



ON THINK TANKS EXCHANGE



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UNRAVELLING THINK TANKS' BUSINESS MODELS

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Unravelling Think Tanks' Business Models

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About the project

Why study think tanks' business models? Rarely discussed yet critically foundational, a business model is an essential part of an organisation's sustainability. It is the heart of any organisation, including think tanks. A think tank's business model is composed of fundamental aspects pertaining to this kind of organisations. In this study, we will elaborate on the definition of "business model", its dimensions, as well as offer examples of think tank business models.

From think tanks' perspectives, this study is significant for many reasons. Although the importance of business models is acknowledged, few think tanks make enough efforts to design, revise or change their business model. Instead, we found that some organisations don't feel the need to review their business model because it has been used for a length of time with no major problems.

Most think tanks are absorbed with finding and implementing projects, and fail to reflect on the working of their own business models. Even if they did face a difficult situation within their organisation, they would most probably attribute it to external factors rather than the performance of their business model. The fundamental problem, however, is that think tanks are reluctant to learn from their counterparts. They fear that an open discussion on the subject would give their competitors too much insight into their operations.

Think tanks are also aware that the study of think tanks' business models is limited. Compared to the business world, where business models and computer-mediated practices are growing fields of study, the study of business models for research organisations is still a rarity. This is truer in developing countries.

There have been very few attempts to analyse think tanks within a business model framework using the tools of analysis suggested by the business model literature.

To successfully study think tanks' business models, it is important to consider the context in which they operate. Political, economic, cultural or social circumstances can influence think tanks' missions, target audiences, or how they generate revenue. For instance, context includes the existence (or absence) of a philanthropic culture, the willingness of the governments to work with civil societies, democratisation and decentralisation processes, donors' priorities, employment regulations and the intellectual environment of a country. All of these influence the decisions a think tank makes regarding its business model.

Our study tries to describe the business model of think tanks. We focus on the internal aspects of a group of organisations to help us identify their business model of choice. The study is guided by two main questions:

- What are the frequent business model decisions that think tanks make?
- How do these decisions relate to context?

Our findings are meant to provide think tanks with knowledge that will allow them to shape their business models in a way that allows them to fulfill their missions in the contexts they operate in.

Methodology

For this study, we used the case study method. According to Yin (1994), a case study is an empirical enquiry that: (i) investigates a contemporary phenomenon within its real-life context, especially when; (ii) the boundaries between phenomenon and context are not clearly evident. In other words, this project will turn to case studies because it will cover contextual conditions as they are highly pertinent to understand think tanks' business models.

For the purpose of our study, we chose to build case studies on six think tanks. Three of these organisations are Think Tank Initiative grantees in South America (Ecuador, Bolivia and Paraguay). Two of their counterparts in Indonesia are Knowledge Sector Initiative grantees, and one is a non-grantee.

The first and main criteria for the selection of these think tanks was accessibility. Within this group, we also sought to address the different types of think tanks that exist, so diversity was the second criteria for selection. According to Mendizabal (2010), think tanks are diverse in terms of their modes of work and the nature of the messages. Considering the two criteria for selection, we came up with the following group of organisations:

Table 1. Case studies of the research project

Think tank	Country	Description	Mode of work	Type of message
Centro de Análisis y Difusión de la Economía Paraguaya (CADEP)	Paraguay	A non-governmental and non-profit organisation, particularly engaged in research in the areas of economics and public policy, aimed at influencing policy decisions.	Independent research and Influence or advocacy	Applied, empirical, or synthesis research
Fundación ARU	Bolivia	An independent and non-profit think tank, committed to create and promote quality local research so public debate and decision-makers are informed by evidence.	Independent research, and influence or advocacy	Applied, empirical, or synthesis research
Grupo FARO	Ecuador	An independent and non-partisan think-and-do tank, mainly engaged in analysis and discussion around transparency and citizen participation.	Independent research and influence or advocacy	Applied, empirical, or synthesis research
Institute for Research and Empowerment (IRE)	Indonesia	An independent, non-partisan NGO-based think tank that uses research to implement evidence-based policy advocacy.	Influence or advocacy	Ideology, values, or interest
SMERU Research Institute	Indonesia	A think tank focusing on poverty reduction and social policy.	Independent research	Applied, empirical, or synthesis research
Jawa Pos Institute for Pro-Otonomi (JPIP)	Indonesia	A self-funded think tank, a subsidiary of a media holding company, whose aim is to promote decentralisation by producing information on the performance of local government.	Independent research	Applied, empirical, or synthesis research

The first step of the project was to carry out a desk study of think tanks' business models based on existing theories and practices. The goal was to identify and clarify concepts, approaches, and other key elements of business models in order to establish a framework that would guide the research. Besides establishing a framework for possible business models, the desk study builds a common methodological platform for the comparative study. Once the framework was established, we operationalised it by transforming it into a research instrument. This will be elaborated in section 4.

To develop the case studies, we expected to make use of document reviews, in-depth interviews, and observation. Through in-depth interviews with the founders of the organisations, their executive directors or deputy directors, their financial managers, and other relevant stakeholders, the researchers hoped to collect data about the organisations' governance, structure and management and other relevant dimensions. Different data collection methods were applied in order to triangulate the data.

This synthesis paper is an abstraction of the six cases studies. The case studies focus on organisational features regarding business models' management. The paper also includes a comprehensive description of the think tanks' business models, and the main output of the case studies will be lessons learned and pathways for think tanks seeking to design or rethink their own business models.

Brief overview on business models literature

As a field of study, "business model" originally comes from the private sector. According to Magretta (2002), "[business model is] the underlying economic logic that explains how a company can deliver value to a customer at an appropriate cost." Though economic logic and delivery of value are common to business models, scholars have not agreed on the key dimensions of a business model. In their literature review, Morris, Schindehutte and Allen (2003) explore the existing components of a business model, finding 18 variations of the key components. Regardless of the variety in their assembly, it is a common understanding amongst scholars that a business model is "interlocking elements that, taken together, create and deliver value." For-profit entities and not-for-profit entities have different goals, so it is logical that the components of their business models will differ.

According to Osterwalder and Pigneur (2010), [private sector] companies want to satisfy or resolve customers' problems. This is done by producing and offering "a selected bundle of products and/or services that caters to the requirements of a specific Customer Segment" (p. 21). In business, they argue, values may be quantitative (i.e. price or speed of service) or qualitative (i.e. design or customer experience).

The most apparent difference between private companies and think tanks is that a company's main value is to satisfy customers and shareholders. On the other hand, as defined by Ralphs (2011), think tanks' business model is 'the manner by which the think tank delivers value to stakeholders, entices funders to pay for value, and converts those payments to research with the potential to influence policy'. It is clear that think tanks have beneficiaries instead of customers, and donors instead of shareholders. What think tanks and companies' business models share is that they both incorporate a broad system of interdependent components (mission, governance, intervention models or activities, funding and others).

Our initial research showed that the existing literature does not provide established methods to study think tanks' business models. However, some efforts have been done by Osterwalder and Pigneur (2010), Yeo (2011), and Ralphs (2011). These works helped us understand why business models are important, what aspects of the business models should be analysed, and what the implications of failing business models could be.

Below are the aspects of the business model that these studies explore:

Table 2. Business model dimensions addressed in literature

Scholars	Yeo (2011)	Osterwalder and pigneur (2010)	Ralphs (2011)
<u>Aspect of business model</u>	<ul style="list-style-type: none"> • Governance • Funding structure • Programme/service design • Leadership/management • External relations 	<ul style="list-style-type: none"> • Value proposition • Customer relationships • Channel • Customer segment • Revenue streams • Cost structure • Key activities • Key resources 	<ul style="list-style-type: none"> • Focus of research • Institutional development • Status of organisation (profit/nonprofit/etc) • Governance • Funding sources • Value proposition

Based on these, we selected eight dimensions for our study, presented in the next section.

