

Cultivating small business influence in the UK: The Federation of Small Businesses' journey from outsider to insider

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ABSTRACT

This case study charts the classic transformation of a small business organisation from being a vehicle of protest that attracted a reasonable but transient membership into a much larger group with a more stable membership and a group with an effective insider policy style. The paper asserts that the change in style and the change in recruiting success are not causally linked, and, indeed, it claims that an insider style may harm recruiting. In the case of the Federation of Small Businesses (FSB), however, any potential damage through adopting an insider style was more than offset by the separate decision to market the group door to door with a package of selective material incentives (Olson 1965). The paper describes the predominant insider politics style of political representation and finds that while the FSB has moved in that direction, it does not fully fit the stereotype.

KEYWORDS: group membership incentives, group entrepreneurs, supply side recruitment, insider strategy, outsider strategy

INSIDER AND OUTSIDER APPROACHES

This paper reviews the changing approaches to influencing government of the Federation of Small Businesses (FSB), which is the largest dedicated small business representative organisation in the UK. The FSB was formed in 1974 as the National Federation of the Self-Employed (NFSE) and had its roots in what King and Nugent (1979) described as the mobilisation of the British middle classes in the 1970s against the emerging social and economic partnerships between big business, labour and government. In evolving into the FSB, it has changed in size and in other ways. Its most significant shift, and the focus for this paper, is in its policy influencing strategy.

The paper tracks the change in FSB policy role in terms of Grant's (1978) distinction between *insider groups* that are 'regarded as legitimate by government and are consulted on a regular basis' and *outsider groups* that 'do not wish to become enmeshed in a consultative relationship with officials, or are unable to gain recognition' (Grant 2000: 19). According to Grant (2000: 20), the basic point about the insider/outsider distinction is that an interest group has to be able to deploy certain political skills before it can be ac-

cepted as an insider group. These authors accept the general consensus in the literature that policy influence is best obtained via an insider role, but here they raise as an issue the consequence of such a role on the internal politics of the organisation, and in particular the erosion of recruiting appeal which this may entail.

The insider/outsider literature (Maloney *et al.* 1994: 28) now further distinguishes between strategy, political status and access to the policy process. While the strategy is (within constraints) *chosen* by leaders of the group, policy makers ascribe status. This largely dictates the *degree* of access. This is, contrary to some comments, relatively easy to achieve, necessitating a distinction between *access* and *influence* (ie privileged access). Maloney *et al.* (1994: 25) concluded, 'Access merely leads to consultation, while privileged access leads to bargaining and negotiation'.

The choice of strategy is in large part dictated by the group aims. When 'limited and non-controversial aims' are pursued, an 'insider' strategy is appropriate and will be likely to attain a group 'insider' status (Maloney *et al.* 1994: 23). An outsider strategy is unusual and often reflects ideological values or, it can be added, a necessity to impress a membership that would be suspicious of any other role. Grass roots members, particularly from groups experiencing significant socio-economic hardship (Grant 2001), may prefer an 'outsider' strategy in which they enjoy the expressive satisfaction of anti-system activity. Between these two ends of the status and strategy continuums, ranging from insider to outsider, exist *threshold groups* (May and Nugent 1982: 7). These are groups that pursue mixed strategies.

Wilson (1995: 282) makes a helpful distinction between a group that acts as a *protest* organisation and one that is intent on securing policy change as a *bargaining* organisation. While the latter mode may be more effective in securing policy change, it may be less

attractive to at least some potential members. Maloney *et al.* (1994: 32) note that leaders may trade off choice of strategy and membership imperatives,

'To recruit (or keep) membership it may be more important for some groups to be seen as publicly active . . . even though this is likely to prevent success in the policy process'.

A purely outsider strategy tends to encourage members who are likely to back visible and conflictual action. Conversely, an insider strategy tends to work where the sorts of members recruited are happy to grant leaders significant autonomy in these activities. In making a successful transition between the two policy strategies, a group confronts the process of renegotiating with members a different basis for their support, without losing support.

The basic premise is that groups with 'insider' status 'will respect certain ground rules — not least of which is avoiding actions that will embarrass government' (Jordan and Maloney 1997: 568). An insider strategy tends to create a basis for exchange between policy makers and interest groups that reinforces stable policy-making conditions and, hence, incremental policy changes. As Maloney *et al.* (1994: 36) summarise,

'The group-government relationship is exchange-based; government offers groups the opportunity to shape public policy, while groups provide government with certain resources (eg knowledge, technical advice or expertise, membership compliance or consent, credibility, information, implementation guarantees) which it needs to secure a workable policy'.

