
Creating and measuring dynamic public value at the BBC

A scoping report

By Mariana Mazzucato, Rowan Conway, Eleonora Maria Mazzoli,
Eva Knoll and Sarah Albala

December 2020



Institute for
Innovation and
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Acknowledgements

Over the summer 2020, against the backdrop of the COVID pandemic, it was a great privilege to be able to explore with the BBC ways to develop and test new metrics that can assess how the BBC delivers against its mission, creates public value and co-shapes markets. This paper is a work in progress. It was created through many conversations, workshops and structured interviews. We would like to extend our thanks to those at the BBC who have been generous with their time and insights, and helped shape the approach to considering dynamic new ways to assess its contribution as a market creator.

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Abstract and summary

The BBC reaches around 465 million people globally every week and is one of Britain's strongest and best-known brands serving local, national and global audiences simultaneously. Its success is both due to its quality content, but also its attention to technological change (such as the iPlayer) and setting new standards. In these activities, it has taken risks and created new markets.

In doing so it has created value for **individuals** in their experiences as consumer; for **society** in contributing to a more inclusive, tolerant and diverse culture; and in **industry** in taking the kinds of risks necessary for new markets to emerge.

But how can these actions be measured? This report argues that the answer to this question requires new ways to think about governance and evaluation that can capture the truly dynamic role that the BBC plays in the economy. This cannot be reduced to a notion of fixing market failures, or of measuring public value in static ways that ignore the truly innovative and catalytic role that the BBC plays in the global media industry.

If you follow a traditional economic logic, the “market fixing” rationale for the BBC would be that as the market cannot guarantee universal public service broadcasting, the BBC is therefore tasked with fixing this “market failure” by providing access to universal, distinctive content that informs, educates and entertains. In practice, however, the BBC does so much more than this — it is a creative force within the market, not separate from it. So while its Royal Charter and Agreement seeks to minimise any negative market impact¹, it also clearly sets an expectation of the BBC as a “market shaper”. In this report we seek to demonstrate how this role as market shaper is linked to public value creation.

Understanding *dynamic* public value

By reviewing the existing ways that public value is measured at the BBC and across public service media, and then using new thinking about public sector innovation alongside in-depth interviews with internal and external stakeholders, this report proposes a new dynamic model of public value that can help steer the creation of innovation and value inside the BBC in the 21st century.

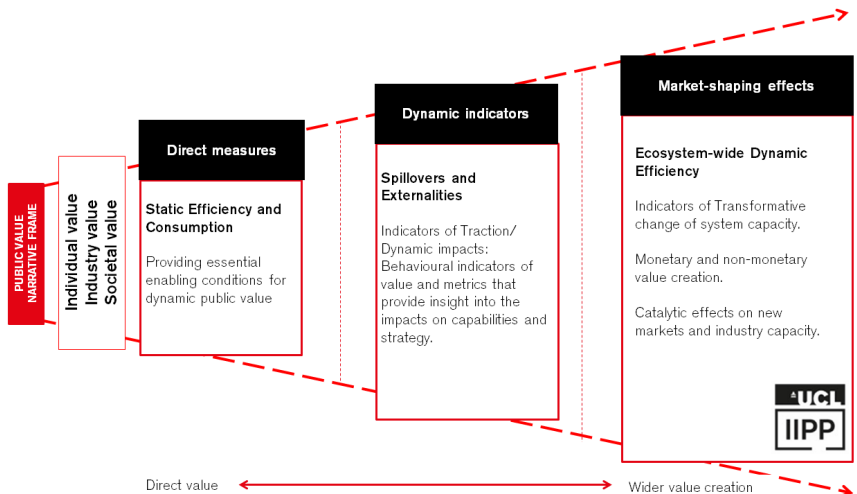
The study explores alternative new approaches to public value assessment at the BBC in this context, drawing on research by media

and innovation experts and economists from the Institute for Innovation and Public Purpose at University College London (UCL IIPP). The report is structured as follows:

- **Introduction:** Provides an introduction to the concept of dynamic public value
- **Public value: From market fixing to market shaping:** Explores a vision of public value for public service broadcasting with a unique new market-shaping perspective
- **Reimagining public value at the BBC:** Seeks to reimagine public value at the BBC, developing a new concept based on stakeholder input
- **Market shaping and the BBC:** Examines how the BBC can define its role as a market shaper and measure public value more broadly
- **An alternative framework for dynamic public value:** Explores new ways to conceive, assess and create public value
- **Developing a prototype framework:** Proposes an alternative evaluation framework as an early stage prototype for further debate
- **Managing a portfolio:** Outlines a portfolio approach to managing innovation at the BBC
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Through an applied research process, the IIPP team has developed an early stage prototype of an evaluation framework that can measure dynamic public value at three levels — at the direct layer (the essential baseline), at the “dynamic” layer which accounts for the spillover effects of activity and then at the “market shaping” layer that looks at how value is catalysed by the BBC and co-created with others.

A prototype framework for assessing value creation



This study has drawn out a range of stories that show how the Corporation can and already does act as a market shaper. Next steps are for the BBC to apply this market-shaping logic in a controlled testing environment and advance the prototype framework to a functioning prototype.

For a framework like this to function, both the internal governance systems and the regulatory environment will need to adapt to the speed of innovation. Many regulators and institutions struggle to move at pace while observing due process and protocols, but as the BBC is by definition a creative institution, all the ingredients for this kind of innovative approach already exist within its walls. This report therefore seeks to unlock this latent potential, outlining a process to help the BBC assess its capacity to create dynamic public value.

Introduction

How is value created in the economy? The mainstream view in economics is that value is created by the private sector, with the state focussed on fixing market failures and avoiding its own “government failures”. This determines the questions that are asked inside public organisations before action is taken, and how activities are then evaluated. First, “What market failures exist?” Second, “Were the failures fixed and how?”

We begin with the premise that these questions are too narrow and are based on ideas of static efficiency rather than dynamic value creation. Value is *co-created* by all economic and social actors, so if markets are outcomes of investments by both public and private actors, it is wrong to assume they exist in a vacuum and need to be “fixed” by public investment. Indeed, some of the greatest technological innovations of the 20th century arose through active risk taking and investment by public actors — from the advent of the Internet to the green revolution. In this light, the key question is what kind of markets do we want (ex-ante)? And how can we measure this (ex-post)? (Mazzucato, 2016; 2018).^{2,3}

While the field of economics, and its influence on government thinking, has been stuck in a market-fixing view of the state, in management literature, the term “public value” is used to describe the role of the public sector in the broader creation of value. The BBC was the first public service broadcaster (PSB) to bring this notion of public value to the world of media⁴ (Knoll, 2012; Lowe and Martin, 2013) and there are few public bodies where the concept is as developed.

The Corporation's enduring Mission is to *“act in the public interest, serving all audiences through the provision of impartial, high-quality and distinctive output and services which inform, educate and entertain,”⁵ and its responsibility is to serve the UK with its five public purposes:*

1. To provide impartial news and information to help people understand and engage with the world around them; 2. To support learning for people of all ages; 3. To show the most creative, highest quality and distinctive output and services; 4. To reflect, represent and serve the diverse communities of all of the United Kingdom's nations and regions and, in doing so, support the creative economy across the UK; and 5. To reflect the United Kingdom, its culture and values to the world.

Yet questions of how the BBC can best create public value remains a high-profile topic of debate. Ahead of Ofcom's PSB Review

(Ofcom, 2020) and the BBC's mid-term review in 2022, there is an opportunity to review current practices and advance a forward-looking framework that can assess the Corporation's value as a market shaper — understanding *dynamic* public value.

Public value and public broadcasting

The BBC's approach to public value has set a benchmark for public organisations around the world. As a mission-driven public institution, it has developed more than just a notion of public value, it has also led the way in the practical use of the concept in decision making (Coyle and Woolard, 2010: 5).⁶ The influential work of Diane Coyle when vice-chairman of the BBC Trust⁷ (BBC, 2004) led to a “public value test” for new BBC services, where public value was defined as both consumer benefits (what individual users directly gain from using a BBC service) and citizen benefits (value created for society).⁸

After the arrival of the new BBC Royal Charter⁹ in 2016, the BBC Trust ceased operating as the governing body, the public value test was discontinued and the Trust's regulatory functions were given to Ofcom.¹⁰ The 2016 Charter and Agreement now provides a framework for delivering against the Mission and Public Purposes, and while public value is perhaps less explicit under this charter, it remains enshrined in processes such as editorial guidelines. The Public Interest Test¹¹ is now used to assure that the BBC is creating public value.

While the BBC's mission is clear and its public purposes are broad, many of its assessment methods are focussed on static efficiency. In reimagining public value, it is useful to begin with the notion of dynamic efficiency. This involves making the best use of resources to achieve changes over time and is concerned with innovation, investment, improvement and growth (Huerta de Soto, 2009; Kattel et al., 2018). Public value creation viewed this way focusses on the creation of new resources to shape markets and innovate — rather than the allocation of existing resources.

Shaping, not fixing markets

Throughout its history, the BBC has created opportunities to shape markets through new formats, delving into areas that might more readily have been considered private sector domains — like drama or talent shows — but done so in a way that pushed the frontier of the landscape, and *crowded-in* new types of creative activities. By creating commercially successful formats (e.g. Strictly Come Dancing which became the global franchise “Dancing with the Stars”), championing diversity (with content such as “I May Destroy You”) and addressing gender stereotypes in sport (by primetime scheduling women’s football) — it has influenced and shaped markets around the world. Furthermore, by fostering society-wide missions such as the BBC Micro and latterly the micro:bit, it has played an entrepreneurial role in technology. The Mission to inform, educate and entertain has therefore characterised its products and services throughout its history. Further, its investment in the creative industries has fuelled innovation, grown new markets and borne new creative ecosystems from the early days of radio, through the birth of television challenges and to the launch of high-quality online services (BBC, 2019: 6).¹²

None of these roles can be understood in a purely market failure framework. While public value is always co-created by a range of actors, a market failure framework stipulates that there are a clear set of conditions under which public money can be spent (see Figure 1 on page 15). To act, there needs to be a clear area where the private market is not serving, or serving badly. This leads to questions around whether the private sector could provide similar services or if there is a more cost-efficient (private) alternative to create similar content.

