# THE ORIGINS OF POLICY IDEAS: THE IMPORTANCE OF THINK TANKS IN

# THE ENTERPRISE POLICY PROCESS IN THE UK

## ABSTRACT

There is no doubt that enterprise policy has become a popular choice for governments seeking to enhance economic growth, despite criticisms of its ineffectiveness. The purpose of this study is to understand the ways in which think tanks and their ideas shape the enterprise policy-making process: how enterprise policy ideas originate, who is involved, what sort of relationships exist between the stakeholders and how these relationships affect the overall process of enterprise policy-making. The application of institutional theory provides a detailed theoretical understanding of the process, the environment and the actors. Interviews with representatives from eight think tanks revealed that the ideas presented by think tanks to government have no formal process and are dominated by the relationships and informal channels of communication between key actors, allowing for an alternative focus on the origins of policy ideas as a possible explanation for the ineffectiveness of enterprise policy.

**Keywords:** Enterprise policy, entrepreneurship, ineffectiveness, institutional theory, think tanks

## 1. Introduction

Enterprise policy has become a popular way for governments to meet social and economic challenges (Wright, Roper, Hart, & Carter, 2015). However, despite being hailed as a saviour that enhances economic growth, creates jobs, drives innovation and increases competition (Dennis, 2011), there is little evidence to indicate that enterprise policy has in practice raised business start-up rates or enabled growing firms to make a greater contribution to employment and economic growth (Beresford, 2015; Huggins & Williams, 2009). There is consequently a growing debate about the effectiveness of enterprise policy and the role of government intervention (Pickernell, Atkinson, & Miller, 2015).

More recently enterprise policy formulation and the enterprise policy process itself has become prominent amongst scholars in understanding why enterprise policy is seen as ineffective (Arshed, Carter, & Mason, 2014). However, the focus has been predominantly centred on the implementation and evaluation stages of enterprise policy (Arshed, Mason, & Carter, 2016; Lenihan, 2011). The policy process is often seen as a 'black box' where the origins of policy ideas remain opaque, yet there is a discernible trend in policy-making towards opening up this 'black box'. A growing recognition as to how policy ideas are an important element within the policy process has emerged but little attention has been afforded to the origin of such ideas (Radaelli, 1995). Lundstrom and Stevenson (2006) suggest that enterprise policy ideas can come from a wide range of policy influencers, including: political parties, politicians, lobbying groups, voluntary organisations, public opinion, public consultations, the media, banks, consortia, business leaders and think tanks.

This study responds to the call for the opening up of the black box by seeking out one set of policy influencers and investigating the role they play in the UK's enterprise policy process (Arshed et al., 2014). It concentrates on think tanks as a starting point not only because of the importance in understanding the networks in which they provide ideas and assumptions in shaping how government tackles economic and social challenges, but also subsequently "think tanks in Britain have been credited with considerable influence on government policies since the 1970s" (James, 1993, p. 491). Furthermore, Mulgan (2006, p. 147) has argued that the civil service is "poorly designed for original thought" and little is known about how these "non-governmental components" of the policy advisory system operate (Craft & Howlett, 2012, p. 80).

Drawing on institutional theory, the study seeks to understand the processes by which structures become established as authoritative guidelines for social behaviour (Scott, 2001). As people go about their work and implement policies and plans, these structures may change and the processes themselves may evolve (Burch, 2007). Institutional theory is the most commonly used approach to understand organisations (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2013), the actors who shape these organisations and the processes within (Leca, Battilana, & Boxenbaum, 2009). Institutional theory allows us to understand how enterprise policy ideas originate in think tanks whereby institutionalisation (process), environment (political) and actors (relationships) are of importance.

In-depth interviews were conducted with eight senior policy researchers and advisers from leading think tanks in London. By using their narratives, this study aims to

examine the role of think tanks in the origins of enterprise policy ideas to reveal whether such ideas are a potential underlying cause of enterprise policy ineffectiveness.
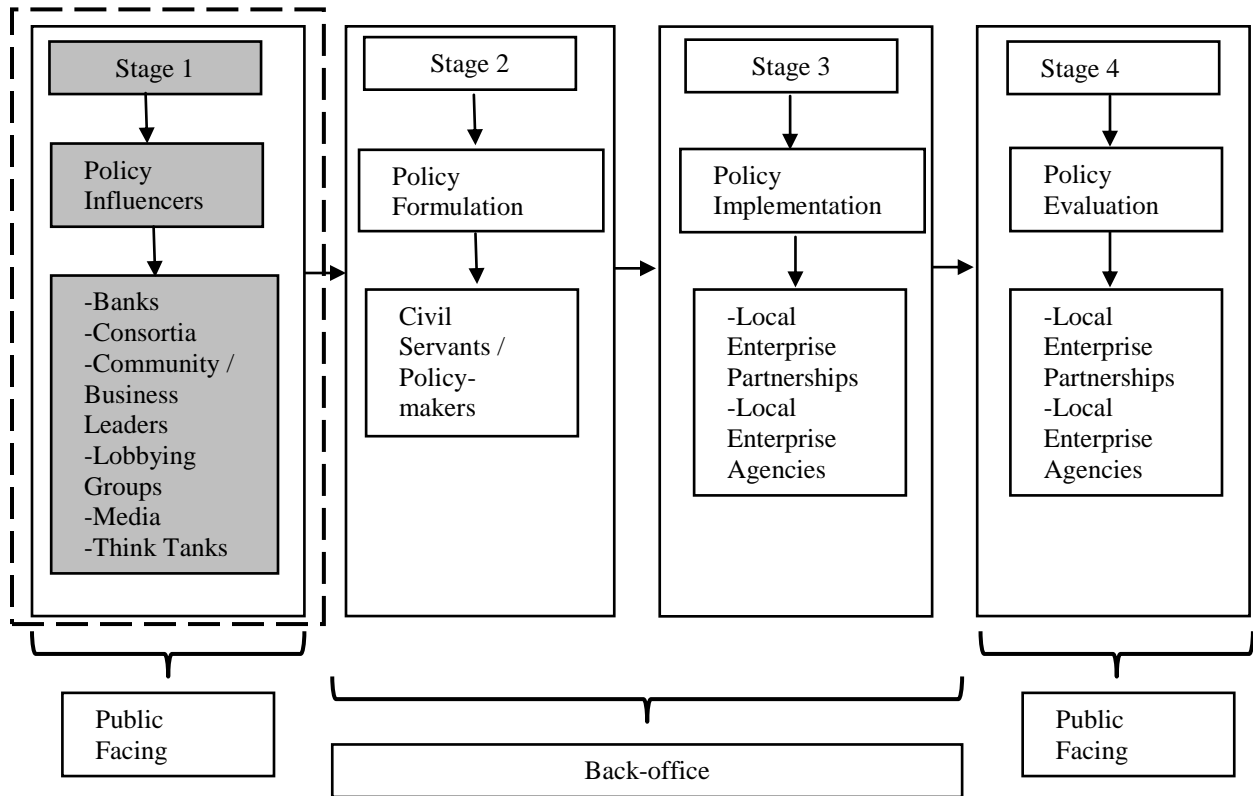
Following this introduction, Section 2 presents the literature review on enterprise policy and think tanks, Section 3 discusses the theoretical framework, Section 4 details the research method and Section 5 presents the findings. Finally, Section 6 highlights the conclusions, and addresses the limitations and implications of the study.