This exchange, what Grant (2001: 337) refers to as the 'traditional model of pressure politics', provides the basis for the modern policy process. Within such a process, information, knowledge and technical expertise (and political support) are the most valuable resources groups can provide to policy makers. There-

fore, not unexpectedly, the shift to insider politics is usually associated with a shift to professional officer dominance within an interest group organisation and the transformation of the recruitment goal to construct membership as fulfilling a ‘funding’ rather than an ‘activist’ role.

Rawcliffe (1998: 103) sets out the Weber–Michels argument, which sees bureaucratisation as the irresistible fate for social movements. A choice of insider strategy is associated with increased functional specialisation and professionalisation. There is a broadly held belief that large-scale groups exist and flourish through increased levels of professionalism in representation and policy influence activities — and a diminished role for members. Members, it is argued, have subcontracted their political activity to group staff. The primary concern for such groups is with putting in place the best professional team of experts to prosecute the group’s goals.

According to McHugh’s (1979: 57–8) assessment of the early years of the NFSE, there was an ongoing, and largely unresolved, debate about political strategy. He observed, ‘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. . .’. Twenty or so years later, the tendency is to the insider role. *The Oxford Companion to Twentieth-Century British Politics* notes that, ‘Since its [FSB] formation when it had a reputation of being an ‘outsider’ group, it has shifted towards an ‘insider’ strategy of influencing government policy through well-argued policy papers’ (Ramsden 2002: 246). One aim of this paper is to ‘flesh out’ the idea of an insider style.

The retiring National Chairman in 2001, Ian Handford, commented, ‘Let it not be forgotten that if you had told anyone in the

mid-1970s that within a quarter of a century a new major political force having even greater power than the TUC or the CBI, and who would be listened to by successive Governments at the highest level, would be created, you would have been laughed out of court. Yet, through the efforts of these many dedicated activists, including myself, that is exactly what has been achieved. . .’ (FSB 2001: 5). It has arrived as a significant pressure participant.

While these authors accept that ‘insider’ style is the ‘line of best fit’ in categorising the current organisation, they argue that this label obscures some of the unique characteristics of the FSB, in particular underlying tensions over the role of activists *vis-à-vis* policy professionals in the organisation. This is a group that has quickly established policy-making credibility, but at the same time finds it difficult to desert entirely an outsider, protest role. It may be that the financial, and hence organisational, stability of the group was originally based on satisfying a membership desire for protest, but this may not be the tool of effective policy-influencing groups.

McCabe (1989: 40–1) argues, ‘marches and demonstrations are vocal, obvious and instantly newsworthy. Subtle discussions with the government are not.’ The problem for the NFSE/FSB is that for recruiting success the group has not only to be effective in securing influence, but also has to be seen to be effective. This is a much harder task when evidence-based lobbying takes over from public protest as a policy instrument.

POLICY INFLUENCE, ORGANISATIONAL PROFESSIONALISATION AND GROUP RECRUITMENT: RECONCILING PRESSURES

The expectation in this sort of insider politics is for most of the negotiation to take place at civil servant to group officer level. This is a central assumption when the insider term is deployed. But the FSB represents an unusual variant, where the professional, evidence-

based lobbying is combined with a hostility to too much officer power. The FSB have adopted the dictum that policy development is an activity for activists, those who are themselves business people, and that the rightful role of staff is in facilitating policy promotion.

While in many ways the FSB has undergone what is a reasonably orthodox transformation into an insider group (a group pursuing non-controversial aims through bargaining between officers and public servants and adhering to 'rules' of bargained incrementalism), the process is incomplete. It has modified its goals and adopted a bargaining and persuasive approach to policy advocacy. But the normal concomitant of this strategy requires professionalising the group's research and advocacy capacity to research the written submissions that are the core currency of this medium. In turn, this type of professionalisation *generally* implies increased group officer and leader autonomy.

The FSB does not fully conform to these expectations. It has pursued an insider strategy in the sense that it has adopted more reasonable and realistic aims, and it has stressed evidence and abjured threats and noise, but it has reserved a prominent role for activists and been sensitive to paid officer power. It has professionalised its policy advocacy and research capacities, but in situations where staff have stepped in to provide the policy leadership required to meet the continuous and escalating demands of government, it has placed them at odds with activists. In the balance of this paper, the authors examine the activities of the FSB according to this expanded notion of insiderism and coin some terms to reflect its unique development.

