

Olson Triumphant? Recruitment Strategies and the Growth of a Small Business Organisation

Grant Jordan

University of Aberdeen

Darren Halpin

Central Queensland University

This article looks at the emergence and maintenance of interest groups. We systematically identify a range of membership incentives that underpin mobilisation and apply them to a case study, the Federation of Small Businesses (FSB), focusing on the recruitment literature rather than the special niche literature on trade associations. The FSB was created in 1974 and membership was 'flat' at about 40,000 until recruiting method changes were introduced in the early 1990s. The total now approaches 200,000. This account of FSB recruitment argues unsurprisingly that the group resulted from a combination of diverse influences rather than the Truman type of 'automatic' mobilisation. More surprisingly, it notes that while *early* membership is accounted for by the perspectives of Truman, Salisbury, Wilson, Moe, Opp and Sabatier, *the major increases of the past decade requires attention to the contribution of face-to-face marketing and Olsonian incentives*. The FSB is an unusually good example of group entrepreneur activity that illustrates how entrepreneur incentives are different from those salient to members. Groups can experience different phases and forms as they grow. We exploit a 'natural experiment' by illustrating how the FSB addressed membership stagnation by changing the recruitment package in a broadly Olsonian direction. The 'before and after' patterns of recruitment allow a 'test' of these techniques. It also raises the issue of how different recruitment efforts produce a membership with different political characteristics.

Small business was not on the 1960s political agenda. The Bolton Committee of Inquiry on Small Firms observed that 'The most telling criticism of Government in this field is not that its policy towards small business is misconceived or hostile, but that it has no policy ...' (Bolton, 1971, p. 95). It noted the absence of political activity attracting governmental attention. It suggested this was 'in large part the fault of small businessmen themselves who, in spite of their numbers, have been extremely ineffective as a pressure group' (p. 93).

The Federation of Small Businesses (FSB) was created in 1974 under the label of the National Federation of Self-Employed (NFSE). Contrary to the conclusions of the Bolton Committee, since the 1970s all governments, at least in their rhetoric, have shown a concern for small business. Thus, at least in part, the Federation has been successful. By 1984, the leader of the Labour Party, Neil Kinnock, was telling the NFSE conference that 'no plan for society can be envisaged in which the self-employed sector does not play a large and increasing part'. When the 25th anniversary history of the Federation was published, the prime minister, Tony Blair, said

in the preface that it 'is now one of Britain's most important representative bodies' and claimed that

Large firms are central to the competitiveness of a country. But small firms are its lifeblood ... From small firms come growth, jobs and wealth. From small firms come innovation and new approaches. From small firms comes the future. (Bettsworth, 1999)

The emergence of the FSB was part of a phenomenon described by King and Nugent (1979) as the 'respectable rebels' – the mobilisation of the British middle classes against the emerging social and economic partnerships between business, labour and government. With that emergence, the Bolton Committee's interest group void appeared to be filled, but the group has seen two distinct organisational eras. It grew quickly at first, based on members seeking to identify with protest, but then membership levels stagnated. The subsequent powerful growth followed a change in recruiting strategy. Understanding the basis of this growth is our key aim here. Importantly, we describe a group that in different phases has deployed very different 'membership drivers'. Ironically, this group initially shared a group mobilisation explanation with social movements based on distress and anger (Walker, 1991, p. 52), rather than the usual 'story' of 'insider' business groups.

The NFSE was relabelled the FSB in 1991 in an attempt to make it more 'marketable' (seeking a broader small business base than the 'self-employed'). This, in itself, is a signal of a more supply-side approach to recruiting (see Jordan and Maloney, 1997). By 1999 it had five freehold buildings, an annual turnover of £10 million and a permanent staff of more than sixty people. It currently has over 185,000 (2003) members, but this evolution into stability and an established presence was neither inevitable nor seamless.

Group Formation Issues

Truman assumed that a link between individuals with shared concerns and joining was automatic – that the growing complexity of society would be reflected in a matching group diversity (1951, p. 53). He also noted that 'disturbances' may result in new groups to restore political equilibrium (pp. 31, 40). He thus articulated a common-sense belief that individuals join to pursue a common object (Wilson, 1995, p. 19). Although the prolific creation of groups in the past four decades might be in line with Truman's expectation (see Hirschman, 1982, p. 78), is the mechanism as expected? Is growth simple and irresistible? Or, as most sources would now suggest, does membership reflect the selection of techniques and the incentives (and entrepreneurial skill) of groups? Olson (1965), in contrast to Truman, and failing to anticipate the explosion of group numbers, argued that group membership was an activity pursued by potential recruits following a test of economic rationality. He suggested agreement with group goals was *not in itself* a reason to join: individuals join for rewards only available through membership.

Olson essentially argued that groups could overcome membership resistance by offering rewards *conditional on joining* (not free-rideable). He also suggested that a group with a small potential membership might well face an easier task. A small

'market' might mean more chance for face-to-face social pressure – and less chance of 'invisible' free-riding. Moreover, in a small group, the value of a contribution (such as subscription) is more easily related to group success. This 'smallness' factor underpins many explanations for the large proportion of business organisations in the group universe, but it is clearly less powerful in the small business sector, which has a potential membership population in the hundreds of thousands (again, small business has 'social movement-like' characteristics).

Two very different conclusions can be drawn from the Olson analysis. The first is that interest group recruitment (especially public interest) is difficult, as potential joiners will recognise that their contribution is non-pivotal – and therefore they might as well not make it. This powered his critique of pluralism. Another conclusion, unexpected by Olson, was the possible appeal of incentives other than self-interest. Although he admitted a possibility of these wider incentives, he dismissed their empirical relevance (1965, p. 6, note 6; p. 61, note 17; pp. 159–62).

Opening up our understanding of 'joining' to these non-self-interest factors is controversial in political science. Knoke (1990), for example, argues that including non-material benefits is a tortuous logic that renders the concept of rationality as universal and therefore 'useless' (cited in Walker, 1991, p. 47). But many observers see joining as based precisely on these non-economic factors that undermine Olson's contribution. Yet, as Olson-type explanations are less popular in the academic discipline, interviews with group leaders find practitioner accounts of recruiting strategies relying on extensive (if rarely conscious) borrowing from Olson. What is unfashionable in the academy nonetheless underpins the 'professional' discourse among the new breed of 'membership marketing managers' in modern interest groups. Olson's approach warrants contemporary attention.