## 2.   Understanding enterprise policy and think tanks

### 2.1   Enterprise policy in the UK

The policy process follows Kingdon's (1984) conceptualisation which compromises of four distinct stages: influence, formulation, implementation and evaluation (Figure 1). This study concentrates only on Stage 1 – the policy influencers (specifically, think tanks) – because it aims to explore the starting point of the enterprise policy process. The purpose of this study is not to establish a relationship between policy ideas and policy outcomes but to look at the congruence of think tank ideas and policy outcomes in the hope that this will allow us to make cautious observations about the relevance of think tanks to the enterprise policy process and their impact on its ineffectiveness.

**Figure 1: Conceptualising the policy process in the UK**

| Stage 1 | Stage 2 | Stage 3 | Stage 4 |
|---|---|---|---|
| Policy Influencers | Policy Formulation | Policy Implementation | Policy Evaluation |
| -Banks<br>-Consortia<br>-Community / Business Leaders<br>-Lobbying Groups<br>-Media<br>-Think Tanks | Civil Servants / Policy-makers | -Local Enterprise Partnerships<br>-Local Enterprise Agencies | -Local Enterprise Partnerships<br>-Local Enterprise Agencies |
| Public Facing | Back-office | | Public Facing |

Source: Adapted from Arshed et al. (2014, p. 646).

For the purpose of this study, enterprise policy encompasses both entrepreneurship policy and SME policy. This is because in the UK "enterprise policy has centered on business start-ups and support for small-business growth" (Huggins & Williams, 2009, p. 21) as a way of stimulating individual and societal economic development (Blackburn & Ram, 2006). The idea of enterprise policies was introduced to the UK in the 1970s with the publication of the Bolton Report (1971) which highlighted the need for government intervention to address the lack of advice and support available for entrepreneurs and SMEs (Blackburn & Schaper, 2012). The following decade saw the

focus being placed on the creation of new businesses and jobs with potential entrepreneurs and SMEs being offered financial incentives such as the Enterprise Allowance Scheme and the Loan Guarantee Scheme (Greene, 2002). The 1990s saw a shift towards 'softer' forms of support such as advice, consultancy, information and training, which were offered to SMEs through organisations such as Business Link (Greene, Mole, & Storey, 2004). More recently, the UK has taken a balanced approach where the emphasis has been on improving productivity and promoting social inclusion (Greene & Patel, 2013).

It is estimated that in the period 2003/4 to 2007/8, the UK government spent more than £12 billion on policy initiatives to promote an enterprising society, with £2.4 billion being spent on direct business support schemes in 2003/4 alone (Richard, 2008). More recently, Firpo and Beever (2016) highlight that, even during a period of government austerity, an estimated £9.8 billion was spent on supporting businesses in 2013/2014. Given the economic downturn (2008-2013), the government introduced spending cuts to many departments. The largest government department affected by the cuts at the time was Department for Business, Innovation and Skills (BIS), with administration costs being reduced by £400 million, and abolishing twenty-four quangos as part of the money saving scheme (HM Treasury, 2010). This led many think tanks discussing austerity and advising government in addressing the challenges. Right-leaning think tanks were more focused on international and European politics, the left more focused on the political consequences of austerity (Anstead, 2015). Perhaps, think tanks were influential in government policy-making throughout this period but their specific involvement in enterprise policy tends to be overlooked.

Nonetheless while the vast amount of spending directed towards enterprise policy has led to over 800 different sources of support for small businesses in the UK (Greene & Patel, 2013), this has only served to make the business support system harder to "navigate, evaluate and manage" (Centre for Cities, 2013, p. 1), and questions are being asked as to why so many enterprise policy interventions have achieved so little demonstrable impact (Minniti, 2008). The academic debate suggests that the major issue here is not so much the wider question of whether start-ups and SMEs should be supported at all, but whether current methodologies are having a substantive and durable impact or offering value for money (Van Cauwenberge, Vander Bauwhede, & Schoonjans, 2013). As Bannock (2005, p. 133) argues that "with a few exceptions, results are unimpressive – and even for the exceptions, they are fairly marginal in their effects. There is no reason to suppose that if most subsidies and assistance programmes were abolished altogether, it would make a significant difference to the shape and prosperity of the SME sector anywhere." Therefore, by concentrating on the initial stage of the enterprise policy process, this study aims to examine the role of think tanks in the origins of enterprise policy ideas to reveal whether such ideas are a potential underlying cause of enterprise policy ineffectiveness.