FROM OUTSIDER TO INSIDER STRATEGY OR BETWEEN INSIDER AND OUTSIDER?

In September 1974, Norman Small lost his job and gambled £500 of his own money in founding the NFSE. The joining fee was

fixed at £12 and within a fortnight over 1,000 people had joined (Bettsworth 1999: 24–6). The NFSE's emergence at that particular point in time was triggered by reaction to the proposal for a Class 4 National Insurance. The self-employed would have had to contribute to the scheme *pro rata* to their earnings, in addition to the existing flat rate contribution, but without receiving additional benefits. This policy was in addition to the introduction of the Value Added Tax (VAT). Both issues (VAT and Class 4) had parts of small business calling for militant forms of direct action to repeal the proposals. Key to the initial success of the NFSE was the Government's 'gift' of an issue that generated generalised outrage among the self-employed and initially overcame this tendency to *niche* grievances.

The story of the FSB requires attention to three different dimensions of change over time: membership size, policy style approach and internal decision making.

The first style phase

Early strategies to respond to the tax 'impositions' were essentially a protest mode — including David Kelly's scheme for refusing to pay the contested part of the Class 4 levy. Kelly himself eventually went to jail for ignoring a court order. Bettsworth (1999: 45) notes that the language of the communications from the NFSE tended to 'confrontation', 'quarrel', 'resisting'. The discourse was significant; 1,000 members paid the 8 per cent of their Social Security bill into a NFSE account (£57,000) and the NFSE claimed victory as the threat by the Inland Revenue was withdrawn. But, as Bettsworth (1999: 55) points out, there seemed little success other than a meeting with the Junior Minister for Social Security. Kelly himself thought that fewer than two in every 100 members participated — and then quickly withdrew funds as a result of Revenue pressure. While the membership may have been attracted to protest, it was at best a vicarious

attraction. There were doubts about the policy, as opposed to recruiting, impact of these tactics.

In September 1975, there was a march to Downing Street to deliver a 250,000-signature petition. In 1976–77, the NFSE continued with publicity-driven activities to act as a nuisance to the Inland Revenue. The Strategy and Tactics Committee enjoyed the name ‘Dirty Tricks Division’. Bettsworth concludes that a *First Voice* report, registering disappointment at a speech to the Federation by Margaret Thatcher, ‘revealed the rather ham-fisted way in which it thought campaigning ought to be conducted. Militancy rather than moderation was still its method’.

The first membership phase

This militancy did appear to have beneficial repercussions on recruitment. Bettsworth (1999: 50) points out that the National Chamber of Trade (coordinating local Chambers of Commerce), probably in reaction to the protest tactics of the NFSE, voted against militancy in May 1975, but it was the NFSE’s membership that took off. The Chamber of Trade strategy seems less effective in terms of numbers. Within six months of publication of Small’s original letter to the *Guardian* in August 1974, the NFSE had recruited more than 30,000 members (McHugh 1979: 50).

The membership data of the FSB are unusual and somewhat paradoxical in different ways. Broadly speaking, membership levels in the phase to 1991 were remarkably stable at an aggregate level of around 35,000–40,000 each year. But this stability concealed high turnover. While the initial group appeal was attracting a membership based on a wish to express political frustration, this seemed to reach a ‘ceiling’ and the membership attracted was volatile. Moreover, there were concerns that this style of organisation was even less effective in terms of policy influence than member appeal.

The second style phase: Moderating protest

The wishes of the early members and the initial policy style were essentially in harmony. The members wanted protest, and that is what the organisation delivered. But as early as the second AGM in February 1977, there were calls for moderation of the group’s publicly stated aims and the strategy applied to achieve them. The major speech was from Lord Hesketh, then a prominent political spokesman with an entrepreneurial reputation. Bettsworth (1999: 75) reports that Hesketh’s plea for ‘argued, cogent moderation ... did more to change the Federation’s lobbying stance than anything else’ was reported in *First Voice* under the front page headline ‘Let’s Get Rid of the Extremists’. In that year, the pursuance of outsider confrontation with government was reversed 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: 58). Ultimately, 1978 marked a shift in the NFSE from a group focused on protest and other outsider strategies to a group more committed to an insider strategy (Elliot *et al.* 1982). McHugh (1979: 57) observes that the reform leadership asked leading politicians such as Peter Walker for advice on how to be influential. They were told that it was important to establish a *responsible and credible image* as a prelude to acceptance within the negotiating machinery. McCabe (1989: 40), however, argues that the NFSE had merely *added* an insider strategy, in the form of parliamentary lobbying, to their plethora of outsider strategies. It was more a dual strategy than a replacement.