A comprehensive approach to think tanks' business models

In this study, we combine and adapt the framework formulated by Osterwalder and Pigneur (2010), Yeo (2011), and Ralph (2011) (see Table 2). We selected eight of these components for our study, and made slight modifications: We focused on "staffing" rather than "key resources," as researchers and support staff are the key for idea creation and good management. We also joined "revenue stream" and "cost" into "financial management," and modified "external relations" into communications strategy. We maintained "governance" and "leadership."

The components are described as follows:

- **Value Proposition:** is about the uniqueness of products and research that think tanks offer to their clients. Clients perceive the usefulness of the products and services to solve their problems, needs, and other concerns. Value proposition defines a think tank's comparative advantage to other think tanks or organisations.
- **Core business activities:** is about the manifestation of the work that think tanks have to do to make their business models run successfully. For more 'traditional' think tanks to be successful, they should produce credible research and sound recommendations, regardless of whether the results are adopted or not. For advocacy think tanks, their value proposition is to voice their recommendation or to make it influential. Core activities are based on the value proposition of a think tank.
- **Governance:** refers to the mechanisms and roles involved to provide oversight of the "corporate" entity of an organisation by its governing body.
- **Funding model:** Refers to the sources and structure of finance that match an organisation's vision and objectives. In particular, it makes reference to the "methodical and institutionalised approach to building a reliable revenue base to support an organisation's core programmes and services" (Kim et al, 2011). The funding model addresses the way in which think tanks organize a fundraising unit/process/system that applies systematic methods to gather needed funds, along with the existence of a sound and thoughtful funding strategy that guides fundraising efforts. Moreover, it looks at the characteristics of the funding sources (domestic, international) and the type of grants (project-based, core support).
- **Leadership:** Refers to the style and approach of day-to-day management and administration; how think tanks structure their leadership to guide the organisation in the fulfillment of its mission. It makes reference to the Director's background, as well as that of other leading roles (i.e. head of research), and their interventions along the organisations' daily tasks.

- **Staffing:** One of the main challenges think tanks around the world face is how to identify, attract and retain high quality human capital. This aspect refers to the way think tanks set up tools and strategies to attract suitable, experienced and well-educated staff, as well as how they retain them and keep them motivated in their work.
- **Financial management:** Refers to the way think tanks manage the stream of costs and revenues. Costs encompasses the financial support needed to perform all the elements of a think tank's business model, such as the core activities, staffing, etc. Revenues refer to income as consequence of products' sale.
- **Communications strategy:** Refers to the plan, programme, and activities designed by think tanks to reach their donors, beneficiaries and other stakeholders. Channeling products, maintaining stakeholders aware of value proposition, products and services, and key activities which fall within a think tank's communications strategy.

To operationalise the study of each dimension, we set the following guiding questions:

Table 3. Dimensions and research questions

Dimension	Research question
Value proposition	When producing and selling their bundles of products and services, what value do think tanks offer to their users?
Core business activities	What are the activities that think tanks carry out in order to create value propositions, and consequently, generate revenue for their organisation?
Leadership	What are the characteristics of leadership that support effective business models?
Governance	How does the organisation set up its governance in order to make decisions regarding its business model?
Communications	How do think tanks define their key audiences considering their value proposition and what strategies and channels do they develop to reach them?
Funding structure	How does the organisation organise and manage the different functions regarding funding?
Staffing	How do think tanks identify, attract and motivate their staff members?
Financial management	How does the organisation deal with revenues and costs to ensure its sustainability?

We expect these dimensions to capture the framework of think tanks' business models. We see these eight dimensions are interlocking and interrelating: the performance of one dimension influences the overall business model. It is not our goal to determine whether one aspect is more important than the others, therefore it is worth researching all of these dimensions equally.

Analysis of the dimensions

We have worked on three key questions to analyse each of the dimensions of the business model. These questions are based on what think tanks' leaders typically ask themselves when making decisions about their organisations.

In this section, we present some of the answers that the case studies provided to these questions. For some dimensions, the case studies show similar responses, while for others the responses cover a wider range. When possible, we present the implications that decisions on one dimension has on the rest, in an effort to understand the interdependence between dimensions. This is one of the main concerns of the comprehensive approach we have developed.

Value proposition: When producing and selling their bundles of products and services, what value do think tanks offer to their users?

Think tanks' value propositions depend on how they want to position their work to their stakeholders or audiences. Their work and research varies depending on what their objectives are; whether they want to engage primarily with academics or policymakers, or if they want to influence civil society.

Both the value proposition and the stakeholders are related to an organisation's mission. Moreover, these have to do with what Mendizabal (2010) presented as policy research organisations' 'mode of work': independent research, contract or consultancy, and influence or advocacy; the basis of their claims or messages: ideology, values, or interest; applied, empirical, or synthesis research; and theoretical or academic research.

The six case studies reflect this variety of purpose regarding value proposition. All the organisations claim to be independent when designing and conducting research. Furthermore, the majority highlight their academic excellence. While some of them present thematic expertise (CADEP and ARU Foundation their sectorial niche in economic policy), others are generalists and address a broad spectrum of policy issues.

The six organisations we built case studies on use their research to promote changes in their societies. They seek to influence public decisions and, some of them, have a civil society approach to public issues. However, in some organisations, this vocation for policy influence is more explicit than in others. For instance, CADEP emphasized policy advocacy since its inception and JPIP is recognised as an advocate for decentralisation in Indonesia. Other organisations, such as SMERU, prefer “letting the data speak” and promote a more implicit or silent influence with policymakers.

One of the main differences between the six organisations' value proposition refers to their target audience. While most of them claim to focus their work on the needs of policymakers, IRE directs its efforts to strengthen the dialogue between grassroots communities and decision makers. Furthermore, the challenges that the three organisations in Latin America face in engaging with policymakers in their respective countries has led them to channel their efforts towards working with civil society.

VALUE PROPOSITION DECISION POINT 1. POLICY INFLUENCE AS A CORE EFFORT

Right from its inception, a distinctive feature of CADEP was a strong emphasis on policy advocacy. The return of democracy generated plenty of space for dialogue with stakeholders of the political community. One of CADEP's first projects in 1994 was called 'Legislation 2000': they became advisors to different committees of the National Congress, which had recently began operating after the enactment of a new constitution in 1992. For five years, CADEP contributed to the drafting of bills and several were finally approved by Congress and promulgated by the Executive as laws for the country.

CADEP's founder and Executive Director states: “The situation favored this advocacy work because there was an explicit concern to create a new model for the country. We created opportunities for dialogue between government officials, politicians, entrepreneurs, professionals, etc., and we invited experts from other countries to participate in our events.

VALUE PROPOSITION DECISION POINT 2. FROM THE NATIONAL STATE TO THE CIVIL SOCIETY AND SUBNATIONAL GOVERNMENTS

Grupo FARO was born to strengthen the national State in a context of political instability. When the State recovered the leadership of the country with a new government administration, the organisation redefined its value proposition. In line with donors' priorities, it started to focus on strengthening a broader spectrum of stakeholders.

Grupo FARO's founder and executive director states: “We founded Grupo FARO to strengthen the national State. But because of an adverse scenario, and in order to ensure our sustainability, we changed our focus and, today, 60% of our work has to do with strengthening civil society stakeholders in their capacities to participate in and influence the public policy process. We also found more reception of our work at the State's subnational levels.”

Context is a key element to consider when talking about think tanks' value propositions. For instance, in the case of Grupo FARO, difficulties in partnering with public agencies forced the organisation to analyse and reframe its value proposition to ensure both sustainability and the relevance of its work. Thus, in 2009, the organisation made an important shift in its work and decided to centre its efforts on strengthening relationships with a broader spectrum of stakeholders from the policy community: civil society organisations, private sector companies, trade unions, universities and local public agencies (rather than national ones).