## 2.2    *Understanding think tanks and enterprise policy*

Think tanks began to play a significant role in the UK in the 1980s (James, 1993), partly because Margaret Thatcher was reluctant to depend on the civil service for advice (Denham, 2005; Stone, 1996). Organisational differences and contextual factors have

traditionally made think tanks difficult to define (Sherrington, 2000). Therefore, many definitions exist, they have been referred to as "universities without students…as research organisations or advocacy coalitions" (Sherrington, 2000, p. 257). A popular definition of think tanks by McGann and Weaver (2000, p.4) describes them as "non-governmental, not-for-profit research organisations with substantial organisational autonomy from government and from societal interests such as firms, interest groups, and political parties." This definition might encourage an idealistic view of think tanks as independent thinkers who generate real-time, value-free facts and neutral commentaries to inform policy and public debate (Shaw, Russell, Parsons, & Greenhalgh, 2015), but as Table 1 shows, many think tanks are in fact affiliated to one institution or another. This study adopts James' (1993, p. 492) interpretation of the think tank as "an independent organization engaged in multi-disciplinary research intended to influence public policy…with a range of interests and expertise amongst their staff which gives think tanks a distinctive perspective on policy issues."

**Table 1: Categories of think tank affiliations**

| Category | Definition |
|---|---|
| Autonomous and independent | Significant independence from any one interest group or donor and autonomous in its operation and funding from government. |
| Quasi independent | Autonomous from government but controlled by an interest group, donor, or contracting agency that provides a majority of the funding and has significant influence over operations of the think tank. |
| Government affiliated | A part of the formal structure of government. |
| Quasi government | Funded exclusively by government grants and contracts but not a part of the formal structure of government. |
| University affiliated | A policy research center at a university. |
| Political party affiliated | Formally affiliated with a political party. |
| Corporate (for profit) | For-profit public policy research organization, affiliated with a corporation or merely operating on a for-profit basis. |

Source: McGann (2015, p. 7).

Think tanks have become popular over the years as they allow for a much broader policy outlook (Pautz, 2011a). Their fundamental purpose is to gather information and give advice to the political elite and general public alike (Misztal, 2012). They are also acclaimed media stars in their own right, they promote their research and findings as "a news event" and often overshadow academic scholars (Posner, 2001, p. 219). It has been suggested that think tanks have the potential to play an important role in the initial stages of enterprise policy formulation (Castaño, Méndez, & Galindo, 2015) by influencing the climate of opinion and providing information and ideas to assist government decision-makers (Denham, 2005). Policy-makers recognise the importance of think tanks because they identify them as offering realistic and useful information (Misztal, 2012), but it is not yet clear if they have any real influence on policy-making or in shaping the policy-making environment (Abelson, 2009).

Think tanks generate advice and research, and advocate on a wide spectrum of domestic and international issues, including defence and national security, economic policy, education policy, energy and resource policy, environment policy, foreign policy and international affairs, health policy, science and technology policy, and social policy (McGann, 2015). Where they contribute has much to do with their ideology and funding (Pautz, 2011a). The UK's leading think tank is Chatham House which is ranked second only to the US's Brookings Institution in the world rankings for think tanks (McGann, 2015). Chatham House applies its talents in a range of fields including climate, global health, international economics and national and international social movements. A non-profit, non-governmental organisation, its funding comes from various sources including philanthropists, research institutions and sponsors. In 2014/15, research funding accounted for 59% (£8.5m) of Chatham House's income (Chatham House, 2015).

Other UK think tanks are closely aligned with one or other of the main political parties. For example, centre-left think tanks Demos and the Institution for Public Policy Research (IPPR) have been described as engineers of the "dominant political common sense of the current era in British politics" (Bentham, 2006, p. 172). Their research and ideas contributed significantly to the increase in income and expenditure policy outputs seen under the New Labour government after 1997 (Ball & Exley, 2010). Other think tanks such as the National Endowment for Science, Technology and the Arts (NESTA) ostensibly stand independent of government, relying instead on private donations (Ball & Exley, 2010). However, there are those who argue that privately funded think tanks are simply an indirect way of influencing

government policy. Mulgan (2006, p. 149) argues that within the private sector "big business has come to see funding for think tanks as a more acceptable way to establish links with political parties than direct funding, while also using them to promote particular causes such as European integration and public-private partnerships." There are many think tanks who are funded by corporate organisations, for example Demos receives funding from Shell (Ball & Exley, 2010). The funding structures of think tanks has implications for the policy ideas that emerge from think tanks and what research is undertaken given the interests of their corporate sponsors. In a recent study, it was argued that British think-tanks are less transparent about their sources of funding than their European counterparts, in particular British think tanks were not forthcoming with financial information related to monies received from each of their donors (Neville, 2015).

There are a number of think tanks across the globe that concentrate their public policy research on entrepreneurship and small business issues, giving insights into the small business landscape and providing their respective governments with research and advice. Examples include the Swedish Foundation for Small Business Research, the Chung-Hua Institution for Economic Research in Taiwan, and EIM Business & Policy Research in the Netherlands (Stevenson & Lundström, 2001). Germany's DIW Berlin (German Institute for Economic Research) is a leading think tank for applied economic research and policy advice, and was a key member of the consortium assembled to assist the European Commission with its report *"European SMEs 2013/14 - A partial and fragile recovery"* (European Commission, 2014). The French Institute of

International Relations (IFRI), meanwhile, is focused on increasing the competitiveness of French SMEs and reviving entrepreneurship in the country.

