Supporting the monitoring and evaluation of innovation programmes

A step towards European Innopolicy Governance

A STUDY CARRIED OUT FOR THE EUROPEAN COMMISSION – DG ENTERPRISE

STAND ALONE REPORT
MAY 2005

Taking into account the outside world in innovation support policy in Finland

HAD A DREAM...

I knew:
- How to design a consistent innovation support policy?
- How to rate efficiency relying on an objective set of data?
- How to design a portfolio of measures optimising public resources and taxpayer money?

Based on a set of interviews on evaluation practices of innovation support programmes and agencies performed in December 2004 at Tekes (Finnish agency) and the Ministry of Trade and Industry, this short report also builds on comments and remarks made by the High Level Expert Group in January 2005.

Innovation is diverse and pervasive (see Innovation tomorrow report) and Innovation is constantly changing. Innovation is not a type or a category of products, processes or behaviour, innovation is the new wording for entrepreneurship and business. There is by no means a single policy that can be named innovation policy. Rather, Innovation can be eased or hindered by a large number of policies. The proper way to handle Innovation issues according to Finland (and The Netherlands) is to run a high level policy makers team: Science and Technology Policy Council in Finland, Innovation Platform in the Netherlands. Endorsed by this high level policy backing, it can be then dealt with the need for co-operation and co-ordination between different policy areas.

Evaluation is a mean to observe that the policy measure delivers a true support to a desired development of the innovation system, preferably the one planned for when designing the policy measure.

Changes in programming strategies

The more programmes are evaluated the more the description of Innovation becomes knowledge intensive. In the 80s, the belief at Tekes was that technology transfer and advanced technologies would nurture innovation. In the 90s, it became clear that innovation was also sensitive to regulation and institutions used to implement programmes and support measures.

At the dawn of the 21st century it is now understood that innovation is intensively knowledge driven. It aims at networking and merging competences to implement a new business model.

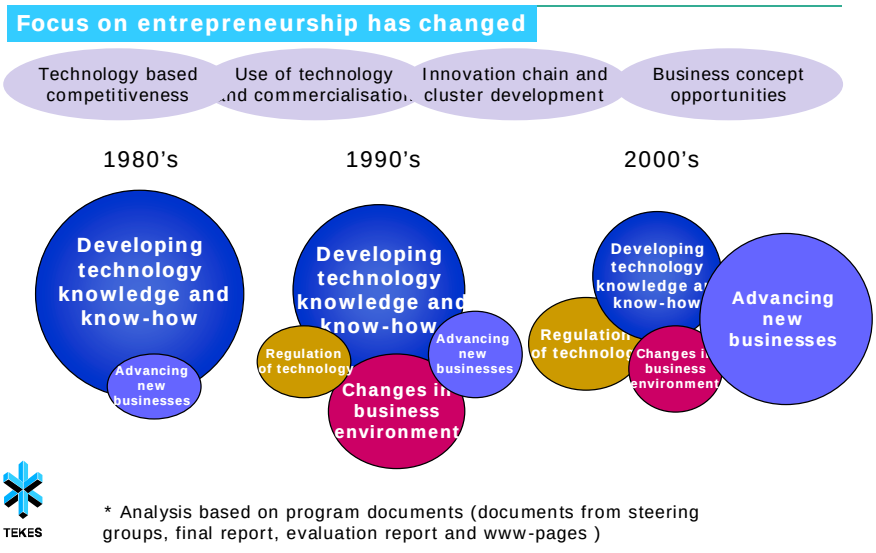
Based on that learning curve, in the 80s, Tekes moved from Technology based competitiveness, to a more demand driven approach for the use of technology.

In the 90s Tekes kept moving forward, implementing the innovation chain and cluster approach which reflects the collective nature of innovation. No single firm can make its innovation a success in isolation. Only partnerships and networks can help build innovation capability.

