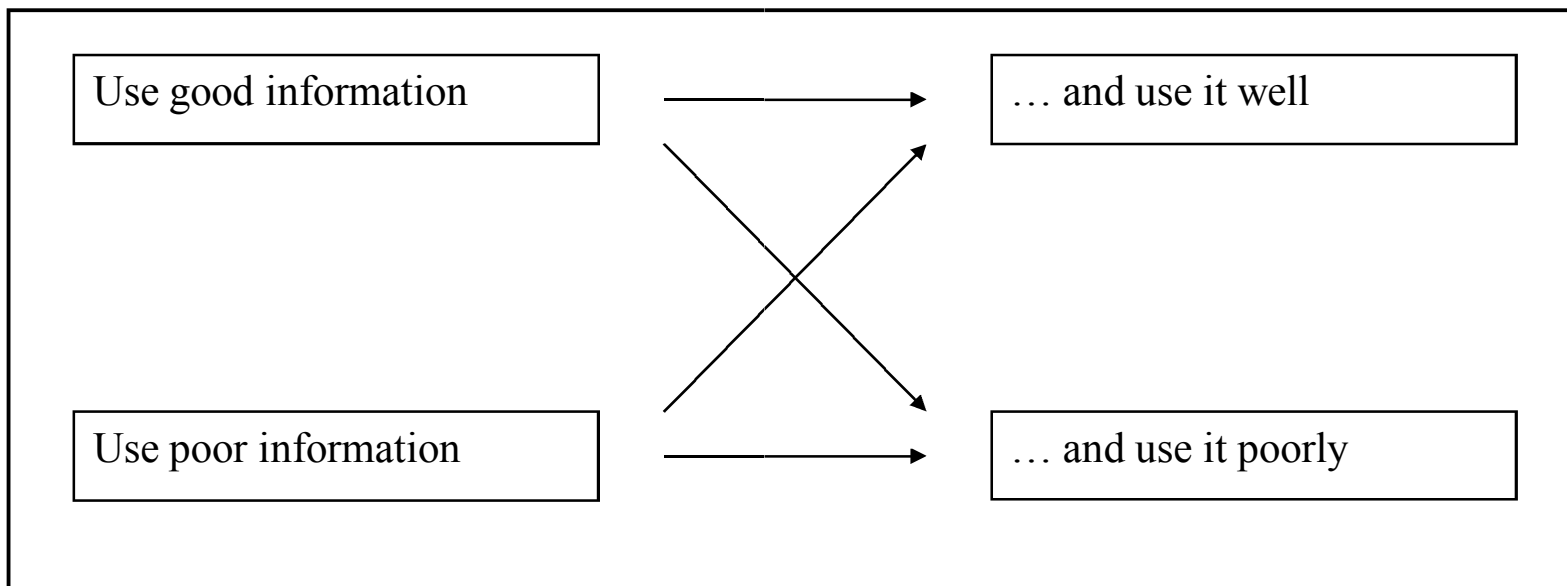
**Processes**

**Culture**

## Challenges to evidence-based policy making in practice

‘...All policies are based on evidence - the question is more whether the **evidence** itself, **and** the **processes** through which this evidence is put to turn it into policy options, are of sufficiently high quality’.

*DEFRA*



## **Challenges to evidence-based policy making in practice**

**Policy makers cannot sit on the fence**

# Examples of recent BERR Research (1)

- **Surveys & Quantitative Analysis** Annual Small Business Survey – needs and concerns of small business
- Household Survey - attitudes of individuals to enterprise
- Surveys on access to finance for SMEs: all, social enterprise & ethnic minority firms
- Survey to establish the number and activities of social enterprises across the UK
- Impact of regulation on SME performance and growth
- Exploring gender differentials in access to finance - an econometric analysis of survey data
- **Mapping Studies**
- Mapping and quantifying the extent of government support for SMEs
- Mapping venture capital provision for SMEs
- Developing time series data on the scope of the business angel market
- **Literature Reviews**
- Perceived access to finance difficulties
- Enterprise policies in other countries
- Small Businesses in the informal economy
- Difficulties involved in business transfer
- Policies to promote women's enterprise
- Review of evaluation evidence on effectiveness of government business support

# Examples of recent BERR Research (2)

- **Qualitative Research and Case Studies**

- The benefits of the government procuring from SMEs
- Myths and legends associated with starting and growing a business
- Workplace practices of the 50 SMEs voted 'best' by employees
- SME experiences of government services

- **Evaluation**

- Evaluation of innovative approaches to enterprise support in deprived areas
- Evaluation of Business Link
- Evaluation of Manufacturing Advisory Service
- Evaluation of a range of demonstrator projects

- **Methodological**

- Evaluating the impact of enterprise education
- Evaluating the impact of venture capital programmes
- Linking administrative data sets to evaluate business support provision

# Evidence-based policy in practice

## How successful have we been?

- More dynamic small business sector ....
- Record numbers of businesses (4.3 million) – 600,000 up on 2000
- SME Employment - 800,000 (7%) increase since 2000
- Employ 13 million - 59% of the total
- Contribute as much as large business to UK output (50% GVA) and turnover (51%)
- Productivity growth of SMEs greater than large businesses
- Approximately 180,000 businesses registered for VAT each year since 2000
- Start-ups have exceeded closures for eleventh year running
- Survival rates much higher than a decade ago – 92% of VAT registered firms still registered after one year; 69% after 3 years.
- Increase in levels of enterprise in deprived areas and now more than a million self-employed women for the first time (up 20% since 2000)