Croatia's Centre for Small and Medium Enterprise and Entrepreneurship (CEPOR) has similar ambitions to influence the public policy environment. Emphasising the critical role entrepreneurship and SMEs play in the development of the Croatian economy, CEPOR has sought repeatedly to support, advise and influence government policy-makers. However, despite their attempts to "talk with participants in policy processes, studies, round tables and public presentations of research results, understanding and comprehension of policy research and problems is still insufficient, and a part of the problem lies in ministries, which are more concerned with operational rather than policy issues" (Delic, Singer, & Alpeza, 2011, p. 15).

In the UK, only two think tanks work exclusively on enterprise policy and the enterprise agenda. The first of these is The Entrepreneurs Network (TEN) which is supported by the Adam Smith Institute and emerged in 2013. TEN, describes itself as devoted to backing Britain's entrepreneurs. The second is the Centre for Entrepreneurs, which also launched in 2013, as part of the Legatum Institute think tank. Committed to addressing what it sees as the under-representation of entrepreneurs, it, like TEN, aims to provide research, build bridges between the business community and policy-makers, and promote entrepreneurship. However, it is too early to speculate whether either of these think tanks have impacted on the government's enterprise agenda.

Other UK think tanks support the growth of SMEs as part of a broader agenda. For example, the Management Consultancies Association (MCA) think tank, which focuses on how the UK can improve its economic performance and maximise growth.

They released a report in 2014 (*"SMEs: Limiting burdens, targeting support"*) highlighting SMEs' importance to economic growth and urging the government to develop a better understanding of the SME landscape so it can target its support and policies for growth more effectively. Think tanks prior to recent times have also sought to address the enterprise agenda. For example, the 1970s and 1980s had "free-market think tanks such as the Adam Smith Institute in the UK which sought to elevate the status of business and commerce and make contributions to economic growth overriding goal of social, cultural and intellectual activities", which to an extent involved the inclusion of entrepreneurs and SMEs (Shaw et al., 2015, p. 60). This began with the launch of the Bolton Report (1971) to encourage entrepreneurs and SMEs to take part in economic growth and ensure they were given support and advice to enable them to do so.

From McGann's (2015) top think tanks in Western Europe, Table 2 highlights six think tanks selected from the top twenty think tanks in the UK only. From the twenty think tanks which included the likes of Chatham House and Amnesty International, the think tanks selected have all published in the area of enterprise. Each think tank has dedicated publications with respect to the enterprise agenda. Table 2 shows the enterprise policy area in which the think tank has concentrated its efforts – either business growth or towards entrepreneurs to encourage start-ups. The table gives an idea of the types of enterprise policy think tanks are attempting to promote. There seems to be no clear bias towards either SME growth or for increasing the number of start-ups, rather there is a more balanced approach.

**Table 2: Think tanks and enterprise policy in the UK**

| Think tank | Specialty | Enterprise Policy |
|---|---|---|
| Adam Smith Institute | Free-market, social policies | Business growth e.g. report on scale-up businesses |
| Demos | Specialises in social policy | Business growth e.g. report finance for growth |
| Institute for Public Policy Research | Education, economic, social and political sciences, science and technology, the voluntary sector , public services, and industry and commerce | Business growth (employment) and entrepreneurs (skills) |
| Fabian Society | Public policy | Entrepreneurs - more young people to engage in start-ups |
| Institute for Fiscal Studies | UK taxation and public policy | SMEs and entrepreneurs e.g. taxation and productivity |
| Institute of Economic Affairs | Economic and social policy | Entrepreneurs - create more jobs and reduce poverty |

Although, as discussed, only two UK think tanks specialise in enterprise policy which are more inclined to support entrepreneurs, the general trend over recent years has been for think tanks to become more specialised in their offerings, to the point that there is now a surplus of specialised think tanks (McGann, 2015). As a result, it has become increasingly difficult for think tanks to convince prospective funders that their programmes are worthy of support because of the limitation of originality and the lack of interdisciplinary responses to complex policy issues (McGann, 2015). For example, although there are a number of think tanks currently specialising in enterprise policy, more often than not, many government departments (and funding bodies) are involved. Enterprise policy involves not only BIS but also the Department for Education and Skills, Department for Communities and Local Government, and the Foreign and Commonwealth Office (Arshed et al., 2016). This has implications for think tanks undertaking research and building key relationships given the multifaceted web of actors and agencies involved.

Furthermore, it typically takes ten years or more for an idea to be transformed into a specific policy decision (Weidenbaum, 2010), and numerous institutions, actors and processes will have been involved in the meantime, it is methodologically impracticable to attempt a direct measurement of the influence think tanks have on the enterprise policy process. Instead, this study aims to explore how these institutions provide ideas for enterprise policy in the first place. After all, think tanks are known for calling themselves 'idea factories' or 'brain trusts' (Abelson, 2009).

## 3.    Theoretical framework: Institutional theory

There have been several calls for the roles and outcomes of government policy to be investigated from the perspective of institutional theory (Campbell, 1998; Doblinger, Dowling, & Helm, 2015). Institutional theory is particularly relevant in the context of understanding the impact of internal and external influences on organisations engaged in change processes such as policy development (Weerakkody, Yogesh, & Zahir, 2009). An institutional theoretical lens allows the examination of how these processes are created, diffused, adopted and adapted to fit within institutional structures (Scott, 2001). This process is known as  institutionalisation which has been defined as "the emergence of orderly, stable, socially integrating patterns out of unstable, loosely organised, or narrowly technical activities" (Broom & Selznick, 1955, p. 238). Institutionalisation is influenced by the actors involved and the unique environment in which it occurs.