The London political lobbying office was opened in April 1978. This step was compatible with the orthodox insider organisation outlined by Rawcliffe. By the time of the 1980 conference, Bettsworth was describing the NFSE as possessing a ‘growing reputation as a more moderate and measured lobbying

organisation'. But he then writes (1999: 143) 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.' The NFSE here was not so much a thresholder as a pendulum, with quite contrasting advocacy styles being deployed, often in rapid succession — the swings were erratic. The NFSE equivocated between conflicting styles of influence. This ambiguity is perhaps costly in policy-making terms, as protest *can* undermine insider status¹ — but there are clearly cases where the negotiators can pose as the acceptable face that could be replaced by less flexible representatives.

**The second membership phase:
The membership implications of the
policy change**

This more measured policy approach did not 'cure' the recruitment problem. Recruitment remained steady but was offset by heavy exiting. The scale of membership was sufficient to gain political recognition but it was a low share of the potential. If anything, members liked headlines — whatever the policy implications. As the group moved to insider status, there was greater need for internal communication to try to persuade the membership that benefits were being delivered by the 'silent politics' of insider negotiation. Wilson (1995: xi) offers a powerful simplification, '... ideological incentives, especially if threat oriented, tend to constrain and radicalize the leaders of an association, whereas selective incentives, especially material ones, tend to bestow discretionary authority on such leaders'. On this basis, changing the way members are recruited, such as deploying selective incentives, may

assist in retaining members within a commitment by leaders to an insider strategy.

**THE INTERNAL POLITICS AS A LIMIT ON
POLICY STYLE**

The Federation has operated on the basis of volunteer activists, with some senior honorary office bearers being paid to act as a full-time executive. Among the non-activists, there were several administrative and some full-time press and parliamentary officers. But, significantly, the FSB, despite a fleeting introductory experiment with a paid Executive, has subsequently never developed a well-paid Chief Executive, which is the group norm. Only activists were in senior policy-making roles.

This unusual internal decision-making style dates back to a National Executive Meeting on 15th April, 1975,

'That this National Executive formally elects an Honorary Chairman, Honorary Vice Chairman, Honorary Treasurer and Honorary Secretary and that the powers at present vested in the paid officials be transferred forthwith to the National Executive ... and all paid officials be responsible to the National Executive ...' (Bettsworth, 1999: 29).

This decision was in essence the rejection by members of the activities of paid officials who were considered to be self-serving and contrary to the reputation of the group. Subsequent allegations of fraud among paid officials reinforced the original decision to evolve an activist-dominated organisation. The remarkable feature of the FSB is the range of posts within the organisation nationally and regionally; the fact that there are non-ceremonial elections means that to survive and thrive one must actually enjoy the challenge of the political process. By 2001, there were around 790 individuals holding 1,153 positions on committees. One experienced member suggested that, irrespective of the membership size of the FSB, there has

always remained an active core of around 2,000–3,000 members.

This style of member domination is a clear response to what was seen as abuse by early officers. But this is also now regarded by some in the FSB as a strength, as those lobbied recognise, they hope, that those lobbying ‘know where the toothache hurts’. Bettsworth (1999: 148) says, ‘The FSB/NFSE differs from most other organisations in that those who run it are the ones who suffer from the legislation. The fact that they have this “hands on” experience is recognised by the powers-that-be...’. The NFSE/FSB used its regional structure to get local members to contact their constituency politicians. This was summed up in the organisation by the formula ‘pressure from above and pressure from below’. Of more recent times, the largely ineffective branch system has been reinforced by the introduction of Area Policy Units (APU) in 2000, which organise local activist involvement in policy development and promotion.

The determination within the organisation to limit the power of salaried staff has led to a limitation on the degree to which the insider approach can be fully developed. While, obviously, some in the FSB see this activist power as a strength, in the world of consultation, this dominance by members can be viewed negatively. In this regard, Bettsworth’s (1999: 161) quote from Ralph Jackson, National Press and Parliamentary Officer (1983–88) is instructive. He accepted that the Federation gained its strength from its membership size and its members’ views, but he went on, ‘it gains its reputation from how that strength and message is communicated. In most respects and in most organisations, this comes from professional staff who work alongside volunteers to get the message right’.