Tekes is now entering in the knowledge based economy, an economy where innovation can meet success only by combining competences, skills and know-how and making it an innovative business concept

Alongside this process of understanding innovation deeper and deeper, the need for in-depth evaluation steadily increased. Is the concern about quality control of procedure and measure of input efficiency? Not only.

Based on the Finnish experience, the only challenge to be addressed relates to the improvement of economic performance at worldwide level of Finnish beneficiaries of public support.



* Analysis based on program documents (documents from steering groups, final report, evaluation report and www-pages)

A need for an increased evaluation culture based on a 25-year practice

In a result oriented government, efforts must be undertaken to prove that the programme is getting results. The burden of proof rests with each support measure.

Compared to the past, a broader approach is needed to evaluate innovation policies. Evaluation processes were initiated in Finland in the mid 80s when increasing technology support became an issue and that substantial increase in budget allocations were decided. Eventually, everything started in Finland in 1984 at a famous Korpilampi meeting.

No doubt investing heavily in innovation is not enough. There is no direct link between input and output. Any policy maker is asking herself or himself, how can the strength of innovation capability be impacted by government intervention in specific contextual settings and how these have affected their innovation capability building?

In search of a more effective innovation support policy, Finland seeks to develop an empirically validated, externality based, theory of effectiveness of national support programmes. Tekes aims at becoming a leading player in the field of evaluation of innovation support programmes. It created a Strategic Business Unit in charge of evaluation in 1999 employing 10 people out of 250 staffs.

Tekes and the Ministry of Industry and Trade implement the whole set of evaluation practices ranging from ex-ante evaluation to mid-term evaluation, ex post evaluation, system evaluation and finally meta evaluation. Meta evaluation refers to what you can learn from systematic and wide ranging evaluations. It brings lessons from assessing assessment.

Traditional evaluation does not comply with policy requirement any more. It is widely shared in Finland that beyond evaluation, what really matter is impact assessment of performance.

A stronger emphasis on Impact Assessment can build on years of experiments in the field of Environmental protection and in the field of Research. The European Commission also has already a clear definition of Impact assessment (see box).

Impact Assessment (EC policy definition)

Impact Assessment (IA) is a process aimed at structuring and supporting the development of policies. It identifies and assesses the problem at stake and the objectives pursued. It identifies the main options for achieving the objectives and analyses their likely impacts in the economic, environmental and social fields. It outlines advantages of each option as well as synergies and trade-offs. It should lead to proposals that not only tackle the problem they aim to solve but also take into account side effects of other policy areas.

Implementation modality is crucial to make a policy measure a success

Program purpose defines performance measures: the clarity of programmes and soundness of program design is important as it will help tracing moving targets, i.e. worldwide competitive pressure will make conditions evolving during the programme implementation phase.

Finns have in mind that 50% of the incentive effects come from the programme definition and 50% from the programme implementation modality.

In Finland, an increasing focus is on building an accurate set of information to report with accuracy and consistency on what innovation capability building the programme is achieving and what quantitative indicators could best describe economic expectations.

The goal is to move from inputs analysis to outcome and results. If the programme design does not touch upon developing adequate measures and collecting the necessary data, inadequate evaluation will take place.