Although the concept of institutionalisation may illuminate the process of institutional change, it has great difficulty in specifying what the end point of the process is and whether there are common processes at work (Judge, 2008). Given that institutionalisation is a continuous process over time (Barley & Tolbert, 1997), it is the process through which a new institutional rule emerges and assumes that there is a link between the ideas and the following stages of the policy-making process. It has been argued that for think tanks "institutionalisation is, by far, the most permanent and politically contested outcome of ideational promotion" (Zimmerman, 2016, p. 39). However, prior to institutionalisation the think tank will be engaged in networking, problem framing, agenda setting and creating discursive space to ensure political momentum before they begin the process (Zimmerman, 2016). Selznick (1957) argues that the degree of institutionalisation is dependent upon the flexibility there is for personal and group participation among social actors.

Institutional theory provides a framework for analysing how agents behave and how they interact with wider institutional constellations (Sotarauta & Pulkkinen, 2011). According to North (1990, p. 83), "the individual entrepreneur who responds to the incentives embodied in the institutional framework" is an agent of change. The role played by individual change agents in the change process has often been downplayed (Dacin, Goodstein, & Scott, 2002). However, DiMaggio (1988, p. 13) attempts to place interest and agency at the centre of the theory, suggesting that institutionalisation can be seen as "a product of the political efforts of actors to accomplish their ends" and that "the success of an institutionalisation project and the form that the resulting institution takes

depend on the relative power of the actors who support, oppose, or otherwise strive to influence it."

In the case of UK enterprise policy, there are those who argue that think tanks can become significant agents of change (Hall, 1993). In an environment where enterprise policy is widely regarded as ineffective (Arshed et al., 2014; Pickernell et al., 2015), the usual agents of change (policy-makers or government) are seen to be lacking in addressing the situation (Hall, 1993). Amongst many, TEN and the Centre for Entrepreneurs are the agents of change to give entrepreneurs and small business owners a single, unified voice and claim to speak for their interests. While previous studies of organisational change have focused primarily on the effect of institutional pressures (e.g. social values, norms and expectations imposed by the external environment), little consideration has been given to the influence of active agency and external exchange relationships (Oliver, 1991). This study employs institutional theory to understand and explain rational-actor accounts of the think tanks that are providing ideas to policy-makers (March & Olsen, 1984).

Institutional theory also highlights the importance of the context or environment that constrains, shapes, penetrates and renews the organisation's social, political and cultural systems (Scott, 2001). The environment is important with respect to how a process is shaped, as its demands can persuade organisations to adopt certain social roles to ensure legitimacy (Hatch, 1997). Thus, organisational choices and actions are constrained and influenced by social behaviours, norms and values (Selznick, 1957). Think tanks are no different in that they are dependent on the political and economic environments both to shape their ideas and to understand the institutions with which they

deal with (government departments) and the actors therein (politicians and policy-makers).

With respect to how the political environment affects the development of enterprise policy in the UK, the following example is illustrative of the political landscape and the involvement of think tanks. When New Labour were in power (1997-2010), think tanks gave "intellectual companionship to leadership coalitions within political parties and supported them in their policy modernization efforts" (Pautz, 2011b, p. 428). Further to this, during the Labour years enterprise policy evolved greatly: focus was granted to disadvantaged groups, Regional Development Agencies (enterprise agencies) were established, and the creation of Small Business Service (a dedicated agency to build an enterprising society) was introduced (Greene & Patel, 2013). Over the years where there was a drive for enterprise, think tanks often stimulated the enterprise agenda. For example NESTA's report in 2009 *"The Vital 6%"* highlighted that 6% of UK businesses with the highest growth rates generated half of the new jobs created by existing businesses. The Prime Minister and the Chancellor both quoted the report and its findings at many press conferences. This highlights that eventually, the external environment adopts standards known as norms and values which become institutionalised, a process which is also known as the search for legitimacy (Zucker, 1987). Often, organisations gain legitimacy by manipulating rather than conforming to their environment (Nicholls, 2010).

## 4. Methodology

### 4.1 Data collection

The study employed a qualitative approach as it was the most appropriate way in addressing "how" questions rather than "how many" in terms of understanding the world from the perspective of those studied (think tanks) and for examining and articulating processes (Pratt, 2009). In-depth interviews were undertaken with representatives from eight London-based think tanks to examine their role in originating enterprise policy ideas. The semi-structured interview format was adopted as this allowed certain sequences of questions to be standardised, enabling comparability, while also leaving room to pursue any emerging lines of enquiry and to explore issues that were relevant to the interviewee (Robson, 2002). Respondents were encouraged to describe their own experiences and understanding of how enterprise-related ideas emerge in think tanks, drawing on specific examples to strengthen the validity of the resulting data. The interviews covered the following topics: (1) background of the think tank; (2) role of the think tank in policy-making; (3) how ideas emerge; and (4) the think tank's relationship with government with respect to enterprise policy. All interviews followed a protocol, with consent forms guaranteeing confidentiality and anonymity being signed.

*4.2    Sampling*

Sampling for the data collection was purposive, in order that the appropriateness of likely participants could be determined earlier and steps taken to ensure that the study would show different perspectives on the problem (Creswell, 2007). Potential interviewees had to have had experience with, or been part of, the phenomenon under investigation.   In other words, the selection of participants was underpinned by "a conceptual question, not by a concern for representativeness" (Miles & Huberman, 1994, p. 29). The purposive method chosen was intensity sampling as this allows "excellent or rich examples of the phenomenon of interest, but not highly unusual cases…cases that manifest sufficient intensity to illuminate the nature of success or failure" (Patton, 2002, p. 234). Preliminary investigation identified that there are 288 think tanks in the UK (McGann, 2015), representatives from eight of these were interviewed, who between them undertake a range of activities relating to enterprise reforms and to enterprise policy and planning.