Core business activities: What are the activities through which think tanks deliver their value propositions to stakeholders?

The case studies show that think tanks, rather than concentrating only in research production, work on a broad spectrum of activities. These activities fulfill the organisations' missions and, in some cases, generate additional incomes.

Due to its academic profile, SMERU focuses mainly on research, the findings of which are disseminated through dialog and publications. As the organisation targets policymakers' needs, consultation with the target audience typically precedes the research work.

CORE BUSINESS ACTIVITIES DECISION POINT 1. FROM DATA GENERATION TO EVIDENCE BASED DEBATE

The ARU Foundation's organisational design and main activities respond to the following reasoning, embodied in the Strategic Plan 2014–2019:

To generate quality research that can inform and influence public policies, two inputs are required: quality data (Data Unit) and rigorous research methods (Training and Education Unit). Then, a process to analyse available data, develop preliminary findings and develop viable policy proposals is needed (Research Unit). Finally, it is important to discuss those findings and proposals with relevant stakeholders of the policy community (Public Policies Unit).

The other five think tanks present a diversity of core business activities, including research, training of stakeholders, and promotion of debates through events and media appearances. Beyond these activities, JPIP and CADEP develop some unique products.

JPIP's main product is the hosting of the "Local Government Innovation Awards", where JPIP ranks the performance of local governments based on issues such as education, healthcare, community economic empowerment, amongst others.

In 2001, CADEP developed a singular training modality: the organisation partnered with the Universidad Católica to create the Master in Politics and Public Management — the first in Paraguay. The objective was to contribute to the modernization of the Paraguayan State by training public officials.

Governance: What is the purpose on the governance arrangement? Who are the members of the Board?

Like any organisation, think tanks must have a solid and appropriate governance structure that enables them to deliver their missions. These governance structures might respond to different goals: from ensuring sustainability, to providing managerial, political or funding support. The functions of think tanks' Boards include strategically guiding the organisation to fulfill its objectives, raising funds or guiding the development of new sources of funding, building bridges with politics and the media, amongst others. Symbolic functions (Struyk, 2006), such as giving prestige to the organisation, and legal functions, if the country regulation allocates the responsibility for the think tank's finances and functioning to the Board, are also recognised.

Moncada and Mendizabal (2013) also reflect on who the members of think tanks' Boards are: "the individuals that make up the boards of directors are chosen according to the think tank's orientation and policy interests". These individuals range from academics that have expertise on the think tank's subject matter, representatives from the private sector, former policymakers or media representatives. Moreover, these members can be locals or foreigners.

Case studies present different Boards' models¹. Some think tanks present light governance arrangements while others are heavier and involve different bodies with different functions.

SMERU, IRE, JPIP and Grupo FARO present heavy governance arrangements. Under different names, they all present an Executive Board, which is in charge of daily activities. These managerial boards are typically formed by internal members (in the case of Grupo FARO, the Executive Committee is formed by the Directors of the different areas or the organisation, along with the Executive Director) and meet weekly to address, inform, decide and follow-up on operational issues. In some think tanks, like JPIP, it is the Executive Board that mostly decides on the think tank's business model, while the governance arrangement mostly exists to meet formal legal requirements.

These Executive Boards are supported by different bodies. Some are responsible of the supervision of the institution in general, supporting the vision and mission of the institution, like SMERU's Board of Trustees. IRE's Board of Trustees, Managing Board and Supervisory Board most often only get involved for matters that are strategic in nature. These include electing the IRE Executive Board Director, preparing and reviewing IRE's strategic plan, annual work meetings, and strategic decisions related to finance. Grupo FARO's Board of Directors is the uppermost governance body, and its mission is to conceive and promote the think tank's strategic direction and add value to the work of the organisation by providing guidance and making decisions at the highest level.

Other bodies provide specific advice. For instance, SMERU's Advisory Board consists of a group of academics, coming from a variety of different disciplines at both national and international reputable universities, who provide advice on research design and processes. Grupo FARO also has an Academic Advisory Board, formed by 10 Ecuadorian and foreign individuals from academia or similar institutions with varying expertise. CADEP's Advisory Council intends to guide the organisation through its fund raising efforts and advices on influence issues. Grupo FARO recently set up a Business Advisory Board with the purpose of involving businessmen and businesswomen in collective efforts to influence public policies, provide advice and insight on the priorities for private businesses, and help the organisation strengthen its links with the private sector.

These strategic boards typically combine internal and external members who meet twice a year to discuss activity reports and to develop plans for the next periods. For instance, Grupo FARO's Board of Directors is formed by three to seven nationally and internationally renowned members, from plural and diverse backgrounds, each serving for a period of four years.

For CADEP and ARU, governance arrangements were a key opportunity to incorporate new voices to decision making, empower mid-level researchers, and prepare gradual transitions within the organisations. In these organisations, decision-making had been historically concentrated in the founders. However, current governance structures considered the need decentralise it. Until 2012, CADEP was governed by the General Assembly and the Board of Directors, both formed by its founders. Today, mid-level researchers are also part of those bodies, which are underpinned by the Coordinating Group, also formed by internal senior members and including the active founders. Moreover, the mentioned Advisory Council was recently created to invite external stakeholders to provide strategic advice.

GOVERNANCE DECISION POINT 2. AN ADVISORY BOARD TO INVOLVE BUSINESS PEOPLE

One of Grupo FARO's advisory boards is the Business Advisory Board. It has been created recently with the purpose of involving businessmen and businesswoman in collective efforts to influence public policies, provide advice and

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¹ For a detailed analysis of think tanks' Boards see Moncada and Mendizabal (2013).

continued

insight on the priorities for private businesses and help the organisation strengthen its links with the private sector. This decision was highly motivated by Grupo FARO's need to diversify its funding sources given the increasing withdrawal of international donors from the country.

ARU Foundation's governance arrangement recently considered opening organisational decision making to new internal and external stakeholders. The Assembly, the highest authority of decision making in this organisation, was responsible for setting guidelines, goals and institutional strategies, and had been traditionally composed of ARU's three founders. Today, the Assembly is going through a process of diversification. The new Assembly has 10 members. On the one hand, the organisation bets on young professionals who were trained within ARU, in what is part of a gradual transition to a new leadership in the organisation (see Leadership section). On the other hand, renowned people, such as a former candidate for the Bolivian presidency, have been convoked, with the intentions to continue positioning ARU at the political level and to help the organisation make pertinent research questions and produce policy relevant research.

Funding structure: What are the think tank's main funding sources? How will the think tank generate additional incomes? How does the think tank organize the fund raising function?

Funding is one of the main concerns for think tanks, as it directly affects think tanks' sustainability. However, the funding structure or model refers to more than funding sources or incomes. As Kim et al (2011) say: "It is a methodical and institutionalized approach to building a reliable revenue base to support an organisation's core programmes and services".

The think tanks analysed for this project are different regarding their funding sources and in the way they organize their fundraising functions to generate new incomes. These different strategies respond to different contexts.

A common feature of the six think tanks is the strong dependence on international cooperation, which represents their main source of funds. Moreover, except JPIP, all of them receive core support from big donors in the think tanks' field. SMERU and IRE are supported by the Knowledge Sector Initiative, and the Latin American think tanks receive core funding from the Think Tank Initiative. Beyond core support, international funding usually comes from the success of the submission of a proposal for international calls for applications, and in the form of contracts and grants.

The case of JPIP is quite singular, as it combines internal and external support. Internal funding comes from the Java Pos, which provides support in the form of offices and facilities. It also provides financial support, although it is not significant compared to the support from partnerships with donor agencies and other parties.

FUNDING STRUCTURE DECISION POINT 1. 'GOING REGIONAL' AS A STRATEGY FOR SUSTAINABILITY

In order to face the gradual withdrawal of international aid from Latin America and to overcome an adverse national administrative environment, Grupo FARO saw the need to regionalise its work, a decision that has been embodied in its new vision. On the one hand, the think tank strengthened relationships with regional peers in order to be more capable of generating funding opportunities and responding to a critical financial context. On the other hand, a regional office of the organisation was opened in Panama.