Figure 1: Explainer — Market failure, market fixing and market shaping

Market failure	Market shaping
<p>Market failure occurs when the market does not provide valuable goods or services. The main types of market failure are:</p> <p>Externalities: The impact of a decision that affects others (positively or negatively). E.g. Pollution is a negative externality.</p> <p>Public goods: A public good is a good or service which is non-rivalrous and non-excludable. A failure occurs when consumers do not want to pay for the good or “free-ride” on those that do.</p> <p>Natural monopolies: These occur due to large economies of scale in production, such that the cost of provision by one firm is cheaper than the cost of provision by more than one.</p>	<p>While “market fixing” is the reactive action taken to address an identified market failure, “market shaping” is the proactive action taken to build a dynamic ecosystem and push the frontiers (in content, technology and audience) of the media market.</p> <p>Market shaping takes a dynamic and ecosystem perspective of government spending, seeing it as investment in the growth of markets — both their rate of growth and their direction — as opposed to the correction of a failure.</p> <p>This recognises that markets are dynamic, complex, and resulting from both public and private activity/investments.</p>

Exploring new ways to understand public value

If we are to understand better the public value created by the BBC, we must consider it in both the dynamic context of the media industry, while also looking at its role as a public institution actively co-creating value in the economy. To do the latter we must conceive a new dynamic role for the BBC as a market shaper (Mazzucato and O'Donovan, 2016; Mazzucato and Ryan-Collins, 2019).¹³ This means that when we look at metrics, we must shift the focus from just marginal improvements in allocative efficiency¹⁴ to a broader notion of value creation.

Reorienting evaluation methods to include a more active understanding of how markets evolve is especially crucial as media is a highly dynamic sector. Over the last 15 years, the topography of the media landscape has changed beyond recognition. Digital technology and social

media have rapidly evolved and connected devices have transformed consumption patterns to the extent that the lines are now blurring between traditional broadcasters and digital intermediary services offered by Google Alphabet, Amazon, Apple, and Facebook (Gawer and Cusumano, 2014).¹⁵

This scoping study therefore explores alternative new approaches to public value assessment at the BBC in this context. It draws on research conducted by media and innovation experts and economists from IIPP who worked with stakeholders from the BBC and the media sector in a short project to develop a new assessment framework for public value.¹⁶

The report is structured as follows:

- **Public value: From market fixing to market shaping:** Explores a vision of public value for public service broadcasting with a unique new market-shaping perspective
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This study was conducted over three months (June-August 2020) with a sample of BBC and media stakeholders — it is by definition exploratory rather than empirical, and its purpose is to outline the potential of such a new framework.

Public value: From market fixing to market shaping

"I think the BBC is an ambassador for the UK public to the world... it stands for something across the world... whether as a trader, or with its cultural presence and cultural ambitions. [...] And you know, it's probably one of the five UK public organisations that most people in most parts of the world can point to — maybe it's not even five, it's three or two — and say 'that's amongst the best things that the British people do'."

- External interviewee, 2020

Globally, the BBC is one of the UK's most visible public value creators, with a trusted brand that is synonymous with the highest quality media.¹⁷ But in some debates about the institution, there is an implicit accusation that the broadcaster is "crowding out" the market through the scale and scope of its services that go beyond a market-fixing one (Mazzucato and O'Donovan, 2016).¹⁸

A different narrative must begin with the recognition that public actors have, in different markets, been successful in crowding in the private sector, precisely when they have been ambitious — taking risks and investing in areas where the private sector is too risk averse to tread. Public value generation in this context should be independent of the format — i.e., it is not about a specific area being only for public actors (e.g. documentaries) and other areas only for private ones (e.g. British drama). But rather the way and process by which these different formats are made — pushing the frontiers of an area so that new audiences are served, and new societal ambitions are met.

Indeed, in the history of technological change, the public sector has often played an entrepreneurial role, investing in technologies, for example, before the private sector was willing. This was the case with the advent of the Internet and the Information and Communication Technology (ICT) revolution, and with the high-risk capital-intensive investments in areas like health, space, and green technology. Such public investments were both upstream and downstream in the innovation chain (Mazzucato, 2011; Semieniuk and Mazzucato, 2017),¹⁹ including funding research and development (R&D), institutions that connect that R&D to business areas, long-term patient finance, and dynamic procurement.

To understand this entrepreneurial role of public agencies, what is needed is not a negative theory — the failures that need fixing — but

a positive theory of the new markets being created. Such a view could help illuminate the role the BBC has played in creating industry value — shaping the creative industries ecosystem and creating media markets (Mazzucato, 2013).²⁰ This requires a positive account of public value that begins with a notion of the public good, not as a correction to a failure, but as an objective in itself (Mazzucato, 2018).²¹

Assessing public service media value and innovation

Digitalisation has driven a “revolutionary” restructuring of the audiovisual industry (Tambini, 2015)²² that has opened up new avenues for innovation (Tambini and Labo, 2016; Donders and Evans, 2018).²³ This has heralded “a golden age of TV”²⁴ characterised by an abundance of content and outlets, and an emphasis on “narrowcasting” and personalised on-demand viewing (Raats et al., 2018: 23).²⁵ As highlighted by Coyle and Woolard, the rapid pace of technological innovation in the media field makes it difficult to predict public preferences with confidence (2010).²⁶ To move beyond these limitations, innovation should be seen holistically as advances in organisational structures, processes, formats and products, as well as technology.

At a European level, Public Service Media (PSM)²⁷ discursively claim to “strive to be a driving force of innovation and creativity”, and to do so they emphasise the importance of training and working on “new formats, new technologies, new ways of connectivity with our audiences, serving our public” (European Broadcasting Union, 2012:5).²⁸ In practice though, factors like partnerships, skills and talent management or organisational culture are not widely explored in mainstream discourse — a gap that can be perhaps filled by developing the notion dynamic public value. Thus, media scholars have classed this as “an impending crisis of imagination” (van Es, 2017, p. 3).²⁹

This can be traced back to the traditional ways in which PSM's value and assess innovation. Like other public agencies, since the 1980s PSM organisations have taken on the task of valuing their worth, and this is increasingly calculated in terms of efficiency, performance and accountability measures (Lowe and Martin, 2013:20).³⁰ Until recently, PSM organisations, like commercial companies, have mostly relied on their traditional annual reports, which include data about the use of resources as well as their output and reach, using primarily static input-output metrics (European Broadcasting Union 2015: 15).³¹ For instance, the European Broadcasting Union (EBU) has developed an

impact assessment framework for its members to adapt to their national contexts in order to demonstrate how they concretely “contribute to society”. However, in terms of metrics, it still evaluates the public value of PSM’s services through a static “price equals value” lens.³²

The inherent tension in defining and assessing public value for PSM organisations is that they are “mandated to provide services and cater to groups that are not attractive in commercial terms.” But in practice this means the institutions are “torn between evidencing market value, a concept strongly embedded in commercial logic where success depends on achieving sufficient popularity, and embodying its mandate as a not-for-profit institution with values that are in principle contrary to that logic.” (Lowe and Martin, 2013: 20).³³ Inevitably “this balancing act creates significant complexity for a fair, comprehensive and robust measurement of public value” (Lowe and Martin, 2013: 21).³⁴

For the BBC, the inherent challenge is in the balance between maximising the provision of universal services to increasingly complex and fragmented audiences, whilst assessing public value predominantly through static efficiency measures. There is therefore an opportunity for the BBC to provide global industry leadership as a leading public service broadcaster and to conceive of a novel perspective on public value and innovation in this context.

This will entail a broadening of the notion of public value beyond value to the individual as a consumer and as a citizen³⁵, but also to industry and society. This study therefore explores the concept of dynamic public value and considers what would be needed to build a new analytical framework that can assess the Corporation’s role as market-shaper and innovator.

Reimagining public value at the BBC

“Public value fundamentally is to be distinguished from other forms of value, largely in the context of sustaining the public sphere, enabling people to play a full part in society.”

- BBC interviewee, 2020

Public value is rooted in the culture of the BBC and is implicit in the BBC’s mission statement, editorial guidance, commissioning process and through its five public purposes. But with such a dynamic media market, now is perhaps the moment to generate a contemporary definition that incorporates the key roles that the BBC plays as an entrepreneurial public institution.

In order to get a better understanding of what public value could mean for the BBC today, we conducted expert interviews with past and present BBC employees as well as external stakeholders from media organisations and the regulator.³⁶ While these views are by no means representative of the institution as a whole, they bring some key themes to the surface:

- **A shared understanding of public value exists at a high level at the BBC.** A consistent finding in all interviews was that there is an intrinsic shared understanding of public value, but it is abstract. Almost all interviewees directly linked public value to society and positive outcomes for the public, as well as a public service remit which is different from for-profit objectives (BBC interviewee, 2020).
- **A detailed understanding of public value and its component parts varies.** Some internal interviewees, but not all, distinguished between the individual as a consumer and as a citizen, with individual value being related to consumption and citizen value to society, impacts and outcomes. A few (BBC interviewees, 2020) made a further distinction to include a third type of value — industry value — and the role the BBC plays in shaping the creative industries ecosystem.
- **A stronger emphasis was put on individual consumer value, and consumption as the key measure of value.** Measures such as engagement, interaction or value-for-money are generally well understood.

