

APPROACHES TO MEASURING ENTERPRISE CULTURE: SELECTING A 'BASKET OF INDICATORS'

This paper summarises recent thinking on measuring enterprise related activity as part of the development of a strategic approach to enterprise culture in the East Midlands. It forms part of a wider programme of work undertaken by the East Midlands Enterprise Culture Strategy Group¹ and supported by Leicester based consultancy DC Research Ltd.

This paper uses the term '*enterprise capability*' to mean improvements in the enterprise related skills and competencies of an individual, and '*enterprise culture*' as a local and regional condition and ambition.

Introduction

There is a strong understanding of the role and importance of enterprise capability and culture in the development of competitive local and regional economies. However, there is both a need for, and expectation that, any investment to promote enhance coordination and provision to be underpinned, where possible, with evidence of progress made and impact to date.

This need for evidence has to be balanced by a recognition that robust and meaningful measures of enterprise capability and culture are problematic in terms of fully capturing the value and impact of activities and interventions. Nevertheless, progress on enterprise capability and culture can be monitored through a combination of the following approaches:

- Existing regional **economic intelligence mechanisms** (such as the Regional Index of Sustainable Well Being) supplemented by available national level research (such as the Global Entrepreneurship Monitor (GEM)).
- Development of a **basket of indicators** to track enterprise capability and culture in the East Midlands over time.
- Periodic **strategic added value** (SAV) evaluative assessments as to impact of regional and sub regional activities.

This paper considers the potential development of an Enterprise Culture Basket of Indicators from **established datasets**.

Enterprise Culture 'Basket of Indicators'

In developing a basket of enterprise capability and culture related indicators as a component of a wider enterprise culture measurement approach, care needs to be taken in establishing targets that are outside the scope of influence for policy makers and deliverers, and / or are especially vulnerable to external influences (such as changes to macroeconomic conditions, national priorities and/or funding regimes). In addition, such a 'basket' should be able to reflect longer term change as well as year on year progression.

¹ Commissioned by East Midlands Development Agency (*emda*), this work builds upon the earlier work of the regional Employment, Skills and Productivity Partnership's Enterprise Culture Task and Finish Group in 2008.

Within these caveats, a basket of between five and ten indicators could add value to the existing Regional Index of Sustainable Well Being, GEM and evaluative approaches to tracking enterprise culture development.

The Enterprise Culture Strategy Group selected a 'long list' of suitable indicators, and refined this into a final basket by applying the following guiding principles:

- Selecting the closest match of indicators to capture the wide spectrum of enterprise culture activity, with a balance between economic development and education indicators.
- Ensuring where possible that selected indicators will be available in the same form over the long term (thus adhering to data principles of both time series and data certainty).
- Using a combination of Regional Economic Strategy (RES) and the National Indicators selected by the nine Local Area Agreements in the region².

Enterprise and Local Area Agreements (LAA)

The new LAA performance framework means that local authorities are now no longer assessed on the quality of the services they provide, but on the outcomes that they, and their partners, deliver in the local area. The outcomes are drawn from The National Indicator Set for Local Authorities and Local Partnerships (a total of 198 indicators). Local areas choose up to 35 indicators which most closely relate to the priorities of the area, and set targets against which performance is judged. It is important that the measurement approach reflects sub regional as well as regional priorities, and the Basket of Indicators table below highlights how many of the nine East Midlands 2008 Local Area Agreements (LAAs) include the selected enterprise culture indicator.

The indicator selection process has resulted in a revised and shortened basket of indicators, set out in Table 1 overleaf. These indicators can be used, along with other approaches, to track progress of the conversion of enterprise activity into enterprise culture over time. With the exception of the GEM indicator, the indicators in Table 1 utilise existing data and indicators to measure the **'conversion rate' of entrepreneurial culture into enterprise activity.**

Observations and Conclusions

In terms of assessing impact over time, it is important that the Basket of Indicators approach is one of a portfolio of approaches used for tracking enterprise culture progress. With this in mind, the following observations should be noted:

- Firstly, it is important that **specific interventions** (such as projects or programmes funded to enhance enterprise capability or culture) should be evaluated whenever it is both possible and useful to do so.
- Secondly, policy makers will need to **accept 'after the event' assessment** of headline trends as a measure of enterprise capability and culture (such as regional skills levels, higher order job creation and productivity as measured

² It is important to note that there are ongoing concerns about the sample size and underlying methodology of a number of the indicators included in the National Indicator set. To address this issue directly, the basket uses a RES or Employment, Skills and Productivity Partnership (esp) indicator where there is a direct choice between this and a corresponding National Indicator.

by GVA per head). This should be combined with a Strategic Added Value assessment of influence of enterprise and enterprise skills on these headline trends.

- Finally, it is worth noting that there is clear value in enabling future assessments to **capture activity that sits behind these headline indicators**. For example, in terms of business start ups, useful measures such as the number of graduate firms established, and number of graduate firms active (measured using Higher Education-Business and Community Interaction Survey (HE-BCI)), and the number of social enterprise start ups are very useful indicators for subsets of activity captured by NI 171 (either directly or by proxy).

Table 1 sets out the finalised basket of indicators as agreed by the East Midlands Enterprise Culture Strategy Group.

Table 1: A Basket of 'Enterprise Culture' LAA indicators			
Indicator	Priority for LAA / Organisation	Intended direction of progress	% of England / UK average?
NI 110 Young people's participation in positive activities	5 LAAs	↑	No
NI 117 16 to 18 year olds who are not in education, training or employment	8 LAAs	↓	Yes
NI 152 Working age people on out of work benefits*	6 LAAs	↓	Yes
NI 163 Working age population qualified to at least Level 2 +	6 LAAs	↑	No
NI165 - Working age population qualified at Level 4*	1 LAA	↑	No
NI 171 VAT registration rate* (per 10,000 adult population)	4 LAAs	↑	Yes
Employment Rate (LFS)*	JC+	↑	Yes
Self Employment (LFS)	JC+ / Business Link	↑	Yes
3 Year Business Survival Rate (ABI)*	Business Link	↑	Yes
GVA Per Hour Worked (ONS)*	<i>emda</i>	↑	Yes
Total Entrepreneurial Activity (GEM)	<i>ESP</i>	↑	Yes
Notes:			
<ul style="list-style-type: none"> * denotes a direct relationship to a Regional Economic Strategy indicator 'Intended direction of progress' refers to whether positive progress results in an indicator grows or shrinks '% of England/UK average' represents DC Research's suggestion as to whether regional performance should be presented as a proportion relative to national performance 			

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