A Repertoire of Incentives

The traditional literature (Clark and Wilson, 1961) distinguishes between three types of incentives – material, solidary and purposive. Salisbury (1969) offered an important extra dimension, and the list is disaggregated further below.

- *Selective material*. These are tangible rewards: money, wages, salaries, discounts on services, and so on. This is Olson's main driver of membership. Such an incentive is *exclusive* – open only to those in membership.
- *Solidary*. These are intangible (for example, social benefits) but selective, in that they can only be enjoyed within the group. They cannot be 'free-ridden'.
- *Specific solidary*. These too are available only to those inside the organisation – but not simultaneously to all. These include office-holding perks.
- *Purposive*. Wilson defines a purposive organisation as working explicitly for the benefit of some larger public and not chiefly for the benefit of members, except insofar as members derive a sense of fulfilled commitment (1995, p. 46). The pursuit of purposive incentives may also reflect an exaggerated sense of self-efficacy. Baumgartner and Leech (1998, p. 70) discuss Moe's work (1980), which shows that those who reported 'collective good' reasons for joining a group – as opposed to material or solidary reasons – overestimated the likely impact of their contribution.

- *Self-interested purposive*. Generally, the beneficiaries of the purposive attraction are non-members (the action is *for* rather than *by*), but sometimes, as in this article, the purposive action can be for the members (and potential members) of the group. It appears that threats and negatives are more effective purposive factors in inducing joining than promises of improvement. Hansen notes that groups go to great lengths to frame membership appeals as insurance against loss rather than a gamble on gain (1985, p. 82). He explains that political and economic disturbances heighten the attraction of (collective) political benefits and, as such, signify windows of mobilisation opportunity for the group leaders, who can use it to demonstrate the importance of collective defence.
- *Expressive*. Salisbury (1969) identified a discrete incentive to be distinguished from the purposive: 'Expressive actions are those where the action involved gives expression to the interests or values of a person or group rather than instrumentally pursuing interests or values ... *benefits are derived from the expression itself*' (p. 16, emphasis added). This is a personal satisfaction reward separate from attaining a goal.
- *Commitment theory*. Bearing some relationship to the purposive idea, as described by Sabatier (1992), commitment theory assumes political activists have more ideologically extreme views than ordinary members. Consequently, expected collective benefits are valued more highly by some participants. He argues that commitment theory anticipates increasing degrees of commitment to collective benefits as one moves from potential members of a group, to its members, and then to its leaders (p. 109).
- *Selective psychological rewards*. Generally, it can be argued that members join because they get some internalised psychological reward. Although these are consistent with a very broad formulation of rationality, Olson would not have included them in this category (see above). Such an extension to the rationality definition leads to non-falsifiability. All membership is 'rational' in some sense (see Knoke, 1990).
- *Entrepreneur role*. Salisbury (1969), also assuming self-interested behaviour, argued that many groups were formed following the efforts of political entrepreneurs seeking permanent positions in the organisation. The initial Salisbury assumption was that the entrepreneur's reward is economic: they are small business people creating a job for themselves (see Sabatier, 1992, p. 106). However, it would be unusual to see a political entrepreneur who was not also heavily committed to the cause. The personal economic incentive is joined to the pursuit of a collective good. Sabatier cites Berry's 1977 evidence that twice as many groups could apparently be 'explained' by an entrepreneur explanation than Truman's disturbance notion. But he goes on to say: 'Yet most of the examples Berry discussed ... hardly fit Salisbury's portrait of a salesperson looking for a staff job. Instead they might be seen as engaging in the organizational effort for policy/ideological reasons' (p. 107). Entrepreneurs, to use the language above, may reflect greater 'commitment' as an incentive to act – not simply be in pursuit of pecuniary self-interest. Wilson argues that the 'profits' received by entrepreneurs are sometimes measured in money, sometimes in status and sometimes in ideology' (1995, p. 196). Rather than entrepreneurs as (necessarily) having strong economic motivations, it could be that they have exaggerated purposive attachments. A group is a better tool than individual

action and so the group is devised to 'lever' their own policy ends. This is a selective non-material reward (see also Moe, 1980). In fact, in the NFSE/FSB case, both versions of the entrepreneur 'story' are relevant.

In this article, we try principally to relate these observations in the literature to the empirical case of the FSB. It is a characteristic of the FSB record that the *dominant membership incentives have altered over time*. It is this 'natural experiment' quality where we can 'read' the consequences of changing incentive packages that makes the case important. Our empirical evidence comes from the official FSB history (Bettsworth, 1999), complemented with analysis of organisational documents and records made available to us by the FSB and interviews with selected FSB staff and leaders.

NFSE Emergence: The Non-Selective, Non-Material Incentive-Based Organisation

The initial membership surge of the NFSE was 'political'. The activity was aimed at changing government policy (purposive) – but as that seemed improbable, there still seemed satisfaction in the act of protest (expressive). The rewards were solidaristic and psychological, and the group was simply not organised to deliver selective material goods. An account of the initial mobilisation of support for the Federation can be assembled from the incentives described by Truman (1951), Wilson (1995 [1974]), Salisbury (1969), Moe (1980), Opp (1986) and Sabatier (1992). Importantly, the emergence of a *group entrepreneur*, combined with more or less spontaneous recruitment of individuals wanting solidary, expressive and purposive benefits, seems to describe the events.

The NFSE was 'invented' on the basis of the argument that small business required its own particular voice as a response to the fact that industrial and economic policy-making started to resemble a loose triangle – so-called 'tripartism' involving the Confederation of British Industry (CBI), trades unions and government (Grant and Marsh, 1977). The small business community sought access.