-
- **Contribution to industry is important.** There was an emphasis especially from external interviewees on the contribution of the BBC to the media industry, as a long-standing supporter of the UK's cultural and creative industries and a patron of talent in the sector. Internal interviews also highlighted the positive impacts of the move to Salford, nurturing talent and partnerships, and setting standards.
 - **There is a need for a common understanding of public value.** There was general agreement that this is an important conversation to have to inform the current and future role of the BBC to ensure it continues to provide its public remit in the digital world.

Unpacking public value

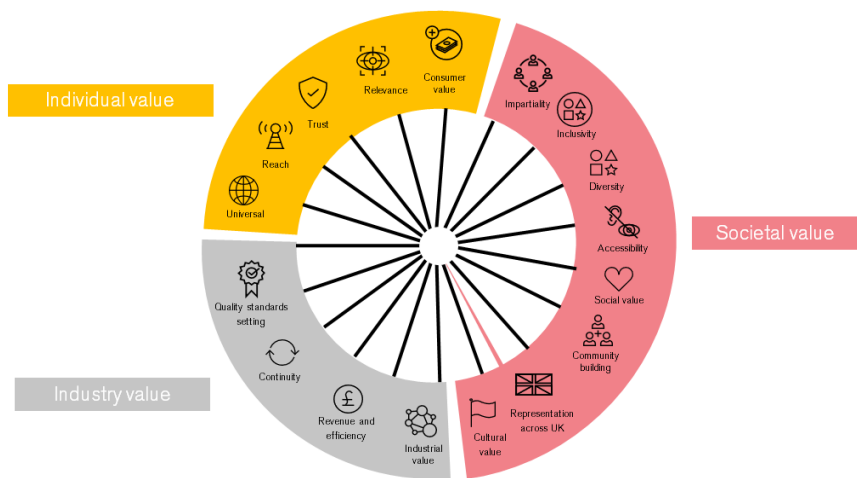
Value is created in many ways at the BBC. Consumption figures help to show the BBC's reach, efficiency and commercial success — key indicators of public value, without successful and widely viewed programming, the BBC would not have the legitimacy and scale to engage the wider public. (Workshop participant, 2020). But these numbers do not show the entire picture.

To understand a broader spectrum of value created by the BBC that captures the dynamic components that static efficiency measures do not, we held a public value-mapping workshop with 13 BBC senior staff in July 2020. Our goal was to look at the BBC through a market-shaping lens across different dimensions: domains of value (e.g. content or talent-building), types of value (such as industry, individual and societal value) and the nature of value (if value created is direct — such as consumption figures or revenue, or added value such as spillovers, or has a catalytic effect on the innovation ecosystem). The aim of this process was to feed into a prototype evaluation framework that could be further tested (explained later in this report).

Firstly, we sought to understand where to look for value. The BBC spans many domains, from the creation of path-breaking content, to developing new media technologies like the iPlayer, to standards-setting with partners and defining new institutional processes. Our goal was to refine this down to a manageable set to ensure that any future framework had clear parameters.

With consideration of all input from stakeholders³⁷, including foundational work by the BBC Chief Economist³⁸, we concluded that the broad range of public values could be usefully grouped under the headings of individual value, societal value and industry value. See Figure 2 below.

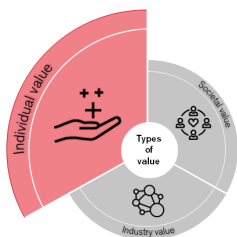
Figure 2: Capturing a broader account of public value — individual, societal and industry



It should be noted that some of these values are inherently normative judgments, and open for biases and debates. This is considered in the development of the framework later in this report.

From page 25 we look at ways to frame the core components of public value. These definitions will require further refinement and development within the BBC and with stakeholder audiences.

Individual value



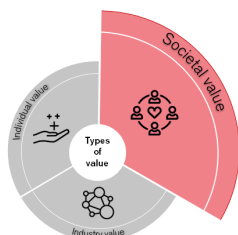
Individual value relates to the direct relationship the BBC has with every user and licence fee payer. To derive public value, individuals must find BBC content and activity informative, educational, entertaining and useful. To all interviewees, consumer value was therefore central to individual value. In mainstream economic terms, individual value might be described as “consumer surplus”.³⁹

But public value for the individual can also be considered with the more intangible values of “usefulness”, “trust” and “love” — embedded in the nature of the relationship individuals have with the BBC beyond their consumption of programmes. This reaches into people’s values, their personal experiences, and their sense of connection with their community and nation as a whole.

Individual value is found within the unique relationship a user has with the BBC as an institution. This cannot be reflected solely in consumption figures, but also in engagement and habits that bring individuals closer to the BBC as a “loved brand” (BBC interviewee, 2020). “Values are what people stay with” and “people want to identify with things that matter to them” (BBC interviewee, 2020). To some extent an example of individual value can be seen from the strengthened relationship with the BBC platform during the Coronavirus pandemic where BBC News was a vital source of reliable information and 81 million UK browsers came to BBC News Online in the week of 16 March. (BBC, 2020: 6)⁴⁰

Thus, to create individual value it is not sufficient to produce great content that targets all audiences — connecting to individuals on a personal level is what deepens relationships. While in a linear world, reach and access were facilitated by a prominent position of BBC’s channels on the electronic programme guides (EPGs),⁴¹ this is no longer the case in today’s online media ecosystem. To maintain individual value, the BBC must then focus on strengthening the direct relationship with its audience as users find a wider range of entry points to a relationship with the BBC via different intermediaries.

Societal value



Defining societal value in purely economic terms will always be too reductive. Societal value is woven into the very fabric of the BBC as a British institution, and should therefore not be described as just a positive externality or by-product of individual value.

Too narrow a definition of societal value will eclipse the myriad ways in which the BBC contributes to societal value — its convening power as an institution, its community-building strength in bringing the nation together and its soft power as a global paragon of British virtues.

In the context of the growing fragmentation of the online sphere, the ability to demonstrate societal value becomes ever more important (BBC interviewee, 2020). The definition we suggest is a more holistic understanding of the broader social, cultural and societal contributions of the BBC.

“The BBC has huge British cultural impacts as well. So it’s not just about the impact on society that is good. It’s the fact that we are reflecting the UK — we are part of British culture.”

- BBC Interviewee, 2020

This is not necessarily tied to the notion of citizenship, but to a more inclusive and broader vision of the public sphere (Workshop, 2020). Both internal and external interviewees referred to the contribution the BBC makes to the democratic process, to informed individuals, to a sense of nationhood and togetherness, to the representation of different cultural norms, diverse identities and communities. Demonstrating the value of bringing the nation together or reflecting the rich diversity of the UK can only be done meaningfully in a qualitative way and telling these stories is essential in demonstrating commitment to the societal value that the BBC creates.

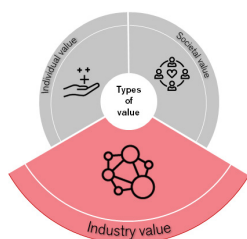
Public value in a societal context can be exemplified by the BBC knowing when and how to lean in to societal issues where it can add significant value. As a public service organisation, the BBC has the responsibility to use its scale and reach to highlight topics of societal

importance, from diversity to climate change. Some interviewees cited the educational response to the Coronavirus as a vivid example of dynamic public value creation using the BBC's trusted status and content capability to drive innovation to support society. Here the BBC's development of educational content was cited an example of dynamic value creation that galvanised an immediate response to a novel and urgent public need (BBC interviewee, 2020).

It is vital not to overlook trust and impartiality as the cornerstones of societal value. In an era of disinformation and “fake news” the continuity and trust afforded to the BBC means that it plays a critical role in public engagement, supporting the democratic distribution of trusted information. Being a trusted source of impartial news, that is freely available on all platforms has been highlighted as one of the most valuable services that the BBC provides, both for UK audiences as well as internationally — with the BBC credited as fostering an open dialogue that constitutes a pillar of today's UK democracy (External interviewees, 2020; BBC interviewees, 2020).

While the BBC is valued as a solid British institution, creating societal value is inherently dynamic. To create societal value in the current media landscape is to be attuned to fast-moving societal shifts and changing market conditions, show agility in adapting to society's needs (for example rapid response to the pandemic) while maintaining the strength and integrity to hold on to solid tenets (such as diversity and impartiality).

Industry value



Industry value refers to the contribution of the BBC to the sector as a whole, with an emphasis on the BBC's continued support of the UK creative industry through investments in original productions, especially local, regional and national productions, talent development, training, and strategic partnerships.

Enabling the creative health of the sector is a foundational part of what the BBC does. With its size, scale, and reach the BBC is able to catalyse new UK talent and push the boundaries of the sector that it sits within (radio, TV and online media) and its supply chains. In a market that is

reaching “a point of transformation in people's engagement with all forms of media and their desire to be active participants in co-creation” (BBC interviewee, 2020), there is an opportunity to show new ways to shape the market for both public and private benefit (BBC interviewee, 2020).

By pushing industry frontiers, the BBC has transformed existing markets (e.g. interest in women's sports), and in the process crowded in new actors in the ecosystem. The remit for this kind of support to the UK creative economy⁴² and the obligation to collaboratively work with industry⁴³ are clearly written into the Charter and its Public Purposes. Thanks also to its licence fee model, the BBC underpins and supports the entire UK media ecosystem (External interviewees, 2020).

“The BBC sits at the heart of the sector [...] There is something about contributing to that overarching ecology, whether it's being through innovation investments, productions, enhancing the training and skill sets of the broadcasting sector etc., there's a sort of a public value aspect to that as well.”