This kind of comment is one that recurs in the Bettsworth volume — an independent history of the organisation. Accordingly, the FSB is an organisation with two styles of representation jostling for dominance. Jack-

son obviously admired some members but his overall comment was that members amazed — and frustrated. Some he described as ‘bigoted, xenophobic, small minded, aggressive and arrogant’ (Bettsworth 1999: 161). All small business groups, and indeed most groups, would have some members of that nature, but of course the FSB problem is that its policy of direct member contact with politicians means that there is potentially a national level cost to a bad contact at local level. Bettsworth (1999: 29) notes this as ‘a cause of tension, perhaps even conflict, which still exists’.

THE MODERN ORGANISATION FROM 1990–1991

If the 1978 to 1990 period was one on which the FSB inched inside the policy process, significant changes in both style and membership occurred at the start of the 1990s. Partly in response to McCabe’s (1989) internal report into membership resignation, the NFSE changed to a more media-friendly title and moved to a heavier reliance on staff. In developing its capacity as an organisation capable of pursuing an insider strategy, the early NFSE developed a complex structure for policy development and promotion (Elliot *et al.* 1982). Policy committees existed as part of a dedicated policy-making structure quite separate from the branches and regions. Members were able to present motions for action to branches, which would go through to regions and then be debated and voted upon at Annual Conferences. Motions voted upon at Annual Conferences, however, were non-binding on leadership. It was the policy committees, and the activists who sat on them, who developed, and also tended to promote, Federation policy.

A series of *ad hoc* policy committees mirrored civil service patterns, but the internal communication across committees was minimal, which hampered policy coordination. The Federation still operated on the basis of volunteer activists, with some senior honor-

ary office bearers being paid to act as a full-time executive. There were several administrative and some press and parliamentary officers in full-time employ, but only activists were in senior policy-making roles. The structures encouraged a plethora of actions in the name of the FSB, without any direct sanction or accountability. In some cases, Committees and individuals issued press releases on FSB letterhead without being authorised. They also became a financial drain on the Federation.

While the reform of policy making and lobbying procedures was incremental, the recruitment process was changed suddenly (and successfully) in 1991 with the appointment of John Emmins. Local word of mouth was replaced as a mechanism for recruitment by door to door sales by a sales staff on commission. These staff stressed the material incentives available to members. Members were thus less to be seeking the psychic gratification of subcontracted protest, than engaged in a rational economic calculation judging subscription against potential services. In summary, it can be suggested that the increase in membership of the 1990s — up from about 40,000 to 160,000 — was not because the (now) FSB moved further into insider evidence-based policy interventions, but because the style could change, as this materially oriented membership was far less likely to complain that the leadership was deserting the protest mode.

This recruitment strategy has achieved two things. In the first instance, and consistent with the argument of Wilson (1995), the members recruited are only minimally interested in the policy advocacy tactics of the activists: it has enhanced leadership autonomy to pursue an insider strategy. Secondly, it has significantly increased the level of financial resources available to the FSB activists to prosecute their policy goals. The annual income of the FSB rose from £1.1m to £15.9m between 1990 and 2001. This ‘bankrolled’ the ‘evidence’ based innovations set out below.

It may be the case that the financial, and hence organisational, stability of the group was originally based on satisfying a membership urge for protest, but this was not likely to lead to an effective policy-influencing group. This was acknowledged by Brian Prime, National Chairman (1986–89), who claimed, ‘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 letter-box’ (quoted in Bettsworth 1999: 188). Bettsworth (1999: 192) notes that Prime’s importance to the organisation was his initiative to deal directly with senior civil servants, who were deemed more important than government ministers. Nonetheless, little or no formal policy research was being carried out in the FSB. The policy promotion documents contained statements and claims with an almost complete absence of facts or supporting evidence.

The policy-making style moved further to an insider mode, with the election of a new Policy Chairman in 1999. There was an attempt to *formalise the policy development process*; and the stress on evidence was underlined. The intention was to draw members into development activities and to feed these into the formal process via member-based research groups and projects. These groups would replace the growing number of committees and have sunset clauses applied which would ensure that they were wound up after the project was complete. There was an attempt to *limit the role of activists in policy development* to those who had relevant expertise. They would assist the Policy Chairman, and paid staff, to develop well-researched policy statements. This was combined with a decision by the Policy Chairman to start sending paid staff to briefings with politicians and civil servants, instead of just sending activists. The belief was the impression that activists ‘ranted’ and ‘moaned’, while paid staff

would provide facts and information; however, these reforms did not succeed.