The NFSE was the most significant (among a number of proto-organisations) small business example to emerge. *It was a remarkable illustration of the entrepreneur proposition*. Former military officer Norman Small, then Yorkshire Organiser for the National Union of Small Shopkeepers, wrote a letter to the *Guardian* on 31 August 1974 proposing a union for the self-employed. He sought a 'voice and platform' for the 'silent majority'. He was '*willing to take the individual steps* in the formation of such a union or Federation if the demand exists'. There was a rather confused gestation – some of the confusion over the next few years giving some individuals financial temptations – perhaps not always resisted. A local press advertisement invited the self-employed to a local pub. This yielded a turnout of twelve. The joining fee was fixed as £12, and within a fortnight over 1,000 had joined.

The emergence of the NFSE was triggered by reaction to the proposal for increased national insurance contributions, whereby the self-employed would have to contribute to the scheme pro rata to their earnings but without any additional benefits. This proposal was in addition to the introduction of VAT, which was already causing small business resentment. Small businesses were concerned that they had

become the unpaid tax collectors for government. Both issues (VAT and national insurance) had parts of small business calling for militant forms of direct action to repeal proposals.

So a factor in the initial success of the NFSE was the government's 'gift' of an issue that generated generalised outrage amongst the self-employed that overcame a tendency to *niche* grievances. As McHugh argues: 'Most legislation has a differential impact affecting particular self-employed groups such as employers, or building workers or farmers' (1979, p. 67). The bad news of the 8 percent levy for the potential membership of the group was good news for the organisers. In McCabe's language, it 'homogenised a heterogeneous group' (1989, p. 57). Much as Hansen (1985) suggested, the early interest in the Federation was very much a defensive reaction by individuals who felt threatened (but that threat was in part socially constructed by policy entrepreneurs). There was no selective advantage in membership, but the belief was that only a collective effort could secure individual advantage – a non-Olsonian conclusion, but one drawn by thousands.

Such psychological gratification might, however, be particularly powerful for group entrepreneurs and first-wave recruits. The early individuals involved had pre-existing personal tendencies to be active – and presumably got satisfaction from serial participation. With reference to John Harris (national chairman 1992–95), Bettsworth observed: 'Like many others he was not inclined to suffer injustices quietly ...' (1999, p. 246). Bill Anderson, a leading Scottish figure, is described as 'involved in local politics and had become known for attacking what he called "an unhelpful slough of bureaucratic despond"' (p. 311). Activists were active because they found it frustrating *not* to participate.

An early advertisement from the NFSE stressed that the self-employed would get no financial advantage from paying the increased national insurance contributions. It asked the self-employed to join the Federation to 'fight this injustice'. But unwittingly, this is a *classic invitation to free-ride*. Why should an individual join? If the group is successful, *all* the self-employed would be relieved – irrespective of whether they contributed to the group's operation. Another advertisement showed a couple of drinks with the slogan 'The Price of Your Future'. An Olson-inspired businessman would still, of course, free-ride *and* have the drinks, because foregoing them does not affect the probability of policy change. Stressing the cheapness of the subscription only suggests a relatively small waste of money, as opposed to a potentially larger one. Some of the membership seemed expressive-based (a need to do something), but some may have reflected a wish to 'contract out' participation and get an organisation to do something on the members' behalf. Whereas Olson predicts free-riding, survey evidence suggests that some members join because they *want* organisations to lobby (see Wilson, 1995, p. 152). There is market support for collective action among potential joiners. It need not simply be funded as a by-product (compare Olson, 1965, pp. 132–68).

The Entrepreneur Importance – and Problem

The Norman Small factor links unusually clearly to the *group entrepreneur* idea. The niche for a group can be left unexploited unless some individual takes the initia-

tive. Wilson describes the proliferation of small business groups in the US: 'Each of these organizations began as an expression of entrepreneurial activity by a single man, the founder or his successor ...' (1995, p. 162). Small appears to have had a strong ideological concern, but this was also tied in with the 'material reward for entrepreneurship' argument. As early as December 1974, there was a paid regional organiser, a paid secretary and Small was reimbursed all costs. Bettsworth comments: 'It might perhaps be unfair to suggest that the early executive body was feathering its own financial nest, but its concentration on events close to its own wallet at this early stage seems odd ...' (1999, p. 27).

On 7 January 1975, a new treasurer, Mr Shouls, was promising 'some form of budgetary control on advertising, and meeting expenses'. By 4 February, the even newer treasurer, Mr Graves, reported difficulties he had experienced over bank statements. He said there were 13,000 members (Bettsworth, 1999, p. 28). A branch chairman went to the press and said members of the national executive were voting themselves large pay rises and the financial affairs were in incompetent hands (p. 31). At the national executive meeting on 15 April 1975, the dismissal of one of the first executive officers (Edwin Gornall) is reported. Bettsworth says that Shouls and Graves were also criticised as having too many powers (p. 30).

Bettsworth describes how coping with numbers was the problem, not getting recruits: 'The stream of responses turned into an unstoppable flood and soon thousands of pounds were pouring into the fledgling organization' (1999, p. 26). Moreover, at early meetings, those attending were encouraged to support the organisation by contributing to buckets at the door. The contents of the buckets may have leaked.

Ian Greer (later a prominent and controversial lobbyist) had approached Small to use his firm to assist the NFSE in London. He was quoted commenting on rumblings in the press about whether the Federation would last and about whether its finances were being properly administered (Bettsworth, 1999, p. 30). On the 29 May 1975, the executive was using phrases such as 'cleaning the stables'. Bettsworth concludes: 'rumour was rife about mismanagement and financial irregularity. The whole edifice looked as if it would collapse. And it was just seven months old' (p. 31). He cautiously says: 'It is clear that there was incompetence but no evidence of dishonesty' and records rumours that £350,000 of subscription money had 'disappeared' (p. 56).

A year after his *Guardian* letter (1 August 1975), Small resigned as president. A subsequent *Nationwide* TV programme in November 1975 reported his attempt to defraud the organisation: 'The next Treasurer, David Kelly, admitted to the AGM of 27 April 1976 that "he wondered at one point whether any accounts at all were being kept"'. He described emergency cuts that he had instituted and said that these '*removed from the ranks all those who saw the movement as an easy way to make a living*'.