The sample was drawn from one geographical region – London – as this is home to the UK's most influential think tanks (Bentham, 2006). As Shaw et al. (2015, p. 61) explain, many of these think tanks have political affiliations and therefore "tend to locate themselves (politically and geographically) close to the machinery of government…and focus their work on current areas of government reform" including – when relevant – enterprise. The eight think tanks selected all undertake research in enterprise policy (encompassing SMEs and entrepreneurs) and all have relationships with BIS. BIS is the key player in setting the UK's enterprise agenda (Arshed et al., 2016). Stone (1996)

argues that British think tanks can be divided up into "old school" and "newcomers" (established since the mid-1990s). Accordingly, this division was reflected in the sample. Access to the interviewees was only granted on condition of anonymity and confidentiality because of the sensitive position these think tanks occupy within the political environment. Table 3 lists the job titles of the interviewees and a description of each think tank represented in the sample.

**Table 3: Think tank sample**

| Think tank | Job title | Description of the think tank | Old school versus Newcomer |
|---|---|---|---|
| TT1 | Policy Manager | Autonomous and independent | Old school |
| TT2 | Head of Economic Research | Autonomous and independent but formally affiliated with a political party | Old school |
| TT3 | Head of the Policy Unit | Autonomous and independent but formally affiliated with a political party | Newcomer |
| TT4 | Executive Director of Policy and Research | Autonomous and independent | Newcomer |
| TT5 | Senior Policy Adviser | Autonomous and independent | Old school |
| TT6 | Senior Economist and Policy Lead | Quasi independent | Newcomer |
| TT7 | Head of Policy | Autonomous and independent | Old school |
| TT8 | Director | Autonomous and independent | Newcomer |

As with every sampling method, purposive sampling has disadvantages. More often than not, purposive samples are small and cannot be widely generalised, nor are they easily defensible as being representative of populations – in this case, think tanks. However, these deficiencies were outweighed by the potential of the method to yield rich data by allowing concentration on participants who have a particular type of experience or understanding to share with respect to the enterprise agenda (Creswell, 2007).

*4.3    Data analysis*

Analysis began during the interviews with the aim of ordering, structuring and interpreting the data to identify any emerging relationships and themes (Marshall & Rossman, 2006). Following Miles and Huberman's (1994) framework, the data analysis process had four main stages. Firstly, the interviews were transcribed verbatim (field notes, memos and comments written during the interviews were filed for later analysis, allowing for methodological triangulation) and the transcripts coded using a *priori* themes that had already been used to structure the interview scripts (the selection of which was guided by the literature and theory). Codes were developed to represent the identified themes and applied or linked to raw data as summary markers for later analysis (King, 2012).

The second stage was to send the interview transcripts to all participants in the research to allow confirmation of their authenticity and to permit amendments to be made if necessary. This ensured that any researcher bias was corrected, strengthening the reliability and validity of the findings (Lincoln & Guba, 1985). Following confirmation, the interview transcripts and field notes were re-read while initial comments were noted in the margins (Patton, 2002).

The third stage involved data reduction: selecting, focusing, simplifying, abstracting and transforming the data (Miles & Huberman, 1994). An initial list of codes was compiled, along with a template representing themes and patterns from the textual data (template analysis) (King, 2012). The final stage involved employing NVivo to re-examine and re-code where necessary and to link key concepts until patterns began to

emerge (Fereday & Muir-Cochrane, 2008). The analysis was the product of a long and iterative process which involved continuously moving back and forth between the text, coding, sorting, making connections and presenting the results (Crabtree & Miller, 1999). Throughout the analysis, the relevant literature was repeatedly reviewed.

## 5. Findings

The research findings are presented in the following sections. The first section describes how ideas are originated in think tanks, the second discusses the importance of the environment in which ideas are communicated to policy-makers, and the third considers the relationships between the actors in the process (Table 4). These three elements are interdependent in that the *actors* within the think tanks play a role whereby the *institutionalisation* of emerging ideas is dependent upon the *environment* at any given time. This makes it very difficult to identify the significance of individual elements, but this is not the aim of this study. Rather, it aims to look at the collective impact of these elements on the ways in which ideas shape the enterprise policy-making process.

**Table 4: Emergent themes**

| Think tanks | Emerging themes | | |
|---|---|---|---|
| | Process (Institutionalisation) | Politically motivated (Environment) | Relationships (Actors) |
| TT1 | x | x | x |
| TT2 | x | | x |
| TT3 | x | | x |
| TT4 | x | x | |
| TT5 | x | | x |
| TT6 | | x | x |
| TT7 | x | x | x |
| TT8 | x | x | x |

*5.1    Understanding the origins of enterprise policy ideas (institutionalisation)*

It was important to understand how the think tanks viewed the emergence of their ideas allowing insights into the policy process. The think tanks were all in agreement that their ideas are often led by what is in the news, or as TT7 said:

"What's the flavour of the day?"

TT1 gave the example of unemployment, which during the recession was the "topic of the moment." Perceiving its importance in the government's agenda, the think tank undertook research around how to address unemployment, which culminated in the production of a report discussing the importance of supporting the expansion of small (micro) businesses. The report was widely conveyed in the media, prompting the government to respond with a consultation paper committing funding and support to

boost recruitment in small businesses[1]. Despite its success in this case, however, TT1 is aware that:

"The acceptance and tolerance of our ideas are dependent on the political sensitivity of them, elections and how sexy the current issue is."

More often than not:

"Government wants radical thinkers and ideas" (TT8).