Nevertheless, some significant changes were put into effect. There was an *increase in the number of paid staff*. During the two-year period, 1999–2001, the press and parliamentary officers that existed prior to 1999 were added to by six policy development officers in the London office to develop research-based policy proposals. These were attached to subject committees made up of FSB members. There were efforts to *reinforce the capacity of the FSB bureaucracy*. The appointment of a human resources manager and a marketing and promotion manager, both paid staff, was achieved in the period 1999–2000 (FSB 2001: 10). In addition, a national policy publishing manager was appointed to ensure that ‘all the Policy publications are produced and conform to an agreed design and format’ (FSB 2000b). With the appointment of area policy development officers (APDOs), the paid staff of the FSB numbered more than 100 (FSB 2001: 13). Recent efforts to employ a policy director were intended to provide more coherence to the policy direction of the organisation and balance out the disposition for the organisation to shift between an ‘outsider’ and ‘insider’ strategy, based on who is elected as National Chairman.

The policy arm of the organisation split itself into regional policy committees (made up of FSB members), based on regional development agency boundaries. Area policy units were formed separately; this introduced a whole new cohort of policy activists who did not want to work at the national level but were very happy working in their ‘area’. Each APU was allocated an APDO. These became the front line of coordination between activists and paid staff. In a sense, they replaced the branches as a source of activists both equipped and willing to undertake the role of policy promoters. Thus, at the launch of the policy manifesto in April 2000, APDOs drew up delegation lists of activists who

would present the manifesto to local members of parliament and organise meetings with local members.

Above all, there was an attempt to provide an *evidence base to inform its policy influence activities*. The organisation, first in Scotland and then in the rest of the UK, developed a policy manifesto and a research document laying out the ‘Barriers to Growth’, which was based on a survey of all members. The manifesto for Scotland was timed to coincide with the election of the Scottish Parliament, and in the UK it was designed to coincide with the UK election of 2001. From the manifesto emerged a series of policy statements on single issues.

The manifesto, like the other statements of group policy, did not emerge *directly* from consultation with rank and file members. Clearly, motions and debate from the FSB Annual Meetings guided the crafting of the manifestos, and the National Council (elected by members) discussed, amended and ratified the document. But they were not the direct products of an internal process in which members participated directly in its development. Even the vast committee structure was at arms’ length from the process. These documents, along with the establishment of paid staff and a regional structure, provided the FSB with a professional capacity to pursue a responsible insider strategy to policy development and promotion. This has, however, created significant tensions within the organisation, resulting in part in the departure of the UK Policy Chairman in May 2000. The idea of setting up ‘projects’ was resisted, and the original set of policy committees remains.

The process of professionalisation and well-researched policy has been successful in the sense of ensuring access. The FSB has been invited to have a representative on the All Party Parliamentary Small Business Group in the House of Commons (FSB 2001: 12). The FSB boasts that it has ‘new relationships’ with ‘the Office of Fair Trad-

ing, the Cabinet Office and its Better Regulation Group, the Institute of Quality Association, the Law Commission, the D.f.E.E and Company House to name a few. . .’ (FSB 2001: 13). Invitations were extended by ‘HM Treasury, DTI, the Cabinet Office and the Bank of England’ (FSB 2001: 14).

For a pro-business group, relations with the New Labour Government have been good. Partly, this is the logic of the insider style: bargaining relations are needed with whomsoever is in power, but there is also something of a happy accident in this. When the NFSE/FSB was establishing itself there was a lengthy period of Conservative administration. In the protest phase of the group, it was therefore common to attack what was seen as the failure of the Conservatives to deliver to ‘their’ natural small-business constituency. Alliances with the Opposition were easily constructed. If anything, the FSB became comfortable with New Labour. Thus, Bettsworth (1999: 215) describes how, in Scotland, relations with Labour were so good that when they won the 1997 election, ‘The links with senior members of Government were enshrined in old and established friendships and as a result, the Federation at national level seamlessly transcended the political trauma of a change of Government’.

DOES INSIDERISM DELIVER?