"We legally registered Grupo FARO in Panama. The country's strategic geographical position and its more favorable administrative environment will help our organisation in leading regional initiatives." (Grupo FARO's founder and Executive Director)

A big challenge for Latin American think tanks is the increasing withdrawal of international donors in the region. In order to face that situation, CADEP and Grupo FARO are testing different strategies. Diversifying their sources of funding is their main concern. They now seek to engage the national private sector to support their research, and have created the Private Sector Advisory Boards to help with this effort. However, the organisations have not yet been successful in securing the support of private sector companies. This will require time, as philanthropic culture is not developed in the region, especially when it comes to supporting research. The absence of a solid private sector and a philanthropic culture also affects ARU Foundation in Bolivia.

Scarce government support is also the rule for all six think tanks. Strong public sector and the great partisanship of the political system in Latin America leave little room for partnering with the state. Moreover, in Ecuador and Bolivia the landscape is made more challenging with an increasing legal and tax pressure for NGOs. In 2014, CADEP began approaching public support from science and technology agencies, which appear as key funding sources for the future.

In the case of JPIP, the lack of government support is a purposeful decision: there is an agreement that it will not receive funding from local governments (district / municipal), as they are clients that are assessed in the programmes conducted by the organisation.

IRE and CADEP have tried to create additional income by charging for outputs. For-profit activities that have been undertaken by IRE include publishing books, breeding Etawa goats, and establishing a consulting company to access tenders from governments. In 2001, CADEP associated with the Universidad Católica to create the Master in Politics and Public Management — the first in Paraguay. The

objective was to contribute to the modernization of the Paraguayan State by training public officials. Seed funding for the Master came from the World Bank, and nowadays it is maintained with funds that come from public agencies that send their officials as students.

Another regular revenue for JPIP is through ticket sales, sponsorship activities, and events for the Otonomi Awards programme. Sponsorship comes from the private sector or from State-Owned Enterprises (SOEs).

Another strategy recently implemented by CADEP to raise new funds was partnering with other Paraguayan NGOs to access international support. A consortium of national organisations was formed in 2013 around the 'Paraguay Debate' initiative. The coalition continued working beyond its initial project and has been maintained as a flexible tool that can be used to apply for large funding opportunities that would not be accessible to the individual organisations that comprise it. In the words of CADEP's Executive Director: "In Paraguay, there is a trend to atomise research and advocacy efforts. But it is a small country, and organisations find difficulties in accessing big projects. The same international cooperation asks individual institutions to ally and apply together for certain calls. The coalition around Paraguay Debate allows CADEP and other NGOs to apply for big international calls."

In terms of organisational structure, the trend in these think tanks is to decentralise the fundraising function, which has been concentrated on their directors and founders. CADEP has recently created an Institutional Development Area which, amongst other responsibilities, actively seeks and manages national and international funds for research projects, promoting income from different sources. While ARU Foundation does not have a fundraising unit, the organisation is increasingly opening this task to Associate Researchers via incentives such as putting ARU's human resources, infrastructure and equipment at their disposal to raise funds and lead research proposals and agendas. ARU, JPIP and IRE do not have a special fundraising division. The latter seeks to optimize senior researchers and Board members' networks to attract new support and win calls launched by international organisations.

FUNDING STRUCTURE DECISION POINT 2. SAY NO TO SOME FUNDS

In selecting funding sources, IRE has two principal rules. First, IRE refuses to access or to work with the World Bank, directly or indirectly as it considers that it was involved in human rights abuses during the Suharto era. Moreover, the World Bank has been promoting market-led policies and development approaches whereas IRE, since its inception, has been promoting people-centred development and the democratic roles of government. Second, IRE avoids working with companies responsible for human rights abuses, environmental destruction, and those causing other negative impacts. For example, although IRE was closely approached by Monsanto to implement a community development project in 2008, IRE decided to decline the offer despite its low financial reserve.

After a failed attempt to create a Resource Mobilisation Unit, the responsibility for fund raising lies in Grupo FARO's Executive Director. However, the role now has greater support from programmatic areas that actively seek their own funds. To encourage programmatic areas to get involved in fundraising, their coordinators have financial goals and are in charge their area's budget. This decentralisation of the fund raising function was accompanied with the introduction of flexibility in the remuneration scheme of the staff: members of staff who bring new projects to the organisation receive economic incentives.

Leadership: What are the characteristics of leadership? What should the skills of the director be? What is the role of the founders? How does the leader relate to other members of the think tank? How does the think tanks organize transitions in leadership?

A common feature of the Latin American think tanks studied is that their leadership has been exclusively associated with its founders for long periods. Their experience gave prestige to the organisations and contributed to the legitimacy of its work. This is most evident in the case of CADEP, as one of its founders served as a Minister of Finance in two presidential periods. Moreover, in the three cases, one of the founders became the Director of the organisation, a position that they continue to hold in both CADEP and Grupo FARO. In ARU, a former lead researcher recently replaced the first executive director (in the second semester of 2015). The three think tanks are strongly identified with their founders.

Another characteristic of Latin American cases is that, despite the high profile of the executive directors, they are very involved in the daily activities of the organisation: micromanagement decisions, edition of publications, external communication, and administrative and financial issues. This, of course, creates a centralisation of responsibilities, and keeps leaders from focusing and investing their time on strategic issues such as the organisations' sustainability strategy, networks, fund raising, strategic planning, etc. Moreover, a centralised structure affects the emergence of new leaders and referents within the organisation.

These leaders have to engage in many of these responsibilities because, despite many years in operation, these organisations have not been able to establish processes to decentralise decision making. Fortunately, this is starting to change: in the last few years the three think tanks showed willingness to reinvent the institutional leadership, understanding the renewal of organisational leadership as a key step towards the think tanks' sustainability. This is most apparent when they consider the generational gap between leaders and mid-level researchers.

The strategies implemented to decentralise decision making include the enlargement of governance bodies to incorporate new internal members (ARU and CADEP), the separation of academic activities and managerial roles by creating new areas and positions in the organisation (CADEP and Grupo FARO), and the strengthening of mid-level researchers to represent the organisation before external stakeholders, such as donors and the media (CADEP).

Amongst the Latin American think tanks, only ARU has replaced its original director, which happened in the second semester of 2015. Its founders planned a gradual exit strategy which involved the renewal of the Assembly to include new internal members and the transition in the executive direction. The founders' confidence in ARU's staff was a key feature of the process. Proof of this is the appointment of a former researcher as the new Executive Director. The three founders are still involved in ARU's daily operations, now with different levels of presence (leading research groups or as associate researchers).

LEADERSHIP DECISION POINT 1. SEPARATE ACADEMIC AND MANAGERIAL RESPONSIBILITIES

For many years, CADEP's founders carried out almost all the managerial activities of the organisation, from strategic planning to quality review, evaluation of performance, and communication with media. Of course, they were also the main referents for research production. Alleviating this situation was a key challenge for the sustainability of CADEP.

Core funding, with the help of the TTI's grant, allowed CADEP to explore new formulas: "Once CADEP became a grantee of the Think Tank Initiative (TTI) in 2010, we started rehearsing formulas to separate the academic activities from the managerial ones." Creating a Communications Unit and the positions of Research and Institutional Development Director were important organisational contributions.

Contrary to ARU's experience, the transition in the executive direction remains a major challenge for CADEP and Grupo FARO. Ideally, both organisations would appoint the new leaders from their existing staff. However, this has proved difficult. In the case of Grupo FARO, high levels of staff turnover make hiring a new director difficult. However, they have identified some desirable features for the future leader: in order to accompany the organisation's regionalisation, a person with vast experience at the regional level will be a good asset.