McHugh records the emergence of a reform group: 'They made a number of charges against the leadership ... They demanded the adoption of a democratic constitution, an inquiry into the Federation's financial accounts and the resignation of three

executive officers ...' (1979, p. 53). This turnover of the leadership saw the NFSE stabilised financially and begin to be politically credible. Again, there was no historical inevitability here. There was a crisis meeting (yet another) in Preston on 8 and 9 October 1975 that saw Kelly become national spokesman, and an experienced accountant, David Dexter, took over finances. The organisation still pursued a combative style, but there was greater internal coherence and trust.

Under a headline 'Self Employed are Back in Business', a newspaper article on the 1976 AGM reported that six months previously few gave the NFSE much chance of survival: 'Its finances were in a mess; its administration was in chaos; its founder executives had all resigned or been publicly sacked ... But despite all this the Federation is still alive and well and living in St Annes-on-Sea' (Watson, 1976).

Although the Salisbury style of financially motivated entrepreneur is unusually clearly demonstrated in the prototype NFSE, the reformist leaders were also vital in the group development. Their motivation was obviously not the same, and it seems impossible not to assume that untestable incentives such as great commitment, psychological rewards of esteem and reputation played a significant role. Certainly, Bettsworth's interview with Kelly, the important new-broom leader, recorded that he had no intention initially of doing anything other than protest at the activities that he saw as bringing the Federation into disrepute (1999, p. 57). Bettsworth continued: 'Worse than this, though, Kelly despised men like Shouls, Graves, Gornall and Charlie Fowler. To Kelly, *they appeared to be men wanting a return for their involvement*' (p. 57, emphasis added). The reform leaders seem closer to Wilson's commitment-oriented entrepreneurs than Salisbury's self-interested.

The initial membership surge sees what may be a common combination of a group entrepreneur and the utilisation of the group by members almost desperate to give expressive support. The joining incentives in the early days of the NFSE were obviously from those components on the menu of incentives not rated as effective by Olson. Some participation of this type might follow from the systematic tendency by some individuals to have an exaggerated sense of their personal efficacy, much as predicted by Moe (1980) and Hansen (1985).

Changing Policy Style

In the first five years of its operation, according to McHugh, there was an ongoing, and largely unresolved, debate about political strategy:

The essential argument within the NFSE about its role was, and is, between those concerned to transform it from an 'outsider' group, denied legitimacy by Government, to an 'insider' group which would gain access to the Government decision-making process ... The argument has never been decisively resolved but at different points in the Federation's development one tendency or the other has been more in evidence. (McHugh, 1979, pp. 57–8)

After the initial fairly pure 'outsider' strategy of trying to alter government policy by protest and 'noise', the reformist NFSE leadership *sometimes* undertook activities that were consistent with a more 'insider'-focused strategy. Though Kelly in

the new leadership was an important stabilising influence, he still imparted a confrontational style. Militancy, so far as it was practised, included marching to Whitehall with reference to national insurance and refusal to pay VAT. There was a proposal to get members to simultaneously write into the VAT office to claim registration, which would have shut down the system. However, leaders could not get members to comply in sufficient numbers. Nonetheless, 'first wave' members and potential members seemed to have expectations of high-profile outsider tactics: there were calls for a boycott of payment from grass-roots members – and with new members joining at several hundred a day, there was significant pressure to accede to the demands for direct action.

There was an element in the NFSE that viewed the negotiative strategy as leading to the co-option and emasculation of the fledgling organisation. Internal challenges to leadership followed, based on claims of an absence of consultation with members and financial mismanagement. The rate of membership growth was falling sharply, and the associated fall in revenue threatened to leave the organisation unable to service commitments. Changes followed, with the replacement of the old executive committee by a new management committee, which contained each chairman of the thirty-five regions (McHugh, 1979, pp. 53–4).

In 1976, the pursuit of outsider confrontation with government was reversed yet again, with a change in chairman. After this point, the 'tendency towards conventional pressure group politics was pre-eminent with its consequent emphasis on caution, willingness to compromise and desire for recognition by Whitehall' (McHugh, 1979, p. 58). However, this approach had given rise to stagnation in membership growth: it was thought that members liked headlines – however ineffective in practice this was in securing policy change. The chief executive again changed in September 1977. A new leader, Brian Kelly, was installed, marking 'a return to the less restrained politics of the "outsider" groups concerned to create public debate and attract attention through an aggressive approach likely to alienate official opinion' (p. 69).

Even after the period covered by McHugh, the strategic equivocation continued. In April 1978, the NFSE opened their London political-lobbying office. By the 1980 conference, Bettsworth was describing the Federation as possessing a 'growing reputation as a more moderate and measured lobbying organisation,' but he then writes about 1983:

Those in the country ... who thought that the NFSE had become a much more moderate, almost 'establishment' body, dedicated to rational lobbying and negotiated strategies, were in for a bit of a shock when the National Secretary, Brian Kelly, launched a campaign which may well have ended in the Federation's members going on strike against the Government. (Bettsworth, 1999, p. 143)

On the other hand again, Brian Prime, national chairman (1986–89), claimed the greatest achievement of the NFSE was its survival: 'It is listened to in Westminster and Whitehall, and by the media, because it has learned the expertise over the years to negotiate with Government rather than stand outside and shout abuse through the letterbox' (cited in Bettsworth, 1999, p. 188). Bettsworth notes that

Prime's importance to the organisation was his initiative to deal directly with senior civil servants, who are more important than government ministers (p. 192).

The NFSE was a 'threshold' organisation (May and Nugent, 1982) equivocating between conflicting styles of influence. This ambiguity is perhaps costly in policy-making terms, as protest *can* undermine insider status – but there are cases where the negotiators can pose as the acceptable face that could be replaced by even less flexible representatives. In part the role confusion in the Federation reflected different instincts among competing cadres of activists in the organisation – and it reflected different 'shop windows' for recruitment purposes. There is a relationship between the recruiting 'story', the type of members then attracted and the policy freedom and autonomy of the leadership. This is most evident in the second phase of the Federation's growth.