- External interviewee, 2020

There are both collaborative and competitive drivers of industry value (BBC interviewees, 2020). As collaborators with industry at the upstream end of the innovation chain, the BBC can use its substantial scale and convening power to catalyse and support pre-commercial innovation and set industry standards with the media industry. At the downstream consumer end of the innovation chain, the BBC drives public value by competing with major commercial producers with distinctive and path-breaking content that drives the market to follow its example (BBC interviewee, 2020).

Creating industry value requires a unique blend of both collaboration and competition across a portfolio of activity as we will elaborate later in this report. Industry value therefore is created through the crowding-in effect of the BBC and its positive contribution towards an innovative media ecosystem, whether through partnerships, investment in UK independent production, enhancing the training and skill sets of the media sector, or leading the way with distinctive content.

Advancing the notion of dynamic public value

In summary, while delivering public value is intrinsically part of the BBC's core mission to serve its audiences, and is embedded in every decision, strategy and service that the BBC provides — if viewed solely through a market-fixing frame — there are explicit limits to its bandwidth.

A contemporary account, which captures the BBC's wide contribution for industry, for individuals and for society is now needed. The BBC, if viewed as a dynamic value creator, has licence to purposefully create a virtuous circle in the media market that is pivotal for the evolution of the sector (External interviewees, 2020).⁴⁴

And beyond this narrative, a way to measure the creation of this value and its market shaping effects is also required, thus transforming what is currently a static concept into a new account of dynamic public value. We begin to outline this in the next section.

Market shaping and the BBC

So far, we have argued that public value is not static and is amplified when the BBC takes on the role of market shaper and acts as an engine for innovation. In this section we examine what this means in practice. Market shaping is a practice grounded in “ecosystem-level thinking”⁴⁵ (Lin and Wilson, 2014) and is aimed at transforming existing market structures rather than adhering to the status quo. The BBC is already perceived by many in the industry as a market shaper, however, this is not currently reflected in how it is regulated or in its governance and evaluative systems.

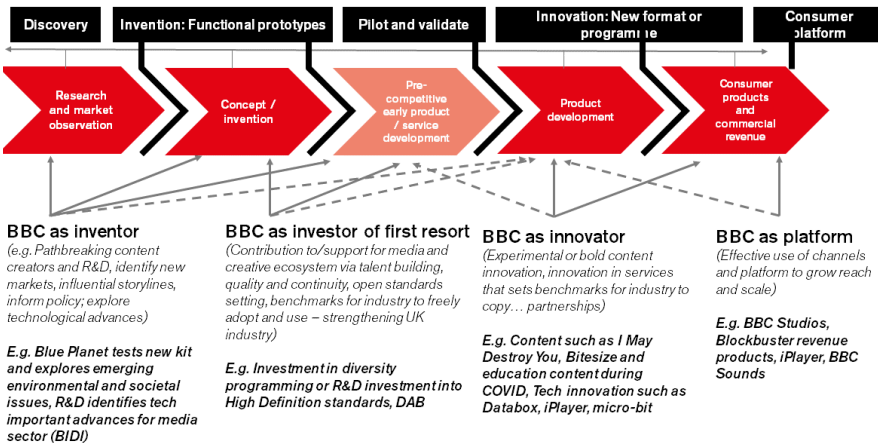
In making the case for market shaping, we do not seek to turn the existing regulatory model on its head, instead we suggest broadening it. So rather than seeing the BBC's role as binary — either market fixing or market shaping — it may be more appropriate to look at it as a continuum in which the BBC moves from filling the gaps created by market failures (in factual programming and universal access) to seeding new markets and catalysing wider public value.

Market shaping and value creation

Under market-fixing policy mandates, public sector actors may not see themselves as critical to the healthy development of innovation ecosystems, but without them, their contribution to public value may be limited to sustaining the efficiency of their existing products and services with the wider catalytic effects of their participation in the market lost. Reimagining the BBC as a market shaper enables us to look at how it crowds in private investments and creative processes through “de-risking” or opening up activity in the media innovation chain (Mazzucato, 2011; Semieniuk and Mazzucato, 2017).⁴⁶ In the illustration on page 32, we reconceive the innovation chain to show the role that the BBC can and does play as an entrepreneurial actor, both through the upstream R&D end of the innovation chain, as well as at the downstream consumer end as a mainstream consumer platform (see Figure 3).

This illustrates a variety of ways to consider value creation across the BBC — from creating new concepts, to supporting invention as “investor of first resort”, to championing innovation and content that sets industry benchmarks, and using its scale and reach to provide a platform for products and services to consumers. If done well, these can contribute to the healthy development of the UK media ecosystem. And in doing so, can crowd in new actors including commercial rivals. Each of these different roles can and should be evaluated differently (with different methodologies). Later in this report we discuss how to do this.

Figure 3: The BBC reimagined as a market shaper⁴⁷



Public value can be created at each of the above phases across the innovation chain — and by strategically managing this across a portfolio, the BBC can then monitor how it seeds new markets as well as how it efficiently capitalises on its platform. This encompasses a myriad of market-shaping activity — from investing in upstream innovation (the invention or development of novel ideas, bold new content formats and new technologies) to downstream innovation (the process of turning these inventions and processes into consumer value and economic returns). To consider this portfolio of value creation, our research focussed in on the following domains of value to understand the BBC via its content, standards setting, talent and technology advances.

Content



Content

Original TV content has had a creative resurgence in recent years⁴⁸ and while PSBs around the world may have struggled to compete with subscription video on demand (SVoD), the BBC remains a major content producer and exporter worldwide. The Corporation is the single biggest investor in original British content⁴⁹ and spends almost all of its income on content and delivery⁵⁰ with 94% of its TV content spending on original, UK-made programmes.⁵¹ The BBC is also in the unique position that it can invest in universal programming that purposefully represents the diversity of the UK⁵² while also creating distinct and popular content that generates revenue.

In some content, the explicit societal value may only be revealed in the approach to its creation. Embedding the public purposes in editorial guidelines generates distinctive content (BBC interviewees, 2020) that seeks to shape public discourse, attitudes and awareness. An example of this is “Blue Planet II” which had wide-ranging societal ramifications (BBC interviewee, 2020). Firstly, it raised public awareness — 62% of the UK population watched the series, and this reach had a clear impact on behaviour in reducing plastic consumption (independent research suggests 88% of people across Britain who watched the show have since changed their behaviour as a result⁵³). Importantly, however, it also had innovation spillover effects in that it developed new technologies for filming under water. For the programme, the BBC Natural History team tested a range of new technologies and filmed ancillary education programmes that have provided legacy benefits for scientific research, as well as underwater technology for the wider media industry.⁵⁴

Another market-shaping example of using content to create public value is on the theme of women and sport. (Workshop; BBC interviewee, 2020) The BBC’s editorial decision to use female presenters in male football and snooker, and to prominently cover the Women’s World Cup in the schedule, derived from values such as equality and diversity, and had the spillover effect of creating role models and “normalising” new attitudes about women in sport. This had a range of different outcomes — increased interest in women’s sport (with 28.1 million people watching the BBC’s coverage of the 2019 Women’s World Cup which is 47% of the population).⁵⁵ 42% of surveyed viewers had not watched women’s

football before and 16% said they were more likely to participate in football following the BBC's coverage⁵⁶; as well as other broadcasters also adding more women's sports (improving content outside of BBC). This particular example demonstrates the BBC's capacity for market shaping in a holistic way, across all three areas of public value:

- **Individual value via consumption and community building:** Getting women to have a feeling that sport is for them and taking up more sport
- **Societal value:** Representation, normalising women in sport
- **Industry value:** Other broadcasters starting to use female presenters, which is the market shaping value created

To shift perceptions like this, or influence behaviours (like promoting active lifestyles) or to showcase third-party partners (mental health charities, for example) you need a platform of scale. The BBC reaches over 460 million people globally every week⁵⁷ and is one of Britain's strongest and best-known brands⁵⁸ that serves local, national and global audiences simultaneously. It is key to note that it is the combination of creative content production with the reach of the BBC that enables market shaping in relation to content.

Standards setting



Standards setting

The BBC is a global institution that sets the benchmark for quality standards in many processes and industry standards can be seen as an important example of market shaping. A core objective for BBC R&D in this Charter period is to “influence the development of the next generation of audiovisual standards, and prepare the BBC for their adoption in order to continuously improve sound and picture quality for our audiences in an internet-driven world.”⁵⁹

Editorial standards and commissioning practice have also had wide industry influence. At the heart of the BBC's commissioning process is the BBC's publicly available Commissioning Process Framework⁶⁰ which sets out how the BBC operates a fair and transparent commissioning process. The central focus of any decision is finding programmes that deliver the BBC's Mission and Public Purposes. Each channel or service

has priorities for particular types of programme or genres, which must be distinctive and not duplicate or overlap with other programmes. In this way, editorial standards are set, and a benchmark for public purpose driven content is created.

Technology is also an area where the BBC has played a central role in co-creating and developing standards for the media industry. As it developed and matured through its evolution from radio (1920s), TV (1930s) to digital and Digital Audio Broadcasting (DAB) standards (1990s), the BBC has led on setting standards such as Digital Video Broadcasting — Second Generation Terrestrial (DVB-T2) technologies (BBC interviewee, 2020). Through its public service ethos, it supports making the standard viable for manufacturers to invest in and to build compatible equipment. DVB-T2 has since been adopted by 166 countries, creating economies of scale for electronics manufacturers selling DVB-T2 compatible equipment around the world.⁶¹ The BBC's public service ethos drives the creation of open standards⁶² that are designed to enable interoperability between equipment and services from a range of manufacturers and service providers. This is opposed to closed environments where the technology is defined and controlled by one main player. The Corporation has therefore contributed to a large percentage of the technical standards which underpin consumer media services — from DAB to High Definition. The trusted status that the BBC is afforded by industry, ensures that standards are strengthened to become more useful for the public and also are more likely to be successfully adopted.