Indonesian think tanks present more diversity regarding their leadership culture. In the case of SMERU, the Board of Trustees appoints the Executive Director. Since the beginning of 2001 until 2015, two people have served as directors. The first Director headed SMERU from its establishment in 2001 until 2009. He was replaced by the then Deputy Director, who led SMERU between 2009 and 2014 and is serving again as Director for a new period, which started in 2014. The position of Deputy Director can be conceptualised as a phase to prepare a senior researcher for the leadership. The Director is in charge of maintaining the quality of work and ensuring that all research activities and institutional operational matters run smoothly. Under the Director, there are two Vice Directors: one in charge of the research and publications and another in charge of finances and the secretariat office.

The JPIP leadership model claims to be unique as the organisation is a part of The Jawa Pos. Since 2001, JPIP has been led mostly by The Jawa Pos staff: senior journalists and the editor in chief. This is done with the intention of "integrating" The Jawa Pos with JPIP.

IRE has a collegiate style of leadership. IRE chose to cultivate a more egalitarian, intimate relationship between its staff, and a less 'top-down command' leadership style. The Director is selected through an election which involves all IRE research staff. The assumption is that this model facilitates the distribution of work. All IRE staff are involved in the management of the institution and projects, and as long as any problems that arise can be resolved at the division or project level, there is no need for the Director or deputies to intervene. While this style has proved to be effective, it can have its downsides. In some degree, this leadership structure creates reluctance and indecisiveness. Personal ties, friendships and mentorships hinder leadership to decide effectively on staff's termination or sanction.

Staffing: Where does the think tank look for staff members? How does the think tank attract, retain and motivate staff? What are the typical contractual arrangements with the staff?

Recruiting qualified researchers has always been a critical challenge for the think tanks studied. Outstanding researchers, with communication skills and political knowledge are constantly sought by think tanks. However, as it happens in many developing countries, the research field is badly paid compared to other fields of work, and think tanks are not attractive employers, particularly for senior researchers.

Young researchers still consider think tanks attractive work places, mainly because of their reputation in the policy community. Think tanks also offer young researchers training opportunities, the possibility of publishing their work, the experience of international exchanges, and the opportunity to work with well-known researchers. Junior researchers appreciate the support think tanks give them in their efforts to study at foreign universities (through recommendation letters) and, in some cases, take advantage of core funding allocated to staff capacity building. With support from the Knowledge Sector Initiative, IRE has provided scholarship schemes for staff to enroll in graduate schools (PhD- and masters-level). Before core funding support, IRE provided soft loans (zero interest) to staff who wanted to acquire a masters or doctoral degree. As KSI grantees, IRE can also nominate staff to get Australian Awards Scholarships.

STAFFING DECISION POINT 1. RETHINKING HUMAN RESOURCES POLICY

In 2012, Grupo FARO started a comprehensive human resources reform aimed at introducing more certainty in terms of the staff's career paths and stopping high levels of turnover, fulfilling the new legal employment requirements and improving the organisational environment. Actions included changing contractual terms, creating a human resources manual on role functions and hiring policy, developing a new performance evaluation process, team building initiatives,

continued

continued

increasing the transparency of salaries, and the measurement of the organisational climate. Flexibility was a key a feature of the reform: decisions were adapted over the years, based on constant assessment of the results and the feedback of the staff:

"A long-term objective was to conserve a critical mass of employees of Grupo FARO in order to be sustainable along the years." (Financial consultant at Grupo FARO)

Latin American think tanks also benefit from the absence of competition in the third sector: CADEP, Grupo FARO and ARU Foundation are the main or one of the main policy research organisations in their respective countries. In the case of CADEP, since universities are mainly devoted to teaching, think tanks offer opportunities for young researchers seeking to make a name for themselves.

Typically, think tanks turn to universities to recruit junior researchers. This can take place via institutional arrangements between the universities and think tanks to promote student internships. Another approach is through think tanks' senior researchers who also teach at universities and use that access to identify well-qualified students and encourage them to conduct policy research. The majority of think tanks prefer to implement a semi-open system for recruitment, where information for recruitment of staff is only provided to people who are familiar with the think tank or its members. For instance, SMERU sends its recruitment information to certain departments of universities which are relevant to SMERU's needs.

ARU Foundation and SMERU have specific procedures and tools to ensure they incorporate the best profiles to the team. A distinctive feature of the selection process at ARU Foundation is that, for research positions, applicants need to undertake a math test (to ensure candidates can deal with the rigorous economic approach of the organisation). This is a tool that recruiters use (typically, the Executive Director, the responsible of administration, and the lead researcher of the respective group). The staff selection process at SMERU includes an interview through to a psychological test, a written test in English and a written quantitative test. Finally, Grupo FARO has a Human Resources Committee that provides multiple perspectives on the analysis of a candidate. Some think tanks implement a trial period for their new personnel: ARU Foundation and SMERU give a 3-month contract to their new staff, and IRE applies a one-year probationary contract. If the performance is satisfactory, the new hire signs a longer contract.

Think tanks compete with the State, universities, international organisations, and the private sector to hire new qualified staff. The strong demand for quality human resources in these sectors explains the high turnover of junior staff. An even bigger challenge is attracting senior researchers: think tanks cannot compete with the salaries paid by their competitors. Competition with the civil service is high in countries with a strong State, like Ecuador, where the current administration sought to strengthen the analytical and planning capacities of the State by hiring staff that used to work in the third sector. Moreover, in Latin America, senior researchers typically prefer to work as independent consultants (mainly for international organisations) rather than being part of an institution.

STAFFING DECISION POINT 2. INTERNAL CAPACITY BUILDING TO ENSURE A CAREER PATH

ARU Foundation is composed of young staff, who are carefully trained by senior researchers in order to help them in their career paths.

"Training is a combination of a theoretical and practical approach to research. The training topics are selected based on the specific needs of the research and / or institutional agendas. For us, training the upcoming generations of researchers is a measure of impact, but it is not understood like this by all the donors and policy stakeholders."

(Executive Director and founder)

Another factor that explains high turnover is the organisations' project-based modality: it facilitates the exit and entry of new staff according to project needs. However, most think tanks differentiate their staff between those who work full-time for the organisation and those who work on a project-basis. The latter receive the label of Associate Researchers or consultants, depending on the organisation. CADEP also works with international associate researchers.

Regarding payment, think tanks present different schemes. Because of employment regulation in Ecuador, most of Grupo FARO's staff works via a dependent employee relationship with the organisation. At SMERU, in addition to the provision of a basic salary, staff are also provided with various social security provisions to uphold their worker benefits, such as health insurance and pension funds. While CADEP does not pay salaries, with the support of the TTI it has been able to pay seed incentives to those members that coordinate institutional areas and to junior staff. These initial and permanent incentives are complemented with income coming from projects. In CADEP's case, both parts (CADEP and researchers) evaluate fees and the distribution of the budget on a case-by-case basis. IRE has two schemes regarding salary: staff receive a monthly salary as well as activity-based reimbursement.

To attract and retain senior researchers, think tanks offer flexibility in schedules, the option to conduct private projects outside the think tank, and a variable remuneration scheme (typically, those members of the staff who bring new projects to the organisation receive economic incentives). Researchers at ARU do not work full-time: researching is not a very profitable activity in Bolivia, and professionals need to complement research incomes with other research, consulting or teaching activities. In order to mitigate researchers' move to

universities, IRE has part-time and full-time employment arrangements so that staff can work for both universities and the think tank. Indeed, 11 of 17 senior researchers at IRE are also lecturers at a university. JPIP's incentives include the opportunity to write in columns in The Jawa Pos newspaper.

Grupo FARO and IRE sought external advice to improve staffing issues. In 2012, with the advice of a consultancy firm and the support of the Think Tank Initiative, Grupo FARO designed and implemented a comprehensive human resources reform. In 2013, IRE hired a consultant from the Department of Psychology of Gadjah Mada University to assess its human resources needs and to recommend the most effective way to recruit staff. The consultant concluded that the most effective strategy is to recruit fresh graduates rather than individuals in the middle of their careers.