The claimed achievements of the FSB are catalogued in ‘The Federation of Small Businesses Success and Achievements 1974–2000’. This asserted that, ‘The FSB has unrivalled access to the corridors of power when compared to any other business organisation in Britain. It has not only achieved this by building up a strong membership base whose voice has to be listened to but by the quality and professionalisation of its lobbying . . . The FSB is one of only a very small number of lobbying organisations that always meet face-to-face with the Chancellor of the Exchequer in the run up to the presentation of his budget’.

But, in terms of specific points on the board, it is hard, even for senior office bearers, to identify specific instances of influence. The Federation claimed successes such as:

- Lower National Insurance contributions for small businesses;
- Reduced penalties and the introduction of annual and cash accounting schemes for VAT;
- No tax penalty for passing on unincorporated business to the next generation;
- Tough new measures in place to reduce crime against business, etc.

A general problem of the sort of successes obtainable by negotiation is that they tend to be about reducing the impact of proposed policies by concessions, rather than clear black/white positions. Moreover, in a complex world of multiple groups, media campaigns and the like, there is rarely a ‘smoking gun’, whereby the group can claim unambiguous victory. For example, at the 12th January, 2000 National Council, it is reported that the FSB had won an exemption on pensions for the first five employees. The document cautions, however, that ‘we can not publicly gloat that Government listened’ because this would jeopardise the ongoing negotiations to get to 20. Thus, ‘credit claiming’ activity to impress members might work against further success.

Even with the post-1999 changes, while the overall pattern accords with the tenets of an insider strategy — avoiding embarrassing government and having respectable and incremental goals — the FSB are unable to maintain consistency in this approach. The observation of McHugh in 1979 that they seem to be unable to decide if they are really willing to bargain or shout from outside still applies, albeit less strongly. For example, the FSB, in association with the British Weights and Measures Association, opposed the conversion from imperial to metric measures: politically a hopeless case. Additionally, they ‘demanded’, in a 2000 press release, that ‘the

Chancellor of the Exchequer announce a reduction in the price of fuel to no more than 50p per litre by Christmas' (FSB 2000a). Thus, they can be seen to be stronger on populism than realism (but any group has to generate a way of being outflanked by potential new organisations). While the NFSE/FSB meet the general characteristics of 'respectable' and 'responsible' insider bargaining, it flirts with its older protest mode.

CONCLUSION

The literature reviewed at the outset of this paper suggests that adopting an insider strategy amounts to a conscious choice by group leaders to establish stable and harmonious relations with government. This relationship implies a number of things about interest group organisation and behaviour. A choice of insider strategy tends to be associated with the professionalisation of the advocacy activities of groups. It implies replacing militancy and protest with 'reasonable' demands supported by evidence. Furthermore, it implies policy influence activities to be conducted through direct relations between professional group staff and public servants. This orthodox account of an insider strategy has acted as a backdrop for a review of the FSB.

This paper argues that the FSB has indeed pursued a pathway from an outsider to an insider group, yet this conclusion obscures what is a less than orthodox trajectory and an equally unorthodox resting point. Protest as an incentive mobilised sufficient numbers to expand the organisation to (an unstable) 40,000. This alone was enough to guarantee access and subsequently the FSB adopted a (predominantly) insider strategy. Again, consistent with an insider approach, the FSB subsequently developed evidence-based policy approaches to largely replace (although not altogether) its militancy and protest. However, one important aspect of orthodox 'insiderness' was missing. Instead of routine policy 'bargaining' with civil servants carried out by paid staff, there has been a major role

for activists at constituency and national level with some assistance from paid staff. What we have in the FSB is an *activist-directed* competing with a *staff-directed* brand of insider strategy.

Consistent with an orthodox insider strategy (whether activist or staff directed), the FSB has been able to largely replace emotive rhetoric with evidence-based arguments. Furthermore, it has developed an evidence-based approach to policy. However, the FSB are still member dominated. While comparable organisations, such as the Confederation of British Industry (CBI), British Chambers of Commerce (BCoC) and Institute of Directors (IoD), are predominantly run by paid staff, the FSB relies mostly on paid activists, elected by the popular vote of members. There is neither a CEO nor a senior paid staff member with a policy role who can maintain continuity, either in substance or style, sufficient to bridge the transition between elected leaders. The FSB exhibits a mixture of professionalisation and bureaucratisation, with sporadic use of paid staff, a leadership based on member approval, and a policy process dominated by committees that are only minimally served by paid staff. Even the post-1997 changes have led to an insider approach that still owes more to activists than is common in lobbying groups, although staff now assist activists by providing researched positions.