Explaining Growth: A Natural Experiment of the Power of Olson Incentives

McHugh's authoritative review of the early history of the NFSE did not foreshadow the significant expansion of the 1990s. He concluded:

While the initial growth of NFSE membership was quite spectacular, it has not been sustained. It is doubtful whether the organisation has achieved any significant growth in membership since 1975 despite the vigorous and expensive recruitment campaign mounted in early 1977 ... From the earlier days of its most rapid growth the Federation has experienced a relatively high turnover in support – perhaps as much as 25% during 1975–6 ... The experience of 1977 seems to indicate that recruits are increasingly less forthcoming and that continued wastage may be producing a net loss in membership. (McHugh, 1979, p. 70)

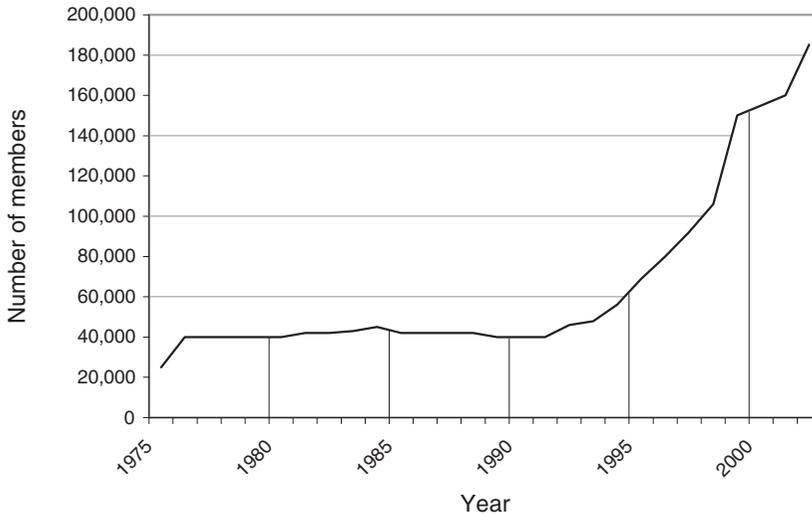
In fact, the subsequent pattern was spectacularly different (Figure 1).

There was remarkable stability until 1992, followed by a spectacular increase. This 'stability' is in fact illusory, being the net result of considerable joining and leaving.¹ The total of 40,000 members was big enough to sustain the organisation financially and give it some political credibility, but on the other hand it was still a low percentage of the potential membership.

The growth ties into two developments within the FSB. In the early 1990s, it changed both the nature of policy-influencing activities *and* recruitment methods. We argue that the membership rise shown in Figure 1 is because of the latter change, and possibly despite the former. Although the group pursued evidence-based insider policy-making, was this attractive to members? However, the near-simultaneous adoption by the Federation of a new selective incentive recruiting emphasis serves as a sort of natural experiment of the power of Olsonian ideas.

Initially, members were attracted by ideological/expressive/purposive incentives (and perhaps Moe's exaggerated sense of personal efficacy). Essentially, there were no alternative incentives – not even a membership receipt. The explanation for joining had therefore to be collective and political rather than selective and material. Beyond provision of a magazine, *First Voice*, and its political advocacy

Figure 1: FSB Membership Figures 1975–2002



Source: Figures to 1998 from Bettsworth (1999, pp. 11–21) and 1999–2002 from FSB annual reports.

activities, no other incentives were (initially) offered to potential members: this changed dramatically later. But even without other incentives on offer, initial (protest-based) growth was so fast the organisation failed to cope.

As early as the 1977 conference, a membership drive was introduced to ‘kick start’ a static membership total (though individuals in membership were changing). The campaign, based on full-page press advertisements, helped with the profile of the NFSE, but few recruits resulted. Bettsworth suggested there were too few recruiters in the field to follow up the 3,000 inquiries; and he suggested the prevailing confrontational campaigning style was dysfunctional (though the opposite can also be the case) and that the group’s reputation continued to suffer from past controversies (1999, p. 78).

By July 1980, *First Voice* had a recruiting supplement that described how the NFSE approach had two legs. The first was the *claim of achievements* (collective success) that tapped into the purposive dimension, but it also listed *member benefits*. The Federation’s position cannot be oversimplified into a black-and-white picture of no incentives before the 1990s and success with them later: there is a pattern of building up material selective incentives as part of a new ‘supply side’ recruitment strategy.

The early selective incentives included a new legal fees insurance scheme. An interview with the former national press and parliamentary officer (1979–83) John Blundell (recorded in Bettsworth, 1999, p. 103) found that it was he who rather incrementally and almost accidentally set up the selective material incentive basis to the organisation that replaced the original ideological appeal. He explained that

health benefits had been introduced after he had had contact with an American economist. Significantly, he refers to the 'Economic Theory of Clubs', which is a version of Olson's selective incentive theory. He was reported as arguing that 'if 50,000 self-employed people out of a total of say 2 million, join an organisation which will fight for their rights, the non joiners are free-riding. Ergo, one has to offer the "joiners" something extra for their commitment' (p. 104)

This was subsequently built upon by Dexter, who

set about developing the Blundell list of incentives introducing further practical value for money benefits (in the early to mid 1980's) to be included in the subscription ... He was successful in producing the most comprehensive package of benefits available to the self-employed anywhere in the UK. (Bettsworth, 1999, p. 117)

He introduced a credit card 'deal' and insurance to pay the costs associated with an in-depth revenue investigation (later adding 24-hour legal advice service). But there was no professional selling of the selective incentives. By current standards, selective services were still underdeveloped.

A formal review of membership resignations in 1989 confirmed that the separate issues of policy influence and recruiting were linked. In the review, McCabe argued: '*The problem for the NFSE is that it not only has to be effective, but has to be seen to be effective. This is a much harder task when discussion takes over from marches as the main form of protest*' (1989, pp. 40–1, emphasis added). The Federation's public campaign against bank charges and practices in 1991 prompted an upsurge in numbers: 860 joined in June 1991 alone in apparent response (Bettsworth, 1999, p. 233). McCabe linked the general trend of membership losses to the more insider, professionalised lobbying approach by then adopted by the Federation. The conclusion of the report on membership resignations was that 'People are leaving the NFSE because the quality of the relationship between the organisers [read organisation] and the membership is unsatisfactory' (1989, p. 60). The main recommendations were that members' views should be regularly polled, the name should be changed to a simpler one, and local branches should be encouraged to become more active.