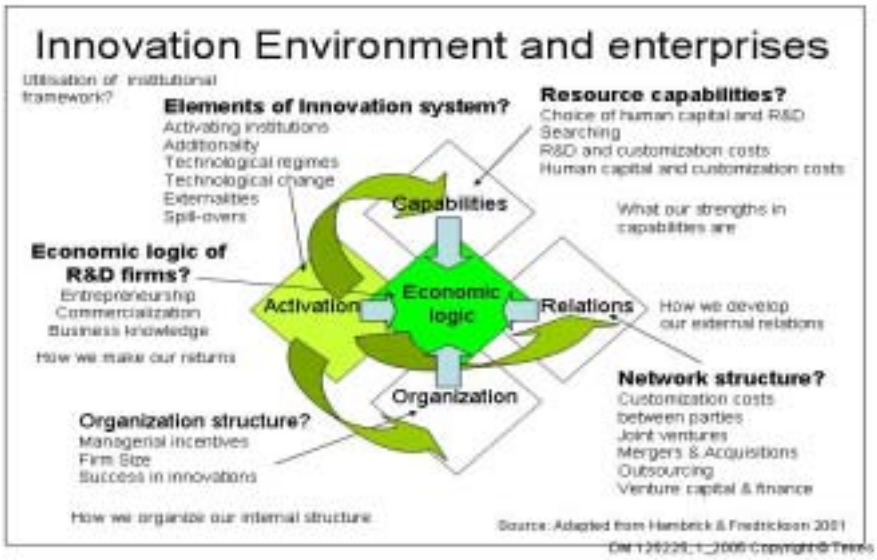
Accountability and reporting design at the starting phase are also a mean to better justify policy design at political level when a new programme is launched or reviewed.

It makes objectives and targets easy to understand.

Giving predictability to change

Incentive sensitive targeted stakeholders will react not only to the policy instrument but also to their innovation environment, producing interactions that will be part of the support system. Evaluation of knowledge base strengthening requires the availability of data that need to be made available when the policy instrument was launched.

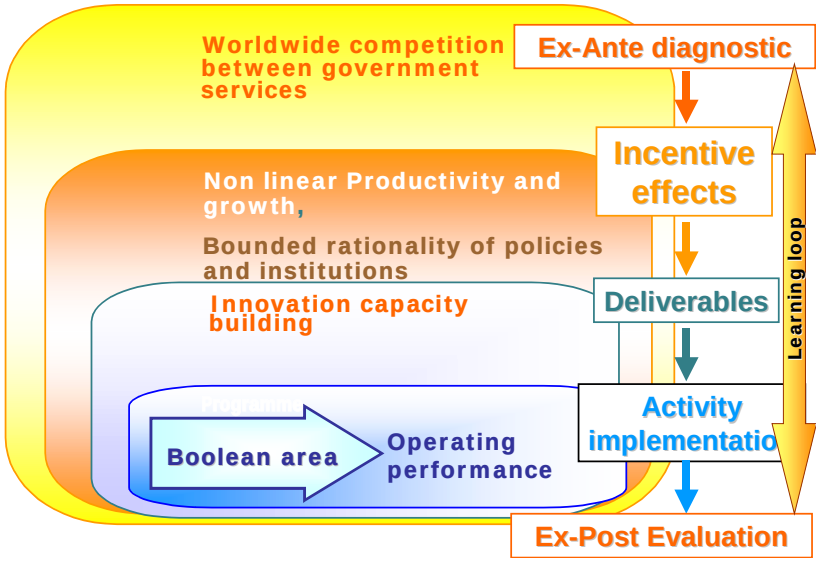
The more sophisticated a policy is, the more cognitive resources those policies require. Impact assessment and evaluation is the process by which will emerge a community of players acting intensively to make the programme or measure a success.



Innovation Policy design in the Impact Assessment Mode

Evaluations and Impact assessment cannot be treated as events external to the programme itself. Evaluations are to be viewed as learning processes among stakeholders.

Government policies, i.e. regulatory, indirect support measure or direct intervention can always be seen as a services provided to stakeholders to help them achieve what they usually would not do. These incentives effects should be looked for after a diagnostic (ex-ante evaluation) has described a failure in the system. In innovation system, achieving the outcome does not rely on government willingness. It is based on players changing their behaviours, mutually aligning their prospective learning on market absorption capacity. Therefore, any public policy interacts with so many different other factors that it is out of the government will to control the system. It can only control the deliverables and ask whether they contributed to innovation capability building as anticipated or not. In addition, mid term evaluation and operating performance evaluation help describing the effectiveness of the implementation support. And finally, ex-post evaluation will assess the economic output of the innovation support scheme.