The activist-directed brand of insider strategy being deployed by the NFSE and then the FSB involves applying constituency level pressure, through activists to politicians. This is not the interest group official/civil servant level mode of contact which the insider label signals. However, there are signs that the activist-directed model has its operational limits. The scale, technical nature and nuances of 'insiderism' conspire to undermine activist direction. One FSB staff member noted, 'Most organisations and governments realise who to talk to and go through staff. It is then up to us to consult membership'

(Interview, 2002). The recent increase in staff at the London office suggests that the activist involvement in insiderism may increasingly be overshadowed by a more deliberate staff-directed insider approach between paid staff and civil servants.

In defining its own lobbying efforts, the FSB argues, 'The FSB's lobbying does not just take place at a national level with Cabinet ministers and senior politicians but down at branch level with council officials and local councillors. All members of the organisation are part of the lobbying effort in whatever way they are able to influence the opinion of individuals, opinion-formers and decision-makers' (FSB 2000c: 2). But it is precisely how this activist-directed approach fits into its political strategy that has been a major struggle for the Federation. The document goes on, 'The organisation invests heavily in research, surveys and the latest information bases so that its views on any campaigning issue are always well worth listening to, even if not immediately acted upon' (FSB 2000c: 2). This mode of sustained, even patient, lobbying conjures up a long-term strategy; however, activist participation and patient lobbying may not easily co-exist. One FSB officer noted just such a tension during an interview, 'Because we work with volunteers who lead this organisation, we as staff have to follow their every whim. This is not a problem when we have a good activist but many, unfortunately, are not. Outside organisations know this and this also influences the reputation of the FSB with policy makers. On the one hand, due to our structure, we are really in touch with the members, but also, due to the structure, it is really difficult to achieve anything' (Interview, 2002). While some in the FSB believe that activists with the 'toothache' make the best advocates, others find that they become more of a political liability.

Insiderism, then, is more than simply adopting reasonable demands and a routinised form of bargaining with civil servants as

a means of pursuing policy influence. It also implies the professionalisation of the policy development process and the deployment of expert research to support it. The FSB is something short of fully committed to this, as it still retains protest outbursts and still has activist domination. Accordingly, the current 'resting point' in the FSB's organisational evolution challenges the stability of 'insiderism'. While it has sought the role of 'evidence-based' insider, activists are still important.

This paper has also examined the relationship between insiderism and member support. The literature suggests that insider strategies tend to diminish the incentives for membership recruitment: there is a tension between satisfying members and attaining influence. It also suggests that the successful development of selective incentives as a recruiting tool can often create the autonomy necessary for leaders to prosecute insiderism without losing support. As the FSB has shifted from an outsider to insider strategy, it has had to deal with the fact that members are unlikely to be satisfied with simply funding political influence activities. Its professionalisation of recruitment and reliance on selective economic incentives has created a *new membership* cadre which is largely disinterested in policy activities, as is evident in the declining percentage of overall members participating in elections and attending annual conferences. For this sub-section of the membership, the insider strategy is unproblematic. While this has stabilised the FSB and given leaders autonomy, in the FSB case the activist cadre also risks losing those aspects of policy work that drives their involvement. That is, the *activist* cadre is unlikely to find this mode of politics rewarding, dominated — as the literature suggests it must be — by professionals. This perhaps explains the longevity of activist-directed insiderism within the FSB. The form of insiderism deployed in the FSB, emphasising the role of the amateur activist cadre, provides the solidary, purpo-

sive and expressive incentives necessary to bind them to the organisation.

In terms of policy success, the FSB has been part of the change that has seen small business encouragement as a political mantra. Changing the general political agenda may be more important (and harder to pin down) than particular cases. Rarely are there 'smoking gun' successes, where groups persuade politicians to reverse themselves after protest. Groups are effective when they have influenced politicians and civil servants so that adverse changes are not proposed. But the ability for even an activist-directed insider strategy to continue to generate the incentives sought by the activist cadre will have limits. Insider style incremental policy 'success' may not be enough. But those activists still mobilised by the protest 'buzz' do not value the incremental successes. Similarly, it may be that particular successes *are disregarded* by the broader membership encouraged to join for selective material incentives rather than for political lobbying. Sell a group in terms of cheap services and that may well be how it is judged. So, while an insider position may provide realistic policy success for the FSB, it does create internal problems, in that the constituency for the incremental change of policy success available through an insider style may be limited.

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