In this article, we assume that the constituency of support for a protest-based organisation is not identical to that for a service organisation. That the FSB has in recent years been a far less aggressive headline-winning organisation and more of an evidence-based, insider group means that it is less attractive to the ideologically driven member. The fact that FSB has increased membership while adopting an insider style may be despite, rather than because of, the political strategy. The premise in the literature is that groups who depend on a membership without selective material rewards must stick close to the protest mode. It is therefore significant that the Federation professionalised *both* its recruitment and its policy development process. One may have offset losses occasioned by the other.

Changes in the public profile of the FSB mean that membership no longer relies on attracting those motivated by non-material incentives – the sort set out by Truman (shared goals), Salisbury (entrepreneur), Moe (exaggerated sense of efficacy), Wilson (ideological) and Sabatier (commitment). By the 1989 review of

recruitment, more *services* seemed to be the answer. We conclude that the growth of the 1990s is very much linked to a reinforcement of the Olsonian selective incentive menu. The initial expansion was based on expressive, purposive and solidary appeals, but these are now dwarfed by the power of the selective material incentive described by Olson.

Professionalisation of the Recruitment Process

The 'modern' era in the FSB dates from 1991, when the NFSE was rebranded. An equally significant event was the appointment of John Emmins as the chairman of the recruitment committee. This resulted in radical change in the way members were recruited. As Brendan Burns (former national vice-chair of the policy committee) put it in interview (November 2000): 'It was this decision which resulted in a radical change in the way membership was sold and *a separate organisation was virtually set up to sell FSB membership ...*' (interview). He later added:

Originally the drop out rate of members was alarming ... If the hole could be reduced then the membership would grow faster. This problem was not finally solved until John Emmins introduced his schemes for recruitment. Businesses are sold membership to the Federation under the main promise that they get benefits of special insurance cover on cars, houses and their premises. They also gain special purchasing terms on issues such as telephone services, internet services, etc. (interview)

The result of all this is that *those joining the Federation are offered primarily selective economic benefits.*

When Emmins took over recruitment, there was still uncertainty over basic matters such as the scale of existing membership. According to Bettsworth, there were insufficient funds to deal with the issue and, against his instincts, Emmins developed a system of self-employed managers running self-employed agents: 'Direct selling was not a new concept for the Federation but Emmins did not think it had been properly applied' and 'He would have preferred to have set up the recruitment team with a national sales Director and four paid managers under him ... [but] there was no money to start off the new scheme' (1999, p. 309). In fact, if one is uninterested in the type of member and their characteristics, the Emmins formula is maybe not second best. Service-led, face-to-face recruiting was effective in building membership. Remarkably, he actually cut national advertising (Evans, 2002, p. 7).

Emmins replaced most of the existing recruiters. In effect, he established a section of the organisation to direct *sell* FSB membership. The recruitment process was administered on commission by professional recruiters. The targeting of areas and professions were made strategically by the Federation's leadership, with the marketing tactics left up to individual, commission-only recruiters. According to Evans, there are now 120 salespeople across the UK (2002, p. 6), normally individuals with a small business background and mostly, but not all, full time. The Federation supplied pamphlets and other promotional material at cost to recruiters. Emmins stressed the importance of recruiter motivation and used

training, confidence-building, incentive packages, sales games and an annual conference (p. 7).

Bettsworth notes in passing that one problem in the early days was when branch chairmen would convince business people with problems to join at a cost of £12 and then the NFSE was expected to solve the problem instantly dumped on it (1999, p. 104). In other words, members saw the organisation as a solution in individual rather than collective problems. This issue may have re-emerged, and indeed been aggravated, through the current door-to-door recruiting style, where commission-hungry sales staff will persuade potential members to expect specific, individual-level benefits. If the expectation is 'hand-holding' at the individual level, then an extra member can be a 'cost'.

A slogan among FSB staff trying to avoid the financial trap of being a very cheap consultancy on members' singular problems is 'Don't Do Members' Problems'. Unattractive though this might look in general publicity, it is making the point that, for a single subscription, a member can't get the sort of one-off service they might get from a legal firm or other professional adviser. The view internally is that the organisation should pursue national and general issues, not solve individual crises. But this line is hard to hold.

The services on offer extended beyond the original (selective) provision of VAT inspection support and legal advice. All members have access to free benefits that include a 24-hour advice line and payment of professional fees in representations relating to tax, VAT, employment disputes, health and safety, statutory licenses, data and property protection, PAYE disputes and business-related criminal prosecution. Additionally, payment is made for staff of a member appointed to jury service. The package of benefits also include advantageous insurance rates, debt collection rates, special terms on telephone services (FSBTelecom) and internet services (FSB Dial [ISP]) and preferential rates on a range of insurance and financial services, plus FSB magazines.

Though the selective benefit 'pitch' of the 1990s was clear, it was a difference of emphasis rather than a new invention. One promotional leaflet from 1984 shows the claim: 'This little card can save you up to £56,000 a year' (Bettsworth, 1999, p. 403). In other words, the 'pitch' as early as then was that the cost of subscription is far less than the benefits it offers – the classic Olson line. A full page of the official history lists member benefits over the years from 1974 to 1998 (p. 403). The website in 2003 had as its first statement: 'THE FSB IS A PROTECTION AND MONEY SAVING GROUP. Join the Federation and you will save money on several benefits most of which are listed here'. The list of selective benefits in the 1980s was not trivial: the fact that they are now 'direct sold' by canvassers has increased their effectiveness.

