Government Brokerage of Innovation Networks

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The context: Small and midsized enterprises (SMEs) tend to lack the knowledge, capital, and connections they would need to understand and take advantage of best practices. The consequences are particularly salient in US manufacturing, where SMEs are not only increasingly important but tend to underutilize new techniques and technologies that are more or less readily available—despite the fact that small manufacturers who adopt new techniques and technologies are approximately 50 percent more productive than their more typical counterparts.

The problem: The Manufacturing Extension Partnerships (MEPs) sponsored by the National Institute for Standards and Technology (NIST) encourage the dissemination of new techniques and technologies to SMEs by means of two broad strategies: the *direct delivery* of consulting services at subsidized rates; and the *brokerage* of relationships between SMEs and third-party providers (e.g., junior colleges, state agencies, and private consultants). But NIST's metrics tend to reward partners (or "centers") that utilize direct delivery (i.e., "billable hours") and punish centers that broker relationships (i.e., through brief referrals)—despite suggestive evidence that the broker model yields a higher return-on-investment.

The solution: NIST's metrics should be redesigned to level the playing field between the broker model and direct delivery.

The payoff: New metrics would in all likelihood: (i) encourage more centers to experiment with the potentially superior "broker model" of service delivery; (ii) allow for a more rigorous comparison of the two models after the fact; and (iii) open the door to further policy changes depending on the results of those natural experiments (e.g., personnel policies designed to encourage the use of whichever model yields higher returns).