The interviewees were also in agreement that once an idea emerged, empirical evidence is gathered to support (or refute) it. One interviewee emphasised that:

"Relevant research is undertaken before we take any ideas to government" (TT3).

However think tanks are funded – whether publicly or privately – their main function is to provide scientifically founded analysis, and all eight of the think tanks in the study echoed the importance of evidence and research. But while these think tanks see the necessity of establishing a sound evidence base for their ideas, TT1 conceded that:

"In this world it is often politically motivated – some is evidence based but it's naïve to think that it's all evidence based."

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[1] Reports are left untitled throughout in order to preserve the anonymity of the think tank concerned.

All of the think tanks in the sample have produced reports and publications concerning the enterprise agenda, though the degree of interest shown in the issue varies from organisation to organisation depending on its ethos. TT3 gave some insight into the extent to which these publications have an influence:

"Our XX report was picked up by government where digital entrepreneurship was key for the growth of SMEs in the UK, but the government has not implemented any of the recommendations. We had conversations with many people in government which showed that it was not a clear cut case…but we helped in starting a debate around digital entrepreneurship."

TT3's comment suggests that although think tanks can to some extent influence the enterprise policy debate, whether the government will adopt or even consider their recommendations is another matter. It has been argued that think tanks act as transfer agents, providing intellectual legitimacy for policies and ideas and importing and exporting ideas and experiences through their evidence base (Krastev, 2001). In contrast, governments are prone to framing evidence in support of their own policy interests to gain the support of their own institution and external stakeholders (Battilana, Leca, & Boxenbaum, 2009). This creates challenges for think tanks:

"Getting ideas across and influencing policy, you need to have relationships in place; understand what government officials think of your organisation's image, position and the timing. In other words, how can you make the politicians' life easier, and do they

actually need your idea? The size of your organisation and evidence behind the idea is also important to government officials" (TT1).

Although the findings highlight that think tanks consider the political sensitivity of their priorities, there is no evidence that enterprise policies are more or less important than other policies such as education, health etc. The importance is often placed on what is seen as a hot topic (idea) amongst government officials and think thanks themselves at any given time which may contribute to the ineffectiveness of enterprise policy itself. With respect to enterprise policies during the Labour government (1997-2010), there was many areas that the government sought to improve with enterprise polices: regulation, culture, knowledge and skills, and access to finance (BERR, 2008). The Coalition government (2010-2015) were keen to address the lack of access to finance, address recruitment issues and skills shortage  within the small business sector, and also attend to the day-to-day cash flow issues (BIS, 2012). In more recent times, the Conservative government are seeking to reduce red tape which stifles entrepreneurs and small businesses, reduce burdens such as tax, improve employer rights and encourage SMEs to grow (Conservative Party Manifesto). Yet, there is no indication that enterprise policies have become any more effective regardless of the government in power.

*5.2    Communicating policy ideas to policy-makers (environment)*

Think tanks generally communicate their activities to the public at large via written publications or online platforms in an attempt to shape public opinion. The think

tanks in the sample had differing views, however, on how their ideas are communicated to policy-makers within government. The latter may be receptive to a direct approach by the think tank, but this will depend on:

"How credible the organisation [think tank] and the individuals within it are because government officials are going to listen to people they know and trust" (TT1).

Several think tanks maintained that enterprise ideas are more usually presented to government officials through authorised channels such as parliamentary committees:

"The ideas are presented to government officials through formal channels such as the 1922 Committee – this is a union of backbench ministers who have weekly meetings on various topics such as health, enterprise, education etc. where the topic of interest that week will be taken forward and this is the important period because this is where government officials are looking for new ideas – fresh and radical ideas" (TT2).

However, some interviewees explained that there are other, less bureaucratic channels for selling ideas:

"If the work is focused and you have a good relationship with senior officials then it's different – you would gather information to understand the state of the policy debate" (TT3).

TT3 continued:

"Knowing which MP or government official is interested in certain areas helps to advocate the idea or research. If you know the MP or government official is interested then you send the reports etc. direct to that specific individual."

However, such efforts seem to have limited impact. Stone (2000, p. 19) argues that "the agenda-setting capacity of a think tank (if any) is intangible" and "think tanks do not have extensive paradigmatic influence over official thinking." Interviewee TT2 observed that: "At times we have idealistic mechanisms for getting our ideas across to government officials", but more often than not, it is the case that: "Once government sees a report they might get in touch, but usually it's six months or a year later and then we become involved, but not with the policy-making – that's not in our remit" (TT3). TT8 described the nature of the think tank's involvement as "very much about tweaking existing ideas."

The interviewees were acutely aware of their political environment, describing how the government has actively sought to work with them on issues such as enterprise and to ensure that they are: "inside the political loop" (TT4).  The interviewee from TT5 cited the example of their 2014 report on equity finance, following extensive discussions of the report with BIS and Treasury, a number of its recommendations were incorporated into the Seed Investment initiative. This interviewee claimed that the think tank has greater influence on the enterprise agenda than others because:

"We have more engagement not only with the government departments, but our research is very much driven by the entrepreneurs and the SMEs themselves."

Those think tanks with less strong relationships with government departments or individuals often find themselves side-lined. TT6 described how although their report highlighting the need for Local Enterprise Partnerships to be given greater autonomy for delivering enterprise policy initiatives was discussed with key players in BIS, the think tank was:

"…disappointed with the outcome as their report and findings were never taken on board after the initial discussions."

TT4 argued it is the "classical think tanks" that are privileged to be inside the political loop because most are funded by political parties, which means they have ready access to party conferences and influential figures such as ministers." Furthermore, "such classical think tanks are well positioned because of their corporate sponsors, which causes tensions between radical ideas and thinking, and policy-shaping on the ground" (TT4).