The response to the Emmins recruiting approach was almost immediate. *The Voice* reported that

The FSB has enjoyed a phenomenal growth spurt ... in the 12 months to the end of October 1992, recruiting teams under the redoubtable John Emmins have increased membership by 30% ... The significant achievement comes as a result of Emmins conscious decision to increase the

recruitment team and remunerate them as professionals, before sending them out to enlist new members from all areas of the business community. (see Bettsworth, 1999, p. 307)

As suggested by Jordan and Maloney, the pattern suggests growth occurred because the organisation *sold its product better* (1997, pp. 143–74). It is a supply-side phenomenon. As illustrated in Figure 1, the result of this new strategy was year-on-year growth. Despite the turnover in membership – for instance, 17.1 percent in 1996 and 16.5 percent in 1997 – the net rate of growth was positive, with leavers more than offset by significant numbers of new recruits. Turnover is now down to about 11 percent, which is regarded as acceptable, as it mirrors other organisations such as banks.

Small businesses are being offered services by recruiters as the basis of a membership decision and *political representation, at least in the initial membership joining period, is a minor selling point*. This contrasts with the early rationale for membership, where participation was *politically motivated* – a strategy that had, admittedly, found a ceiling on membership at approximately 40,000. To push past that level, it proved necessary for the FSB to reinvent Olson to develop a set of exclusive financial benefits and services. Political representation considerations were dwarfed in recruitment ‘pitches’ by the attention given to selective material incentives. New potential members were offered a valuable bunch of services in return for a subscription.

This ‘pitch’ has been effective, but it perhaps changes the nature of the organisation from a political collectivity to a ‘service club’. Potential members are invited to save money – not to make a contribution to support for the political role of the group as a whole. These ‘new’ members, attracted under a rationale for membership that pushes service provision, are altering the internal life of the organisation, as they do not ‘require’ high-profile contestation as evidence of group activity. Ironically, this may be allowing the group to develop an insider policy style that is more effective than protest – but the members are joining in spite of, rather than because of, this style. This does raise important issues of the *political content of the membership*.

The original membership received gratification from their own gesture of supporting an organisation to seek collective ends (they literally received nothing else). Leaders received a ‘buzz’ of political but non-partisan organisational politics. Burns referred to his activist cohort in the organisation: ‘Originally we came into it because of the politics. Because it gave (us) political clout and (by developing a mass membership) what we were doing was playing the “n” game. Membership numbers helped with lobbying’ (interview). He then distinguishes quite clearly between the recruit that joined as a political statement and those that are simply buying services more cheaply. He says older activists are not being replaced because

we’re going out and recruiting members in for benefits. All those political people that should be coming through and putting pressure and pushing people out, is drying up. What we’re getting is a lot of people that are coming along that are interested in local things *or really not interested*

in policy at all ... We've attracted in an awful lot of people that are just in for the benefits. (interview)

Olson triumphant.

Conclusion

There is an ambiguity about the consequences of service-led membership for the leadership. On the one hand, there in the interview material is Burns's perspicacious, if unconscious, echo of Wilson: '*We (the group) make money by selling membership to do whatever we bloody like in politics*'. In a sense, a policy-dead membership increases the autonomy of the leadership. At the same time, if there is such limited interest in politics, the logic is simply to drift to being a service club and the politics can atrophy. One suspects that, in the latter case, at some point, policy-makers discern that the views of the group are not a reflection of deep membership concerns and the policy-making credibility of the group is devalued. Plausibility and reputation require that groups at least appear to deploy internal democratic process and facilitate member participation.

In this article, we illustrate the utility of commitment theory, group entrepreneur approaches and non-Olsonian incentives in explaining the initial formation and development of the FSB. For its own survival reasons, the Federation has supplemented its original menu of indivisible and non-excludable benefits to also supply (even emphasise) excludable attractions only available to those in membership. The door-to-door direct selling addresses the issue of invisibility of non-joining. Those not joining must now do so consciously.

Our argument that Olsonian selective benefits count in explaining the second phase of FSB growth would seem to contradict the broad findings of Marsh, where the thrust of his empirical test of Olson and business group membership (CBI) was that '*many companies join the CBI because of the collective goods it offers rather than for any selective benefits*' (1976, p. 264). The early viability of the NFSE shows that members *do* join business groups for reasons that are in the areas of self-gratification or collective political influence – incentives more commonly associated with non-business campaigning groups. But that type of membership was unstable and ultimately seemed to plateau. The spectacular increase in totals of the 1990s seems to have been linked to changes in recruitment method (selective material incentives plus aggressive direct selling).

This can be reconciled with Marsh in two ways. First, no study of incentives finds members with monocausal motivations. Those primarily attracted by selective benefits might well find other incentives such as expressive or solidary benefits relevant. Second, Marsh's data show services were very important for small businesses (1976, p. 262). Although *none* of his large companies gave selective benefits as the most important reason for joining, 77 percent of those in small businesses did. Thus, though his study is generally seen as not supporting Olson, he specifically concluded that '*Olson's model would seem to be most applicable to the smaller firms ... In their case, the services the CBI offers would seem to be an important reason why they join*'. It seems that smaller businesses may be more service-

hungry than larger ones (Bennett, 2000, p. 35).² The logic of membership appears to be quite different for smaller organisations.

One approach to reconciling the imperatives of influence and support, compatible with Olson, reviewed by Schmitter (1982, p. 266), and exhibited in this case, is that group leaders will ultimately use selective goods to convince members to stay *regardless of political strategy*. Members of interest groups thus come to see them as a service-delivery organisation, where they exchange a membership fee and expect efficient professional service in return. Leaders favour selective incentives, particularly if supplied cost-effectively, as a means to negate problems with interest heterogeneity (Streeck, 1992). Leaders can shape the way in which members make sense of these incentives and hence experience membership (Moe, 1980, pp. 32–3). Although we seek to account for membership, an important element of the logic informing the way incentives are deployed may be preferences about political strategy.

But while the selective material incentive thrust of FSB recruitment is important, so too is the basic contribution of marketing as an explanation of membership. Jordan and Maloney develop the supply-side idea (1997, p. 156), which assumes that membership can be created; the group may not succeed merely by efficiently aggregating potential members, it may ‘invent’ the desires that membership satisfies. The benefits without the proactive supply-side recruiting would be insufficient.