Talent



Talent

One interviewee described the BBC as a “school of talent” for the UK media and creative sector as numerous organisations benefit from “BBC alumni” (External interviewee, 2020). To support new talent, the BBC makes a £9m annual investment in BBC apprenticeships; an annual commitment of £500k to Screenskills; and an annual commitment of over £250k to the National Film and Television School, which is focussed on outreach to those from

diverse backgrounds. Here, industry value is created by setting a skills standard and making highly-skilled talent available and also keeping the British skill level high when the commercial sector goes through difficult times financially.

There is a particular currency that BBC talent carries in the sector. “Most people in the sector, at some point worked in the BBC or have been trained by the BBC” (External interviewee, 2020). Talent development in BBC Children’s was highlighted by interviewees as particularly unique even within the BBC. Children’s Newsroom is seen as a training ground that allows content producers and onscreen talent to develop more freely. There is a higher tolerance for taking risks and more scope to fail (BBC interviewees, 2020).

The move of some BBC departments to the north of England also seeded the creation of new talent, as well as creative and technological clusters (BBC interviewee, 2020). The BBC’s wider investment across the UK regions also broadens its representation and builds a talent pipeline for economies beyond London, as well as providing jobs for creatives outside the Capital (the BBC now accounts for 40% of all jobs in the creative industries in Salford and 2% of total employment). BBC Arts has worked with partners across all four Nations to develop young content makers, commissioning over 100 short films under the “BBC Arts Introducing” umbrella.⁶³

Technology advances



Technology advances

The BBC has a long history of market shaping in technology — notable examples being the BBC Micro and consumer products such as the iPlayer and BBC Sounds (BBC interviewee, 2020). Several interviews referred to the BBC Databox project in R&D as a potential market-shaping exercise where the BBC could create individual, social and market value (BBC Interviewees, 2020).⁶⁴

The current 2016-27 Charter specifies that “the BBC must promote technological innovation, and maintain a leading role in research and development, that supports the effective fulfilment of its Mission and the promotion of the Public Purposes,” and in doing so must “focus on technological innovation to support the delivery of the UK Public Services, non-service activities and the World Service, seek to work in partnership with other organisations, and share, as far as is reasonable, its research and development knowledge and technologies.”⁶⁵

Interviews suggest that to maintain this voice and its role as technological innovator in the future, the BBC could experiment more collaboratively with open-source technologies and partnerships. In this sense, the R&D Department could be seen as “an innovation hub” for the UK market, which would be a more collaborative approach to technological innovation and create positive externalities for the whole sector (External interviewee, 2020).

Market shaping and its many forms

In summary, as the above stories show, market shaping at the BBC takes many forms — from innovation ecosystem support to shaping public attitudes and societal trust. The BBC covers such a wide gamut, that a simple evaluation framework will never be able to cover its full breadth if looked at ex-post. The next section looks at the processes needed to reorient assessment towards market shaping and embed innovation at the core of the BBC’s account of public value.

An alternative framework for dynamic public value

Traditional public governance and evaluation tools are designed for accountability and play an instrumental role. However, assessment in this way is often static and captured ex-post, as it is “valued for its perceived scientific and technical authority and as a way to legitimize government activities” (Chouinard, 2013). To develop a dynamic assessment framework, we began with the premise that the BBC is already effective in demonstrating its direct value ex-post, but to understand its wider value creation, the way it is currently appraised is too narrow.

With market-shaping metrics, the focus shifts to a broader notion of value creation. For this the BBC will need to develop a new perspective that purposefully builds on concepts of “adaptive efficiency” (Song and Simpson, 2018) and “dynamic efficiency” (Kattel et al., 2019; Huerta De Soto, 2008) — looking at the allocative, discovery and creative functions with a new perspective. Adaptive efficiency requires an entrepreneurial view:

“Understanding the institutional and organisational processes that affect the adaptive efficiency of the market system requires a departure from the rigidities of neoclassical theory... Consequently, organisations are driven by the pursuit of positive profits, and the means to achieving that goal is a process of trial-and-error driven by entrepreneurial activity, herein, known as the creative function of the market.”

- Song and Simpson, 2018

To illuminate this “creative function”, the BBC needs to test a market-shaping approach in the context of the kind of governance reforms set out by Tim Davie in his introductory speech:

*“The vision is crystal clear: a BBC that is utterly obsessed by its audience, focussed on what it does uniquely, and indispensable to modern Britain. Utterly impartial and alive with programming ideas. Run for the audience’s benefit. Valued and loved by all.”*⁶⁶

We therefore argue not just for a narrative change, but a shift in governance culture to one that seeks to capture the BBC’s creative capacity — seeing direct measures of value as a baseline requirement (as without scale or reach, there is no platform for wider public value), from which value can grow to encompass market-shaping effects. This requires a broadening of the definition of value, not simply as a correction to a failure, but as an objective in itself (see Figure 4 below)

Figure 4: The spectrum of measures of value



Market shaping is driven by the pursuit of a mission, in the BBC's case, the pursuit of public value intended as individual, societal and industry value. It is therefore focussed on creating change to achieve that mission — a system-wide dynamic efficiency (including innovation, spillover effects and systemic change). Its evaluation then becomes a dynamic process that requires ongoing and reflexive assessment of whether the system is moving in the right direction via achievement of intermediate milestones and user engagement. (Mazzucato et al., 2018).

While the BBC seeks a framework that can reveal the full magnitude of the value it creates, a market-shaping public value framework may not come in the form of a recognisable analytical tool, but instead may be an ongoing evaluative process. Market shaping will ask more of the Corporation than just investing in retrospective data collection and analysis. If it did, this could become an elaborate and cumbersome ongoing data gathering exercise that simply traced market shaping as incidental spillovers or by-products. Central to market shaping is its directionality — and the intention to shape markets should be explicit in strategy from the start, not simply examined as an ex-post exercise seeking to identify spillovers. For evaluation to be dynamic, it will minimise the burden of data collection if it is part of the process of strategy-setting, options appraisal and programme delivery — as opposed to a post-mortem at the end.

Dynamic evaluation

Dynamic evaluation requires dynamic processes and so to widen the organisation's understanding of value creation, it must also build its capacity for iterative learning, data analytics, experimentation, and adaptation. Advances in data analytics are rapidly changing the way data is managed and used in public organisations.⁶⁷ So testing this framework should support the BBC's broader strategic goals to be smarter in the

use of data and advanced analytics to reduce the bureaucracy that complex evaluation might otherwise entail.

Current metrics used by the BBC, the regulator and government focus on direct value using cost benefit analyses or consumption figures. These are inherently static and to capture dynamic value creation like innovation spillovers, industry influence, ecosystem services or network effects, the Corporation will often require in-depth bespoke studies. While commissioning research — like Nesta's recent evaluation of BBC Bitesize — is helpful when looking at individual projects, this is costly and time consuming at scale. An adaptive process of “measuring as you go” and systematically tracking progress is ultimately what this framework should provide.

The BBC is working on building its own capacity to use contemporary data analytics tools on an ongoing basis so that analysis of value can go beyond a single purpose report. This is particularly developed in audience measurement, which continues to explore new ways of understanding the value the BBC provides for all. This work can be refined and augmented to align with the kind of dynamic evaluation recommended in this report.

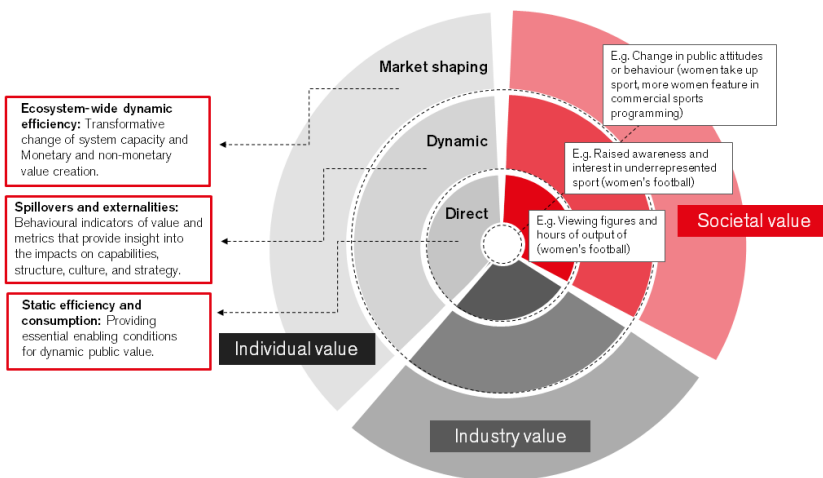
Designing an adaptive framework

An adaptive framework requires a time and space dimension. If the BBC invests “before” the private sector, and in “areas” that are more uncertain (and in some cases capital intensive), this role needs to be looked at in terms of its effect on the system over time. Furthermore, the way that the BBC redefines an area and pushes boundaries should be looked at in terms of frontier pushing. So rather than look at a format, (e.g. British drama) it would be useful to be clear how the BBC is redefining the area, bringing in new audiences, and contributing to a different experience.

There are differences between static and dynamic approaches to evaluation — between an instrumental vision of evaluation and a contextualized approach driven by the mandate to innovate — but that does not mean that they are in conflict. A dynamic framework builds on direct measures of reach and efficiency and develops a broader account of value creation (see Figure 5 below). This begins to conceive of an analytical framework that can distinguish between dynamic added value and market-shaping effects.

If we see these as building blocks: starting from the centre, direct value metrics that are widely understood within the BBC; the second block captures dynamic indicators of value where spillovers and externalities influence capabilities and culture; and the third illustrates market-shaping value, which creates ecosystem-wide dynamic efficiency — both wider economic value for industry, regions and the UK and non-monetisable societal outcomes. The illustrative example below uses the example of the societal value of women's football.