Only Grupo FARO and SMERU set up processes to evaluate their staff's performance. SMERU's staff goes through a 360 evaluation and a self-evaluation at the end of every year. After the evaluation, a score is formulated, which is then used as a measure to determine salary increases and promotions.

Financial management: How does the organisation deal with revenues and costs to ensure its sustainability? How does the think tank organize its financial management capacity? How does the think tank create savings?

In the majority of the think tanks studied, financial and administrative issues are managed by an internal unit. In ARU and IRE, these units are also responsible for human resources issues. Grupo FARO combines internal and external support: after facing a critical financial situation which was solved with the sale of a portion of land assets originally destined to build the organisation's new offices, by mid-2014 it was decided to hire an external consultancy firm to provide two people to support Grupo FARO's Administrative and Financial Direction.

In the six case studies, staff salaries and contracts represent the major part of the organisations' expenditures followed by equipment and office maintenance, and direct programme expenditures. CADEP and IRE have their own offices. In the case of the former, the offices are part of the organisation's endowment.

None of these six organisations have an endowment (beyond CADEP and IRE's offices). However, most of them are concerned with creating institutional saving mechanisms to safeguard the sustainability of the think tank. Grupo FARO is building countercyclical funds (see decision point box). At JPIP, each staff member must contribute a portion of their salary (this varies between 20% to 30%) for the purpose of organisational sustainability. At IRE, savings come from contributions by the staff who are involved in projects organized by other institutions. For example, if a member of staff is invited as a speaker, facilitator, trainer or researcher. SMERU's savings are invested in bonds in the capital market.

Regarding overheads, most of the think tanks consider between 10% to 20%, depending to the characteristics of the project, the client and the size of the budget (for instance, Grupo FARO established a minimum of 15% per project with a budget of more than USD 50,000 and a minimum of 10% if they are under USD 50,000). At CADEP, the decision on the overhead is made by the Board of Directors. However, there is consensus that a more formal policy is needed to guide these decisions.

JPIP and IRE set up several standard operating procedures (SOPs) to deal with finance and accounting issues. JPIP's financial SOP governs on issues such as ticketing for travelers, mechanisms for cash receipts, and advance payments. Through these SOPs, everything is visible once an activity is completed (the expense total and the remaining budget amount). With this standardized process, JPIP is better prepared for audits and employees do not have to work overtime to prepare for them. IRE was able to set up a more comprehensive SOP with KSI's support. For both think tanks, SOPs assist in running programmes smoothly and help improve institutional accountability. Grupo FARO's consultancy firm also introduced some administrative processes in order to better organize budgetary and financial procedures: the financial manual was revised to promote improvements of the financial management informatics system, and initial and follow up budgetary meetings were established for reporting on project budgets.

Beyond these procedures, transparency and accountability are promoted through different actions. ARU's financial policy is available on the institutional website, alongside the statutes, internal procedures and financial statements. SMERU produces a financial report every 6 months and financial audits are conducted by an independent public accountant annually. As in the case of ARU, audit reports are published on SMERU's website. At IRE, independent auditing is conducted annually. JPIP conducts internal and external audits. Internal auditing is routine and done independently by The Jawa Pos, while the external audit from a public accounting firm is conducted when JPIP is running a programme or managing a project.

FINANCIAL MANAGEMENT DECISION POINT 1. AD HOC FUNDS TO OVERCOME AND FACE ADVERSE SCENARIOS

Amongst other tools and procedures to organise administrative and financial situation, Grupo FARO is promoting two management tools. One is the income stabilization fund or countercyclical fund, that will enable Grupo FARO to cover up to six months of the salary of an employee once the project in which she or he was working comes to its end, as long as the organisation wants to keep the employee for generating new projects. The second is the labour contingency fund, that will allow the organisation to cover expenditures derived from discontinuing contracts or paying potential retirement pensions, facing potential legal conflicts with its employees, and to cover the staff's salaries and fulfill all the administrative obligations of the organisation in case it is forced or decides to close.

Communications: How do think tanks define their key audiences considering their value proposition and what strategies and channels do they develop to reach them? How does the think tank organize the communication function?

In the majority of the think tanks studied, communications actions and activities are led by a communications unit or individuals. At ARU and IRE, these tasks are the responsibility of a single person. While IRE has assigned a communications manager to handle its communications strategy, ARU relies on the services of one of its researchers, who distributes her time between research and communications work and coordinates communication activities with the Executive Director. ARU's communications strategy is aligned to the fundraising strategy. The former was based on the results of a previous poll launched amongst ARU's audiences to understand what was the image projected by the organisation.

Grupo FARO's communication actions and activities are led by the Communications and Policy Influence Directorate, formed by a Director and a communications specialist. With the TTI's support, CADEP created a Communications and Policy Influence Area, and developed a communications strategy with the collaboration of an external consultant. The new area centralises the organisations' communication with its various audiences, ensuring consistency of discourse. The first step CADEP took in this respect was to elaborate an External Communications Plan based on the main strengths of the institution and the opportunities that were available. Beyond the different formats, most think tanks acknowledge the difficulties of finding communications professionals that can adapt their knowledge and capacities to the think tank world.

As it was mentioned in the value proposition section, the six organisations target different audiences. When Grupo FARO was founded, its main intended audience was the national State. The shift in the organisation's mission led to changes in their main audiences: today, the organisation's communications outputs mainly point to other Ecuadorian NGOs, the general citizenship, local governments, specific agencies at the national level, universities, and regional think tanks. The organisation's audiences evolved according to the changes in its value proposition. While policymakers have historically been ARU's main audience, in recent years the communications strategy matched the shift of the organisation, focusing on national civil society organisations and universities.

A common feature of the six think tanks is their efforts to segment audiences and use an approach tailored to each one. This implies that most of the organisations deploy a toolkit to communicate with their different stakeholders, reaching them through different channels. While communication channels are not mutually exclusive, ARU reaches civil society mainly via social media networks. Policy debate is sought with policymakers through meetings and the dissemination of policy briefs, thus trying to position ARU as a valid actor in the policymaking cycle. Seminars are the main channel to communicate with international organisations. To work with local governments, citizens and NGOs, Grupo FARO set up workshops and forums, and produced a handbook and toolkits. CADEP has developed some flagship products like policy briefs and situational reports, which are the basis of their communication efforts.

For organisations that intend to work with civil society, like Grupo FARO and IRE, a major challenge is achieving a balance between documents for policy influence and documents with more academic features. Before IRE centralised its communication activities on the communications manager, publications were under the responsibility of project managers. As IRE's staff were mostly lecturers at the time, publications followed academic styles. To cope with the issue of inaccessibility, IRE published two-monthly bulletins with the hope that these would better reach grassroots organisations and policymakers. IRE also had the KSI's support to reformulate its communications strategy and develop products with a more practical orientation, such as policy briefs. Recently, and as part of the strategy to partner with universities, Grupo FARO has sought to produce a higher number of academic and indexed publications. This will also raise the organisation's reputation as a producer of high-quality research, without disregarding its policy influence approach.

The other avenue that think tanks, especially those in Indonesia, use to communicate are meetings with policymakers. These close formal or informal meetings are understood as a silent influence strategy. For JPIP, these meetings are part of commissioned research and policy advocacy, and serve as channels for the organisation to recommend changes in practices of government services. Given the difficulties to engage directly with the State, Grupo FARO set up closed discussions with some national public agencies. Moreover, IRE seeks to build personal links with strategic policymakers, as they consider that those links can be strategic entry points to secure their policy/programme implementation. Therefore, informal meetings and discussions are considered to determine the result of advocacy.