The FSB case has something to say about the ability of interest groups to compensate for a participatory decline in voting and party activity. The recruiting success of the Federation suggests that groups can mobilise on a bigger scale than traditional political organisations. But, in line with the broad picture in public interest groups, the big-number examples (such as the Royal Society for the Protection of Birds) are precisely those examples where membership has a minimal political content. As the Federation has grown in size, its political contribution, in terms of engaging individuals with the political process, has diminished.

This case also highlights the consequences of incentives for mobilisation and political strategy. The ‘second wave’ of FSB members are invited into membership as an economic decision – there need be no identification with goals. A depoliticised membership has been more the accidental by-product of growth. However, the choice can be deliberate in other groups. This argument explicitly recognises and endorses the substantive critiques of Olson, but modern group leaders construct large parts of their membership as an ‘exchange of member subscription for individual services’ in order to attract the (economic) support of otherwise disinterested small business operators. There is an increasing tendency for interest group leaders to talk of membership in ‘fee for service’ terms. When leaders offer services exceeding the cost of membership, the issue of concurrence with group goals is largely removed and the joining decision is made independently of the collective action dimension. In this sense, Olson is *made* to triumph. Yet this is only ever likely to be a partial victory. A service-oriented membership creates a weak group-member attachment, which has ramifications for the group’s political strategy and internal operation. Not only are members prone to leave should ‘service’ quality diminish, but they are only a partially effective political resource.

They provide finances, yet are unlikely to provide action should that prove necessary.

Olson's theory is both consciously and subconsciously utilised by a 'professional' cohort who reproduce its rationality in the supply-side incentives for membership. Although groups have been more successful than anticipated by Olson in recruiting, modern groups are successful, in part, through his stress on selective rewards. More members will accrue to the group when the invitation to prospective members is based on selective services than with the appeal of collective political goals. But all members are not equal. Service-driven members may be less of a political resource.

(Accepted: 2 December 2003)

About the Authors

Grant Jordan, Department of Politics and International Relations, University of Aberdeen, Edward Wright Building, Dunbar Street, Aberdeen AB24 3QY, Scotland; email: g.jordan@abdn.ac.uk

Darren Halpin, Arts, Health and Sciences, Central Queensland University, Rockhampton Campus, Bruce Highway, North Rockhampton, QLD 4702, Australia; email: d.halpin@cqu.edu.au

Notes

- 1 On lapsing, see Bennett (2000, p. 30) and Jordan and Maloney (1997, pp. 167–8).
- 2 Asking members what interested them may reflect group recruiting strategies. Thus, a survey of current FSB members will get the response 'services', because that is the sort of membership that is currently 'prospected'.

References

- Baumgartner, F. and Leech, B. (1998) *Basic Interests*. Princeton NJ: Princeton University Press.
- Bennett, R. (2000) 'Logic of Membership of Sectoral Business Associations', *Review of Social Economy*, 58 (1), 17–41.
- Bettsworth, M. (1999) *The Federation of Small Businesses*. St Annes: FSB.
- Bolton, J. E. (1971) 'Report of the Commission of Inquiry on Small Firms', Cmnd 4811, London: HMSO.
- Clark, P. and Wilson, J. Q. (1961) 'Incentive Systems: A Theory of Organizations', *Administrative Science Quarterly*, 6, 129–66.
- Evans, A (2002) 'The Motivation of the FSB Salesforce', MA dissertation, University of Glasgow.
- Grant, W. and Marsh, D. (1977) *The CBI*. London: Hodder and Stoughton.
- Hansen, J. M. (1985) 'The Political Economy of Group Membership', *American Political Science Review*, 79 (1), 79–96.
- Hirschman, A. O. (1982) *Shifting Involvements: Private Interests and Public Action*. Oxford: Basil Blackwell.
- Jordan, G. and Maloney, W. (1997) *The Protest Business*. Manchester: Manchester University Press.
- King, R. and Nugent, N. (eds) (1979) *Respectable Rebels*. London: Hodder and Stoughton.
- Knoke, D. (1990) *Organizing for Collective Action*. New York: Aldine de Gruyter.
- Marsh, D. (1976) 'On Joining Interest Groups: An Empirical Consideration of the Work of Mancur Olson Jr', *British Journal of Political Science*, 6 (3), 257–71.
- May, T. and Nugent, T. (1982) 'Insiders, Outsiders and Thresholders', paper presented at the Political Studies Association conference, University of Kent.
- McCabe, E. (1989) 'An Investigation into Membership Resignations of the NFSE', unpublished report, Department of Marketing, University of Strathclyde.

- McHugh, J. (1979) 'The Self-Employed and the Small Independent Entrepreneur', in R. King and N. Nugent (eds), *Respectable Rebels*. London: Hodder and Stoughton, pp. 46–75.
- Moe, T. (1980) *The Organization of Interests*. Chicago IL: University of Chicago Press.
- Olson, M. (1965) *The Logic of Collective Action*. Cambridge MA: Harvard University Press.
- Opp, K. D. (1986) 'Soft Incentives and Collective Action', *British Journal of Political Science*, 16 (1), 87–112.
- Sabatier, P (1992) 'Interest Group Membership and Organization', in M. Petracca (ed.), *The Politics of Interests*. Boulder CO: Westview Press, pp. 99–129.
- Salisbury, R. (1969) 'An Exchange Theory of Interest Groups', *Midwest Journal of Political Science*, 13 (1), 1–32.
- Schmitter, P. C. (1982) 'Reflections on Where the Theory of Neo-corporatism Has Gone', in G. Lembruch and P. C. Schmitter (eds), *Patterns of Corporatist Policy-Making*. London: Sage, pp. 259–79.
- Streeck, W. (1992) *Social Institutions and Economic Performance*. London: Sage.
- Truman, D. (1951) *The Governmental Process*. New York: Knopf.
- Walker, J. (1991) *Mobilizing Interest Groups in America*. Ann Arbor MI: University of Michigan Press.
- Watson, I. (1976) 'Self Employed are Back in Business', *Sunday Telegraph*, 5 May.
- Wilson, J. Q. (1995) *Political Organizations* [1974]. Princeton NJ: Princeton University Press.