Figure 5: the building blocks of dynamic public value creation



To explore these, we look at each layer in more depth:

Direct measures

Direct measures provide a baseline for all BBC evaluation — they track scale, reach and value-for-money and without these foundational elements, the capacity to deliver widespread public value is questionable. Direct metrics track success against targets, statistics and industry standard metrics such as “reach” (the traditional media measure of success which historically focussed on overnight audience figures and individual content viewing figures). Such metrics, where they consist of straightforward statistics, demographic metrics and use more static economic accounts of value might be readily accessible. Nevertheless, metrics such as willingness to pay (WTP) which specifically measures consumer surplus or assessment methods such as cost benefit analysis

(CBA)⁶⁸ and cost effectiveness analysis (CEA)⁶⁹ can still be complex to implement in practice, often requiring bespoke research that can be time consuming and costly to produce. These measurements are useful as temperature checks and when measured over time they demonstrate changes and fluctuations in value. As standalone data, these metrics do not provide a narrative or correlative understanding of how the BBC impacts wider public value, but give a clear score for comparison with others. Examples of direct metrics broken down by individual, societal and industrial value:

Individual value	Societal value	Industry value
Reach (including reach among less well served)	Value to society as measured by willing to pay/accept	Measures of employment direct/ indirect
Time-spent	Deliberative research e.g. Consumer surveys measuring performance against the Mission and Public Purposes	Investment in companies in the supply chain
Awards and appreciation indexes		Aggregate net changes in profitability of suppliers due to BBC production
Hours of content		
Commissioning spend		
Cost per viewing hour (including among less well served)		
Willingness to pay/ willingness to accept		
Conjoint analysis		

Dynamic indicators

Due to the abstract and uncertain nature of innovation, a dynamic organisation needs to keep track of more than just its ability to meet targets for audience numbers. To be pathbreaking and think ahead, structures should be in place that assess and look at how the organisation is responsive to audience and market signals. This means looking for dynamic indicators of traction. For example, where reach is static, engagement is a dynamic indicator of traction. Beyond counting viewers, engagement levels and perceived value of BBC content

provides a richer picture of value created. Today's audiences have multiple contact points with multiple media providers and so measuring and understanding BBC user data in multidimensional ways can help the BBC measure the depth of their relationship with audiences.

For societal value, the BBC must also look to trace “reach among less well served” and particularly “cost per viewing hour among less well served” audiences as useful dynamic metrics as this seeks to ensure all audiences are getting “valued” content.

These user-centred methods rely on the internal capability to work with dynamic user input and pivot and iterate BBC services, content, and products as a result of input to ensure they are adding real value to people's lives.

By using agile methods akin to those used in Government Digital Service⁷⁰ and other public agencies such as NHSX⁷¹, iterative evaluation and learning and adapting to feedback should be built into the development process. These agencies deploy user-centred design and agile methods to guide activity — breaking down the production cycle into “discovery”, alpha and beta phases and iteratively building their services in response to user feedback — in a lean way that can adapt to input quickly. Dynamic metrics therefore highlight promising and beneficial activities that need further resourcing or provide warning signals on projects, showing areas for improvement, lack of traction and weak signals of value (indicating that resourcing could be cut). Examples of indicators broken down by individual, societal and industrial value are:

Individual value	Societal value	Industry value
Audience engagement Applied data analytics that show user activity and journeys	Tracking growth or decline in underrepresented audiences Ripple effects correlated with BBC activity (e.g. participation in sport)	Tracking investment and follow through of industry-wide innovation Collaborative partnerships Spillovers from BBC activity (e.g. new talent / capability)

Market-shaping value

Market shaping requires an explicit direction toward a desired outcome — this makes tracing outcomes considerably simpler than looking for evidence of market shaping as an ex-post assessment exercise. The purpose of the BBC as a market shaper would be towards an outcome that reflects and enhances the BBC mission and as stated in public value narratives and defined by their public purposes. Indicators of market shaping cannot be linear, but rather require system thinking which considers how BBC's actions impact its ecosystem. Not everything the BBC does will be market shaping — so rather than a single market-shaping framework, embedding the concept into an end-to-end process from option appraisal to evaluation will make identifying evidence considerably simpler. Examples of indicators broken down by individual, societal and industrial value are:

Individual value	Societal value	Industry Value
Behaviour change (reduced use of plastics after Blue Planet II)	Shift in population attitudes towards women playing sports as a result of broadcasting female players on television	Spillover effects from positive externalities which benefit domestic UK broadcasters (ITV and Channel 4 benefits from BBC's presence in market)
Community cohesion: Increased feelings of individual connection to British society (after the COVID-19 crisis)	BBC investments in data and evidence directly inform and impact social policies based on social habits and behaviours	De-risking industry innovation (e.g. launching iPlayer de-risks investment in internet streaming technology, reducing the investment costs for other companies)
		Official standard setting — BBC establishes new technology that becomes an industry standard

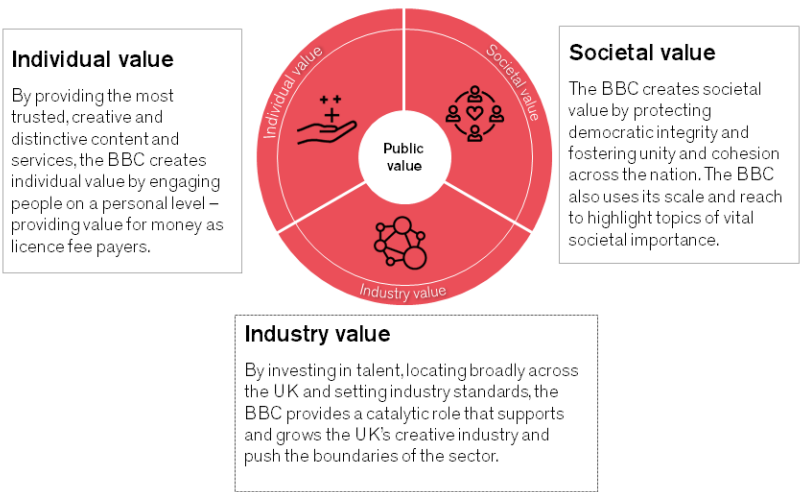
Developing a prototype framework

In developing a prototype evaluation framework, context is key — it would be foolhardy to design an assessment tool without understanding the readiness for the organisation to adopt it, its salience for the regulator, for industry partners and for central government. As Jill Anne Chouinard notes, “Evaluation occurs within a specific context and is influenced by the economic, political, historical, and social forces that shape that context.” (Chouinard, 2013).

To progress a dynamic evaluation framework, we advocate the iterative approach described earlier, where teams follow a discovery process that will need to grow within the BBC and with partners. In this applied process, a framework is prototyped, tested and learning is captured about user needs before the framework advances to a formal beta phase. Therefore, the framework we start to develop below is not a definitive single point solution, rather it is an early stage prototype.

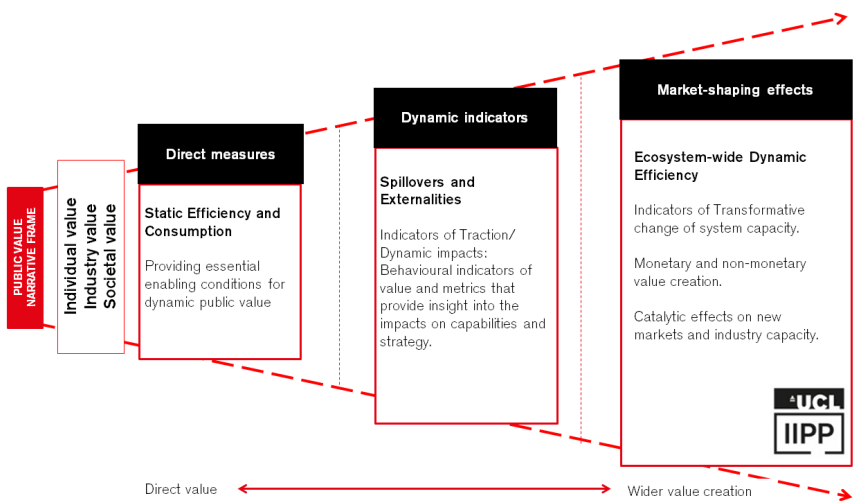
To start this process, we began by defining the frame of dynamic public value focussing on three core types of value — individual, societal and industry. Suggested narratives are illustrated below in Figure 6, but would need to be produced within the BBC to encapsulate the three core types of public value in the tone of the Corporation. This will be essential as both individual and societal value are inherently normative judgements, and therefore open to debate.

Figure 6: Narrative frames for dynamic public value



These value frames explicitly state a direction of travel for value creation. Setting this direction addresses the ex-ante question of what kind of markets do we want to shape. Following through the framework, measurement happens at three levels — at the direct layer (the essential baseline), then at the “dynamic” layer which accounts for the spillover effects of activity and then at the “market shaping” layer that looks at how value is catalysed by the BBC and co-created with others.

Figure 7: A framework to test for assessing value creation



This framework cannot be applied without adopting dynamic processes within the BBC. This report has produced a “wireframe” through which the BBC can take a sample activity or programme and test various measurement methods using synthetic data.

Starting small and testing in a controlled environment will stress test the narrative frames and how to account for that value by understanding the BBC’s role in developing ecosystems of innovation (sectoral, regional and national) and creating dynamic links between the different actors and institutions.

We have produced a simple canvas for further testing that can be used within teams to start to account for dynamic public value. Figure 8 illustrates this with a canvas that works through the BBC example of women’s football at a very top line.