In terms of the communication and engagement process, SMERU engages with the intended stakeholders at the start of its projects, through meetings with the policymakers and asking what their needs are. Thus, SMERU's research agenda is validated with the input of decision makers. The way SMERU communicates the findings of its research plays a critical role in the outcome: researchers prefer to have government officials briefed on the findings in private, especially if the findings are negative.

Think tanks also rely on their websites and social media to communicate with broader audiences. For instance, JPIP utilises websites to publish the database on the rankings, as well as publications. The website also provides papers about best practices that have been conducted by the local governments who won the awards, in an effort to inspire other local governments. With a motto of 'Data Speak', SMERU's online publications provide rich data that can be used as sources and as a starting point for further research. Strengthening the use of social media and data visualization is still a challenge for CADEP.

Relationships with the media is a key communications and influence strategy for JPIP, IRE and CADEP. Since JPIP is part of a newspaper, the media is its main means of communication. Updates on research findings and organisational responses to current policy issues are published on the newspaper. JPIP has the opportunity to reach the farthest regions in the country, since The Jawa Pos business group exists in almost all provinces in Indonesia. IRE publishes a series of opinion pieces in national newspapers. To enhance the writing skills of staff, IRE invites the senior editors of the newspaper to provide writing trainings.

From its start, CADEP built a solid relationship with the media, due in part to its founders' efforts to explain the Paraguayan economic situation to the wider public. Communicating through the media and influencing the policy debate were seen as complementary efforts. The relationship between journalists and researchers was strengthened to the point where members of the press began soliciting the

elaboration of reports on specific topics and gathering information directly from CADEP's web page for their own publications. Moreover, CADEP positions specific referents for different topics.

Some preliminary conclusions on the business models approach

Through this project, we present a comprehensive approach to think tanks' business models. Analysing the eight chosen dimensions provides think tanks with an in-depth analysis of their organisations. At the same time, the leaders of the think tanks studied in this project acknowledged that the approach is an effective tool to trigger an organisational reflexive process: understanding the links and implications of decisions on the different dimensions promotes strategic institutional thinking. What should be the think tanks' core activities in order to fulfill their mission? What are the implications of the funding structure in the think tanks' research agenda and staff? What is the most suitable governance arrangement considering a think tank's value proposition? These interrelated decisions are at the core of the proposed business models' approach.

The study reveals that think tanks do not have the same understanding of what a 'business model' is. Some of them tend to point the discussion towards funding structure (specifically to the available funding sources), while others focused on the think tanks' mode of work or value proposition (academic or advocacy, amongst others). A comprehensive approach to their business models was promoted through conversations between think tankers and the researchers that conducted the study, rather than as an spontaneous response to our research objectives.

Even though these dimensions have proven to be relevant for the think tanks studied, it does not mean they are enough. New dimensions could be considered depending on an organisations' characteristics. For instance, a specific dimension that addresses research agenda issues could be incorporated. Moreover, some dimensions have deserved more attention than others. Typically, funding structure is seen as one of the main issues for think tanks, especially when they think about their sustainability in challenging political and funding contexts.

The similarities and differences between the think tanks studied vary according to the dimension being analysed. For instance, most think tanks diversify their core business activities (research, capacity building, policy advice, among others) rather than concentrating on a single activity. Under the funding structure dimension, efforts to diversify funding sources are also common to all think tanks. Most organisations segment their main audiences and work with a communications toolkit to target each of them. Also, governance arrangements tend to combine internal bodies in charge of daily management with external strategic advisory bodies.

In terms of differences, some think tanks present heavy governance arrangements (many internal and external bodies with specific functions) while others have light governance structures. Regarding value proposition, some think tanks claim research excellence, while others highlight their capacity to engage with grassroots communities. Some think tanks are more dynamic in terms of leadership transitions, while other have difficulties replacing their founders.

As it is the case of many organisational studies, this research shows that context is a key element to consider when making decisions on business models. This project's case studies provide many examples of how context matters. One of the case studies reflects on how an organisation changed its original mission because of difficulties working with the State. Others show how the lack of a philanthropic culture hinders private sector support for research, and how democratisation and decentralisation processes force think tanks to target new audiences. The case studies also refer to a context in which the competition with universities, civil service and international organisations for high-quality human resources is a major challenge, and how employment regulations oblige think tanks to adapt to new contractual terms.

An important finding for think tanks' donors is that core funding reveals to be key to experiment with decisions on the different dimensions. Regarding this finding, we should consider that five out of the six think tanks in this study receive core support. Access to core funds to test different staffing schemes, approaching new funding sources, or designing new communication products, are important for think tanks to continue seeking a suitable business model.

Regarding potential next steps, we propose to complement qualitative analysis with quantitative tools that allow gathering information from a broad spectrum of think tanks. A standard survey distributed to think tanks from different regions will allow to continue testing this approach and will identify business models' decisions that can be helpful for other peer organisations. In the future, and based on exchanges with other researchers and practitioners interested in the study of think tanks, it might be helpful to define a think tank business models' typology which can present the different dimensions in a consolidated way.

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Unravelling Think Tanks' Business Models

Case Study: ARU Foundation

by Leandro Echt

About ARU Foundation

ARU Foundation was established in 2007 in La Paz, Bolivia, as an independent, non-profit and pluralistic think tank. It is committed to create and to promote quality local research, working with comprehensive tools to inform the public debate and decision-making with evidence.

Context

The policy environment in Bolivia saw a major change in 2005, when Evo Morales was elected President, marking the first indigenous person to reach that position in the country's history. As was the case in other Latin American countries that saw new administrations come to power at the beginning of the XXI century, Morales' government intended to recover the leadership of the State in several spheres of public life.

The arrival of Morales' administration coincided with many professionals leaving the State seeking new spaces to conduct research. That was the case for the three founders of ARU Foundation, who had worked together at the Unit of Social and Economic Policies Analysis (UDAPE), the public agency with the mission to provide technical support to the Executive Branch's agencies in Bolivia. UDAPE's activities are intended to contribute to the development of the country, and they include project analysis, design, analysis and evaluation of policies, and applied research.

In 2006, the idea of establishing an institution to strengthen quality applied research and promote research-oriented education in Bolivia was conceived. Over the years, and encouraged by new donors, ARU Foundation incorporated a policy influence approach to its research work. However, Bolivia's government gives little room for independent NGOs to participate in the public debate. Moreover, the legal environment also represents a challenge for these organisations. In recent years, the government has started to ask for the re-inscription of several NGOs, increasing legal and administrative requirements, bureaucratising the obtaining of legal personality, and reviewing tax exemptions.

ARU Foundation's business model

Value proposition: production of quality data and rigorous research

In a country where data is scarce, ARU Foundation was founded with the aim of producing quality data and information through research. With this in mind, the first years of the organisation were dedicated to building solid databases and to academic research. Policy influence was not at the core of these initial efforts.

In the beginning, one of ARU Foundation's main qualities was its quantitative and rigorous approach to research, combined with its efforts in recompiling, processing and harmonising existing data in Bolivia. Underpinned by the founders' contacts at the national and international level, ARU Foundation was rapidly able to position itself as a source of qualified and independent data and analysis. This was also possible due to the general absence of institutions studying public policies in Bolivia, especially around ARU's main niches: poverty and employment. Based on the academic inclination of ARU's staff, several links with universities were built during those years. Additionally, a distinctive characteristic of the organisation were its efforts on capacity building for research development, which included training young people with a potential research profile.

In 2010, ARU Foundation was chosen as a Think Tank Initiative grantee, which helped strengthen the organisation's institutional profile and encouraged it to become a driver of change by suggesting a closer approach with the public policy world. Encouraged by the new supporter, the organisation started to open itself to new stakeholders, new audiences and new projects. At the same time, it realised it needed more visibility.

With those new realisations, communication and policy influence became the centre of focus. This new approach benefitted from the amount of data and research generated until 2010, and promoting public policies based on quality data became the organisation's business model.