In summary, the communication of policy ideas to policy-makers was adversely impacted by several factors: the different methods of communicating the ideas to government (informal versus formal); the type of ideas being communicated (radical versus evidence based); and the legitimacy of the think tanks themselves (classical think tanks versus newcomers).

*5.3    Relationships between think tanks and policy-makers (actors)*

Although think tanks are independent actors in the policy process (Denham, 2005; McGann & Weaver, 2000), they still need to have strong relationships with government. As the interviewee from TT1 argued:

"Influencing policy is all about relationships" (TT1).

The interviewee from TT7 described how:

"We have a lot of interaction with the government, we have a small team of 10 policy advisors and we have engagement strategies in place."

The think tanks' relationships with certain departments are particularly significant in terms of their ability to influence enterprise policy initiatives. For example, TT4 claimed that:

"We worked closely with BIS and Treasury when the Labour government was in power with assisting them with the UK Innovation Investment Fund by providing research."

The interviewee from TT6 went further, claiming:

"We like to think we have influenced several departments when it comes to enterprise: CLG [Department for Communities and Local Government], the Cabinet Office, BIS and Treasury."

Although such assumptions may be why one of the interviewees acknowledged:

"Think tanks have an inflated view of themselves" (TT2).

At the same time, think tanks understand the highly charged political environment, one interviewee explained: "Politicians are not interested in delivery of ideas, especially after announcements" (TT1), while another observed:

"It is difficult to rely on ministers and their interests because they change so much. Policy-makers are much more reliable" (TT8).

Often, the deciding factor in whether an idea is heard by the right people is simply whether the person trying to convey it is in:

"The right place at the right time" (TT1).

Institutional theory has acknowledged the evolution of institutions, organisations and in more recent times, the actors involved, understanding how individuals locate themselves in political relations and interpret their context. Micro-level explanations can

give insight into macro-level events and relationships. Politically motivated ideas are popular and directed towards specific influential individuals, and relationships are based on the legitimacy of the think tank itself. This highlights that although ideas have an evidence base to support their legitimacy, "what counts is the influence of key people and their ideas" (Parsons, 1995, p. 169) to gain support from the key actors within government (Wahid & Sein, 2013) which is not always conducive to ideas becoming as effective as they should when they are then taken to the formulation stage of the enterprise policy-making process.

## 6.   Conclusions

This study examines how enterprise policy ideas emerge in think tanks to explore whether this could possibly lead to the ineffectiveness of enterprise policy by understanding the enterprise policy process, the actors and the environment. Think tanks share a number of challenges with other institutions working with or advising government, it is very much a top-down approach with respect to policy-making or policy influencing (Arshed et al., 2016). It was never the aim of this study to establish a causal relationship between think tank ideas and the outcomes of enterprise policy. In any case, this would be very difficult as policy processes are complex and involve a multitude of actors. "If ideas emerging from think tanks are consistent with policy proposals from leaders of political parties, this can be taken as an indication of influence, but finding congruence does not establish proof of impact" (Pautz, 2013, p. 373). The findings highlight that think tanks have no systematic method of understanding where ideas come

from, and how they directly influence government officials with them. They take care to collect evidence to support their ideas before presenting them to government officials, but more often than not, the ideas are purposely beneficial to the government official that they have a relationship with or know of particular individual interests with respect to the political environment.

This study makes two contributions to the enterprise policy and entrepreneurship literature. First, by focusing on the public-facing stage, it explores a previously unexplored stage of the policy process by understanding the key role of individuals (actors) actively engaging in processes (institutionalisation) of institutional creation, maintenance, disruption, and change via the enterprise policy (political environment) (Lawrence, Suddaby, & Leca, 2011). Second, it provides an insight into the key actors themselves and their processes – to date, few studies have identified the individuals in the process (Battilana, 2006). Think tanks have become a permanent part of the political landscape in many different countries, so much so that they are now an integral part of the policy process (Barani & Sciortino, 2011). Think tanks are aware of the importance of building good relationships with government officials but know that even this does not necessarily mean that their ideas will be taken on board by government, or that they will have any impact on the policy-making process. What power they do have depends on how much support they have from certain political parties and how much institutional access they have to the enterprise policy-making process (Parsons, 1995).

## 6.1    Limitations

As with any study, there are a number of limitations. The first being that the use of a small sample limits the generalisability of the findings. Given that the sample was drawn from UK think tanks only also limits generalisability, as think tanks based elsewhere (e.g. America) operate differently and have a different organisational culture. Second, given the political nature of think tanks this limited the use of specific reports and examples of enterprise policy within the paper. Lastly, to determine the extent to which a think tank influences a particular policy decision is an overwhelming methodological task, it is not possible to measure such influences in short periods of time (Weidenbaum, 2010).

## 6.2    Implications for future research

Understanding those who influence the initial stages of the enterprise policy-making process is crucial to identifying the causes of its ineffectiveness. Think tanks are only one group of policy influencers, further research is needed to explore whether government officials are also open to ideas from banks, political lobbyists and others. There is also a need for longitudinal research, given that the policy process – from start to finish – may take years, data needs to be collected at all stages with all stakeholders involved (for example policy-makers) from the inception of the idea through formulation, implementation and evaluation. Such research would make clear to government officials themselves how they are made aware of ideas and what happens next, and would confirm (or disprove) the assumption that think tanks are the government's ideas-generators.

Furthermore, this study was undertaken in the UK, but it could be replicated in other countries to understand whether and how ideas from think tanks elsewhere influence policy. In conclusion, this study draws attention to the initial element of the enterprise policy process, the actors and the environment in which enterprise policy ideas emerge, but future studies need to be more comprehensive and longitudinal, matching ideas to outcomes in order to demonstrate at what point in the process enterprise policy becomes ineffective and requires attention.

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