Figure 8: A canvas for learning, adapting and testing the framework

Strategic initiative:

E.g. Women in sport

UCL

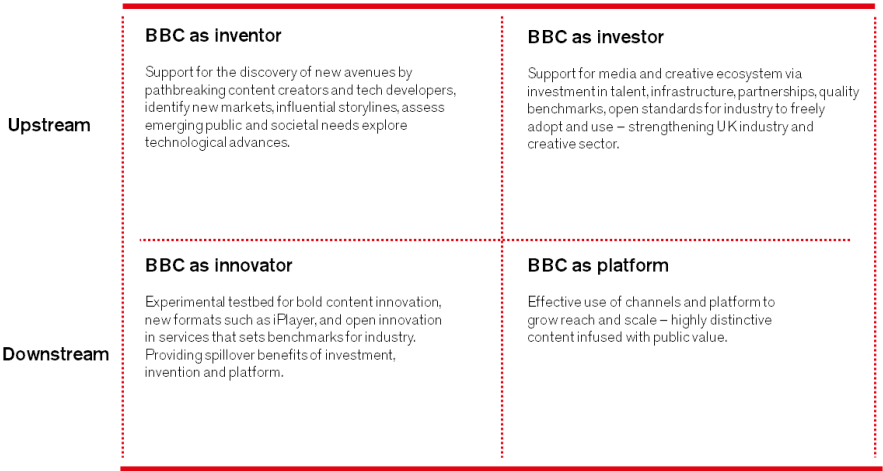
IIPP

<div>Mission</div> <div>What is the bold overarching mission? This indicates <u>direction</u>.</div> <div>E.g. To drive gender equality through purposefully changing public perceptions of women in sport, showcasing female talent in sport and broaden participation.</div>	<div>Public value creation strategy</div>										
	<div>Individual value</div> <div></div> <div>This specifies the <u>goal</u> for the full value that the initiative could create for <u>individuals</u>.</div> <div>E.g. For women to see more female sporting heroes and role models in broadcasting</div>	<div>Societal value</div> <div></div> <div>This specifies the <u>goal</u> for the full value that the initiative could create for <u>society</u>.</div> <div>E.g. To drive engagement, participation and love for women's sports.</div>	<div>Industry value</div> <div></div> <div>This specifies the <u>goal</u> for the full value that the initiative could create for <u>industry</u>.</div> <div>E.g. To shift paradigm of sports coverage beyond male pundits in football and snooker, and to prominently cover the Women's World Cup bringing parity of esteem to the women's sport.</div>								
<div>Investment</div> <div>What is the <u>budget</u> for this initiative?</div> <div>Discovery phase</div> <div>Delivery phase</div> <div>Where does it sit in the portfolio:</div> <table><tr><td>BBC as inventor</td><td>BBC as investor</td></tr><tr><td></td><td>✓</td></tr><tr><td>BBC as innovator</td><td>BBC as platform</td></tr><tr><td>✓</td><td>✓</td></tr></table>	BBC as inventor	BBC as investor		✓	BBC as innovator	BBC as platform	✓	✓	<div>Evaluation</div>		
BBC as inventor	BBC as investor										
	✓										
BBC as innovator	BBC as platform										
✓	✓										
	<div>Direct returns</div> <div></div> <div>What <u>metrics and key performance questions</u> will you use:</div> <div>E.g. Audience numbers against previous industry standard. (28.1 million people watched the BBC's coverage of the 2019 Women's World Cup – 47% of the population).</div>	<div>Dynamic indicators</div> <div></div> <div>What <u>metrics and key performance questions</u> will you use:</div> <div>E.g. Engagement – new viewing behaviours and increased interest in women's sport 42% of surveyed viewers had not watched women's football before.</div>	<div>Market-shaping effects</div> <div></div> <div>What <u>metrics and key performance questions</u> will you use:</div> <div>E.g. Industry signals new market creation by new gender balanced sports pundit panels. Public sports participation and health goes up (16% of viewers said they were more likely to participate in football following the BBC's coverage).</div>								

Managing a portfolio

The framework we have described so far works at the micro level — evaluating a strategic initiative, programme or activity — which is the level that Public Interest Test usually operates. But there is another crucial angle that the BBC should consider to assure dynamic public value creation — the macro, strategic level. This can be done by looking at all activity through the prism of a portfolio.

Figure 9: A portfolio approach to dynamic public value creation



By taking this macro view, the full capacity of the BBC to create dynamic public value is revealed — from the upstream invention of new technologies to the downstream launch of consumer products and licensing. Using a portfolio effectively shows value creation across the Corporation — illuminating where there are gaps, and providing an overview of BBC activity as an investment portfolio for public value. This enables the governance of a healthy approach to risk. By seeing this big picture, balancing the risk of investments is simpler and can support the BBC in delivering on the bold call in Public Purpose 3 to “take creative risks, even if not all succeed, in order to develop fresh approaches and innovative content.”

Tracking the performance of a portfolio over time also helps the organisation to demonstrate how its early investment has catalysed industry value and supported the creative economy, and how its downstream activity has driven healthy competition across the industry and influenced quality. It reveals the full scale of the BBC’s investment in dynamic public value and thereby shows its input as relative to the rest of

the industry (and its crowding-in effects). In effect, by using a portfolio, the following question can be answered:

“What would the counterfactual be if you didn't have the BBC doing all these things, what would it look like? It's quite hard to see the wood for the trees when you're talking about [public value evaluation] because it's so large and covers all of these areas.”

- BBC Interviewee, 2020

From a governance perspective, evaluation then becomes part of the management of a dynamic mixed portfolio as opposed to a single point post mortem.

Conclusions

In conclusion, this study has drawn out a range of stories that show how the Corporation can and already does act as a market shaper. We have provided an early stage prototype framework and canvases for testing the evaluation of strategic initiatives and programmes, as well as a high-level matrix for portfolio management. Next steps would be for the BBC to apply this market-shaping approach to key areas and advance the prototype framework to a workable process (a functioning prototype). We are therefore arguing for not just a narrative shift, but to take a practical applied approach and explore how the framework sits works with existing systems and capabilities.

To see evaluation as an end-to-end process as opposed to a post-mortem will require testing a different relationship between the BBC and its regulator Ofcom. A dynamic and iterative approach with the regulator may seem challenging at first as the Public Interest Test and the Market Impact Assessment contained in the Materiality Assessment take place on a case-by-case basis, and often do not allow the Ofcom to have a broader vision of how the BBC intends to develop in the long-term. Thus, there is a need for the regulator as well as for the public to understand the reasoning behind the adoption of a dynamic public value framework.

For a framework like this to fully function, the regulatory environment needs to adapt to the speed of innovation. Most regulators and institutions struggle to move at pace while observing due process and protocols. But there are examples of regulators who have fully embraced innovation such as the Financial Conduct Authority (FCA)⁷², and there

are parts of the BBC that already operate in an iterative experimental way (BBC R&D actively manages a portfolio of projects, curtailing those that are unlikely to succeed and providing additional resources to projects that are likely to deliver benefits.⁷³)

Because markets are complex, this testing should look at both the ecosystem (the interaction) and the governance (the decision-making and evaluation tools), as they are interdependent. Testing the framework could therefore deploy a “sandbox conditions” approach, where activities are tested against the regulatory environment within the institution first and the regulator can adapt and iterate rules and programmes with the feedback that the sandbox generates.

Adopting a market-shaping lens could inform governance and evaluation at its broadest level at the BBC. The creative industries and media market, like all markets and institutions, are co-created by the interactions between public, private and third sectors. The role, therefore, of the BBC should in part be to foster a symbiotic and healthy media ecosystem and lead the charge to collaboratively create dynamic public value.

Next steps and recommendations

To test the concepts in this report will be the next step in developing a robust framework. The following steps to develop a new assessment process will therefore be needed:

Produce a shared definition of dynamic public value, internally and externally

This report has provided a sample narrative that breaks public value down into individual, industry and societal value, and suggests to broaden the scope of evaluation of these values from static efficiency to spillovers and ecosystem-wide dynamic efficiency (new entrepreneurial creativity and market shaping). There is a window of opportunity to expand these notions and frame it in a vision for the future of PSB and its regulatory environment as these issues are currently being discussed as part of the PSB review and the related “Small Screen, Big Debate” (Ofcom 2020).⁷⁴

Test how new evaluation methods align with the BBC’s long-term strategy

Linking dynamic public value to the Mission and Public Purposes is a first step. Building and testing new approaches to options appraisal and target setting will need to follow. In his inaugural speech, Tim Davie spoke about optimising resources to deliver the maximum value to audiences. By testing a dynamic public value framework as an ongoing and reflexive process, the internal capacity for flexibility and dynamic evaluation of impact will be revealed. This framework could develop into an internal testbed for a dynamic and impact-centred approach to governance which allows the BBC to re-allocate funds to where they generate most value based on dynamic evidence such as user data and signals of value creation. Questions such as “can and should the BBC be evaluated like a portfolio?” will arise and this internal dialogue can then flow into an exploratory conversation with government, the regulator and partners.

Develop dynamic data analytics capabilities within the BBC

For the BBC to develop and test metrics that better track public value, it may need to focus on building capability in smarter data collection for projects, with an eye to ongoing evaluation and monitoring of public value performance in the future.

Start small and test the framework internally where there is appetite to do so

This research process demonstrated that there is appetite to explore this further and a voluntary base of internal stakeholders happy to test a market-shaping lens. “Work with the willing” and using synthetic data, here the main focus should be on developing and testing measurement processes and tools for dynamic efficiency. This can be done with an experimental test and learn process working through a dynamic approach to the Public Interest Test and other material evaluations. The intervention could be small or large, and across a small or large population, as long as the cumulative impact reviews a programmes investment in a dynamic way.