Following that theoretical framework, evaluation aspects should be integrated in the design of policy measures and complement operational performance monitoring during implementation.

A relevant tool to prepare strategic plans supported by an innovation support measure should then always encompass items to:

- Increase consistency of information
- Define adequate performance measure
- Minimise subjectivity by embedding different views
- Measure progress towards results
- Institutionalise impact assessment in the programme design
- Assess against overall context not against local improvement
- Increase the use of assessment/evaluation/rating information

Why are some countries advanced in terms of evaluation culture?

There is no obvious reason why some countries, such as Finland or Sweden, are more advanced in terms of evaluation culture.

Concerning Finland, some 15 years ago, State Auditors initiated the audit of innovation programmes. This led to the first evaluation programmes, although it is clear that evaluation is very different from audit. As a result, it took Finland 15 years to implement a very strong evaluation culture and develop an undisputable expertise in the field of evaluation strategies and practices.

There are many reasons for deciding to implement evaluation procedures:

- To avoid political mistakes?
- To convince decision makers to continue funding specific programmes or activities?
- To stop a programme?
- To improve a given situation?

The problem then can be that the political agenda does not match a programme's lifetime. If results have to be demonstrated in the context of an evaluation, continuity of innovation programmes might be in danger because of stop and go practices.

To avoid this type of situation, evaluation can encompass several types of indicators of short-term, mid-term and long-term. It is equally important for the programmes' management to set up agreements with policy makers in order to set up reporting periods. There is an experience of successful projects incorporating evolutionary evaluation along the implementation of the process.

But evaluation is a sensitive process where psychological barriers are important. Enhancing the evaluation culture is a major step in facilitating the implementation of evaluation policies.

In order to address the lack of evaluation culture and to promote evaluation, it is essential to gain attention from the decision makers on the necessity of evaluation and to ensure that goals of evaluation are understood by policy makers.

As a side remark, it is worth noting that these issues are challenging ones for New Member States.

ABOUT THE STUDY

The study being carried out for DG Enterprise of the European Commission is entitled, "Supporting the monitoring and evaluation of innovation programmes, a step towards European Innovation policy Governance ". It arises in the context of long-term growth in awareness among the policy-making, administration and research communities with respect to the need to enhance the effectiveness and impact of publicly funded innovation support spending.

The ultimate goal will be to lay the groundwork for a European Pilot Initiative. The objective of the initiative will be to design - and provide recommendations for implementation - guiding principles, methods and operational tools for an enhanced evaluation practice of innovation programmes as a step towards a sound governance of innovation.

A high level working group has been established with members coming from the innovation policy-making and support community in the European Union:

- Mrs Agnes ARCIER Head of Unit, Innovation and competitiveness policies, Ministry of Economy, Finance and Industry - France
- Mr Wolfgang CRASEMANN Head of Unit "Technology and Innovation Policy", German Federal Ministry of Economics and Labour - Germany ; Mrs Ullrike BLANKENFELD Deputy Head of Division, Technology and Innovation Policy, Federal Ministry of Economics and Labour - Germany
- Mr Kjell-Håkan NARFELT Board Member and Advisor, Vinnova.se - Sweden
- Mr Theo ROELANDT Director of the Department of Strategy, Research and International cooperation of DG Innovation, Ministry of Economic Affairs - Netherlands
- Mr Simone SORBI Director of Innovation and Research Policy office, Toscana Region - Italy
- Mr Janis STABULNIEKS Managing Director of the Latvian Technological Center - Latvia
- Mr Peter STANOVNIK Vice-Chairman, National Council for Technology - Slovenia
- Mr Charlie WOODS Senior Director, Knowledge Management, Scottish Enterprise - United Kingdom ; Mr Neil MACCALLUM Head of Appraisal & Evaluation, Scottish Enterprise - United Kingdom

The study started on November 2004 for a duration of 13 months, including the organisation of an International workshop at the beginning of July 2005 in Brussels.

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