Test the concept of dynamic public value and market shaping with Ofcom

The regulator may want to engage in deep dialogue about a new framework before considering a full-scale sandbox where experiments take place in a controlled environment.

Feed early feedback from tests into the mid-term review

Results from experimentation can be fed into the mid-term review focussing on the governance and regulatory arrangements for the BBC. There is a key opportunity to influence change as the Secretary of State must determine the scope and terms of reference (including the timing) of the review following consultation with the BBC, Ofcom, and policy stakeholders by 2022.

Endnotes

1. BBC Charter, General duty 11 and materiality.
2. Mazzucato, M. (2016) "From Market Fixing to Market-Creating: A new framework for innovation policy", *Special Issue of Industry and Innovation: "Innovation Policy — can it make a difference?"*, 23 (2) <https://www.tandfonline.com/doi/full/10.1080/13662716.2016.1146124>.
3. Mazzucato, M. (2018) *The Value of Everything*. Penguin, Allen Lane-Penguin. London, ISBN: 978-0-241-1888-1, US edition (Public Affairs).
4. Public value was defined ahead of the 2005 Charter renewal.
5. BBC Charter, paragraph 5.
6. As part of the 2004 Charter review, the BBC published Diane Coyle and Christopher Woolard's 'Building Public Value: Renewing the BBC for a digital world' which expressed an explicit objective of 'public value creation'. The authors stated that the "BBC exists solely to create public value" and that "public value should be the goal for everything the BBC does" (BBC, 2004).
7. http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/pvt/public_value_practice.pdf.
8. http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/about/how_we_govern/pvt/assessment_processes_guidance.pdf.
9. https://downloads.bbc.co.uk/bbctrust/assets/files/pdf/about/how_we_govern/2016/charter.pdf.
10. The task of the public value test to assess significant changes to services and the introduction of new services was transferred into the Public Interest Test, now conducted by the BBC Board and reviewed/signed-off by Ofcom, the UK's regulatory authority for the broadcasting, telecommunications and postal industries.
11. https://downloads.bbc.co.uk/bbctrust/assets/files/pdf/about/how_we_govern/2016/agreement.pdf.
12. <https://downloads.bbc.co.uk/aboutthebbc/reports/consultation/iplayerpit/pit-submission.pdf>.
13. Mazzucato, M. and O'Donovan, C. (2016). *The BBC as market shaper and creator*. In: Seth-Smith, N., Mackay, J. and Hind, D. (eds). *Rethinking the BBC: Public Media in the 21st Century*. Morgate: Commonwealth Publishing, pp. 101–105.

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14. Allocative efficiency occurs where a lack of competition means prices are too high. There are consumers who are willing to pay more than the cost of producing a product, and yet are unable to purchase the good. In other words, the price is above the cost to the business of supplying a unit of the good to that consumer.
15. Gawer, A. and Cusumano, MA. (2014). Industry platforms and ecosystem innovation. *Journal of Product Innovation Management* 31(3): pp. 417–433. DOI: 10.1111/jpim.12105.
16. There were three key components to this research: a review of the public value literature, (including BBC internal literature, BBC commissioned literature, and the policy team's internal draft framework for rethinking public value) and a public service broadcasting (PSB) landscape analysis; insights drawn from a workshop with key BBC stakeholders (with 13 BBC participants); in depth interviews with 20 stakeholders, both inside and outside the BBC.

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17. BBC Audiences impact report 2020.
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 24. <https://www.v-net.tv/2019/07/17/global-media-groups-seek-control-over-the-content-value-chain/>.
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 27. In Europe PSBs are referred to by the wider term PSM, we use the two synonymously in this report.
 28. European Broadcasting Union (2015) *Public Service Media Contribution To Society*. Available at: www.ebu.ch/mis.
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 31. European Broadcasting Union. (2015). *Public Service Media Contribution To Society*. Available at: www.ebu.ch/mis.

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32. Source: EBU, Contribution to Society Report, 2015, p. 14 This report is fully available only for EBU Members. <https://www.ebu.ch/publications?publicationType=research&advocacy-area=contribution-to-society>.
33. Lowe, G.F. and Martin, F. (eds). (2013). The Value of Public Service Media. *RIPE@2013. Gothenburg: Nordicom*. Available at: www.nordicom.gu.se/RIPE2013 (accessed 2 July 2020).
34. Ibid.
35. Public Value in Practice. http://downloads.bbc.co.uk/bbctrust/assets/files/pdf/regulatory_framework/pvt/public_value_practice.pdf.
36. Of the 18 interviews, ten were internal with six interviewees coming from content-related functions within the BBC (from production to audience measurement, talent and partnerships, across different genres). Four interviews were with BBC R&D staff. The remaining eight interviews were with external stakeholders, three from the regulator Ofcom and five from other media organisations. These interviews were conducted under the Chatham House Rule.
37. Workshop participants mentioned different types of monetisable and non-monetisable value including: institutional value (convening power), representation, consumer value, production value, investment value, entertainment value (the enduring and global power of British comedy and creative talent). Latterly, interviewees defined types such as cultural value (shared identities), the value of diversity (including diversity of views, content, sources, exposure, and employees), and the BBC's contribution to the creative industry (e.g. investment in local, national and regional productions).
38. BBC internal evidence.
39. Consumer surplus is the amount that a consumer would have paid for a good or service over what that consumer actually paid (and adding this over all consumers) and producer surplus is the profit a firm makes (adding this over all firms).
40. <https://downloads.bbc.co.uk/aboutthebbc/reports/annualplan/annual-plan-2020-21.pdf>.
41. As mandated by Ofcom's EPG Prominence Rules (Ofcom, 2010) Code of Practice on Electronic Programme Guides. United Kingdom. Available at: <https://www.ofcom.org.uk/tv-radio-and-on-demand/broadcast-codes/epg-code>.
42. Public Purpose 4 in the current (2017) Charter "to reflect, represent and serve the diverse communities of all of the United Kingdom's nations and regions and, in doing so, support the creative economy across the United Kingdom" by "commissioning and delivering output the BBC should invest in the creative economies of each of the nations and contribute to their development." (2016: 5-6).
43. Obligation 13 in the current (2016) Charter to "work collaboratively and seek to enter into partnerships with other organisations, particularly in the creative economy, where to do so would be in the public interest. In complying with this article, the BBC must: (a) enter into partnerships, which, overall, are with a wide range of organisations including commercial and non-commercial organisations and organisations of all sizes, throughout the nations and regions of the United Kingdom, covering television, radio and online services; and (b) ensure that its partnerships are fair and beneficial to all organisations in the partnership and, in particular, that partners are given due attribution and recognition, including in the branding and promotion of the output and services created or distributed.

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44. In this report we have not included Gross Value Added as a measurement tool for “industry value”, however BBC investments have been shown to have a high economic multiplier — in terms of impact on GDP — with Nesta research showing clear multiplier effects for the creative economy. Gross Value Added is yet another way of looking at the value that BBC delivers.
 45. Healthy Markets for Global Health: A Market Shaping Primer, USAID 2014.
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 47. See previous use of the figure in Section 2, the above graphic is mapped onto BBC activities.
 48. <https://www.v-net.tv/2019/07/17/global-media-groups-look-for-control-over-the-content-value-chain/>.
 49. Source: Pact census 2019: BBC spend £547m on external commissioning in 2018, higher than other UK broadcasters.
 50. Source: BBC Annual Report 2018/19.
 51. Source: Ofcom's annual report on the BBC: 2018/19.
 52. <https://www.bbc.co.uk/news/entertainment-arts-53135022>.
 53. Waitrose & Partners food and drink report 2018-2019.
 54. <https://www.bbc.co.uk/programmes/articles/1YsRmhsRSfPbL5m5rhgRb4T/using-new-technology-for-studying-orca>.
 55. <https://www.bbc.co.uk/sport/football/48912587>.
 56. GfK for the BBC, 2019.
 57. 2018/19 global reach figure which includes news services and the BBC's commercial arm, BBC Studios.
 58. Populus 2018, British Icon Index II.
 59. BBC R&D Review 2018, DotEcon. <http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/rdreview.pdf>.
 60. <http://downloads.bbc.co.uk/commissioning/site/bbc-commissioning-process-framework.pdf>.
 61. <http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/rdreview.pdf>.
 62. <https://www.bbc.co.uk/rd/about/standards>.
 63. <http://downloads.bbc.co.uk/commissioning/site/bbc-commissioning-supply-report-2018.pdf>
 64. The Databox project is the working name of a prototype device that allows the user to pull together data about yourself into one secure place which they control. <https://www.bbc.co.uk/rd/blog/2019-06-bbc-box-personal-data-privacy>.
 65. Royal Charter for the Continuance of the British Broadcasting Corporation (‘BBC Charter’), Dec 2016, s1.
 66. <https://www.bbc.co.uk/mediacentre/speeches/2020/tim-davie-intro-speech>.

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67. <https://www.fca.org.uk/publications/corporate-documents/data-strategy>.
68. Cost Benefit Analysis is an economic evaluation technique that compares the cost of the intervention with the benefit incurred, where the benefit is measure by monetary units. $\text{Net Monetary Benefit} = \text{Benefits} - \text{Costs}$.
69. Cost Effectiveness Analysis (CEA) is an economic evaluation technique that focusses on non-monetary outcomes or benefits which cannot be monetised. Cost effectiveness ratio (CER) = $\text{Cost of Intervention} / \text{Effect of Intervention}$.
70. <https://www.gov.uk/service-manual/agile-delivery/agile-government-services-introduction>.
71. <https://www.nhs.uk/about-us/what-we-do/>.
72. <https://www.fca.org.uk/publications/research/impact-and-effectiveness-innovate>.
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