As we mentioned earlier, influencing policies is not easy in Bolivia, where there is little room for academia and NGOs to engage in dialogue with policymakers. Gradually, the foundation started speaking to civil society (both organized and citizenship), and the organisation's goals changed: some years ago the aim was to inform decision making, whereas today the goal is to inform members of the civil society.

DECISION POINT 1. FROM ACADEMIC RESEARCH TO POLICY INFLUENCE TO SOCIETY AS THE MAIN AUDIENCE

ARU was born with the objective of producing quality data and research. With the appearance of the TTI in 2010, new efforts were intended to approach policymakers and influence their decision making. However, with a State that gives little room to independent NGOs, policy influence became a difficult enterprise. Thus, the organisation decided to capitalise its research work and new communication skills to address society players.

ARU's founder and member of the Assembly said: "The TTI opened new paths: we started to think about how to better reach policy stakeholders with our research. But political agenda and academic agenda are strongly disconnected in Bolivia. We still seek to influence policies, but via the civil society, which is more capable to use information and influence politics."

Core business activities: generation of data, research, training and debates

In its early days, the organisation conducted several research consultancies for international cooperation. As it established itself, it started to define its own research agenda. A key milestone in its development was setting up the Research Unit, responsible for generating relevant and long-term research agendas. This Unit is divided in three groups that respond to ARU's main research interests: Political Economy, Monitoring and Evaluation, and Macroeconomic Modeling.

Besides research, one of ARU's main activities is quality data generation. In Bolivia, one of the major obstacles in applied economic research is the lack of access to reliable and timely information. To help overcome this hurdle, ARU has established a Data Unit with three objectives: (1) to process, systematise, harmonise and document existing information; (2) to gather new information to feed ARU's research agenda; and (3) to design, collect and systematise information on demand from other institutions. The Data Unit works through two main strategies: conducting specialised surveys that feed the organisation's research, and giving advice on the design and systematisation of information to other institutions. A major initiative under this unit was the Bolivian Survey and Microdata Network, a joint partnership with public and private universities and research centres. The network was established in four main cities with the aim to generate data and broaden access to information.

Another activity at the core of ARU Foundation's efforts is the promotion of spaces to debate public policies based on research findings and evidence. This activity is conducted mainly under the Public Policy Unit, in charge of events such as:

- **Applied Research Workshops:** a space in which researchers can present the preliminary findings of their research and receive feedback from experts;
- **Evidence Based Meetings:** an initiative that gathers national and international experts to discuss available evidence and policy solutions;
- **Closed meetings between researchers and policymakers to discuss specific policy challenges;** and
- **Debate Workshops for Young Researchers:** meant to promote an evidence-based policies culture.

Moreover, ARU Foundation has begun the promotion of quality local research production, launching the First Annual Research Contest on important topics of debate in Bolivia.

DECISION POINT 2. FROM DATA GENERATION TO EVIDENCE BASED DEBATE

The ARU Foundation's organisational design and main activities respond to the following reasoning, embodied in the Strategic Plan 2014–2019:

To generate quality research that can inform and influence public policies, two inputs are required: quality data (Data Unit) and rigorous research methods (Training and Education Unit). Then, a process to analyse available data, develop preliminary findings and develop viable policy proposals is needed (Research Unit). Finally, it is important to discuss those findings and proposals with relevant stakeholders of the policy community (Public Policies Unit).

Another of the organisation's main activities is around capacity building. For this purpose, the Training and Education Unit was created to deliver trainings on research methods and public management. The trainings are delivered both internally, to strengthen staff capacities, and externally, to civil society professionals and public officials. The nature of this activity led to the establishment of partnerships with several national universities. Some of the trainings offered are: "Diploma in evaluation of social policies"; "Qualitative methodology for scientific research"; "Building capacities for public management"; and "Course on impact evaluation for decision makers". The latter two are series particularly intended for public agencies. Finally, "Building capacities for qualified research in developing countries" seeks to strengthen research skills through the exchange of young researchers. These courses are supported by different modalities, the two most frequent being international donors' support (especially for those programmes dedicated to develop research capacities) and the payment by participants/students.

The institutional landscape is completed by the Administration Unit, whose responsibilities will be addressed in the Financial Management section.

Table 1. ARU Foundation's Units, since 2011

Unit	Main activity
Data Unit	Generate data
Training and Education Unit	Build capacities on research methods and public management
Research Unit	Develop findings and policy proposals based on available data
Public Policies Unit	Promote debate
Administration Unit	Coordinate administrative issues

Governance: opening organisational decision making to new external and internal stakeholders

Table 2. ARU Foundation's Governance levels

Level	Body	Function
Deliberative and directive level	Assembly	The highest authority of decision making. It is responsible for setting guidelines, goals and institutional strategies. At the moment, it is composed of the three founders, who meet fortnightly.
Executive level	Executive Director and Research Director	Responsible for managing, administrating and leading general activities. The Executive Director responds to the Assembly, and needs to be one of its members to be selected.
Operational Level	Data Unit, Training and Education Unit, Research Unit, Public Policies Unit, and Administration Unit	Responsible for the execution of the organisation's plans, programmes and projects.

Today, the Assembly is going through a process of diversification. Based on the need for renewal, new people were invited to integrate it. The new Assembly has 10 members, a mix of young and experienced professionals. On the one hand, the organisation bets on young professionals who were trained within ARU, in what is part of a gradual transition to new leadership for the organisation (see Leadership section). On the other hand, more renowned people, like a former Bolivian presidential candidate, have been convoked. The intention of this is to continue to position ARU at the political level, but also to help the organisation make pertinent research questions and produce policy relevant research.

Enlarging the Assembly is part of a broader decision on ARU's future: which direction does ARU want to take from now on? Sustainability appears as the major challenge, and will influence most institutional choices.

Funding structure: dependence on international donors and choosing between national or international markets is the upcoming dilemma

As ARU Foundation's Resource Mobilisation Strategy (July 2012) states, nonprofit organisations in Bolivia, particularly the few engaged in scientific research, rely strongly on funds from foreign agencies. This scenario is created by several factors. Firstly, multilateral and bilateral agencies focus on large-scale projects, supporting big organisations at the expense of small ones. Secondly, the funding landscape lacks a solid private sector or a philanthropic culture that could support research. Added to these are the difficulties of partnering with the State and the increasing legal and tax pressure for NGOs. These represent a challenging funding context for a small policy research organisation like ARU.

Hence, the organisation is not the exception in its dependence on international funds. Around 92% of ARU's budget comes from foreign donor agencies. A big part of it is the core funding provided by the Think Tank Initiative (TTI) since 2010. The other international and regional donors are: the International Initiative for Impact Evaluations (3ie); the Inter American Development Bank (IDB) or the Development Bank of Latin America (CAF); and institutions that support ARU through project contracts and grants. A minor part of ARU's income is represented by contracts with national public agencies, like the Productive Development Bank. Besides the TTI's support, ARU's funding is mainly project-based.

Becoming a TTI-funded organisation was a big achievement in terms of organisational growth, but at the same time it brought about several managerial challenges. During ARU's early years, the three founders worked individually under the institutional umbrella. When it received the TTI's core funding, the organisation was one of the smaller ones within the funder's network. The TTI's funding fostered changes in the organisation's structure: from basic inputs like having an office located in the city centre, to the possibility of attracting new researchers and strengthening the research agenda, to strengthening links with the international research community.

In the last years, the representation of TTI support in ARU's budget has decreased, while other international cooperation sources have started to grow.

DECISION POINT 3. SUSTAINABILITY: AN ONGOING DILEMMA OF THREE ALTERNATIVES

Since its beginnings, ARU Foundation has depended on international funding sources. In order to face the gradual withdrawal of these donors from the region, the Executive Director identifies three main alternative paths:

"We could continue focusing on the national market, and try to get new funds by partnering with universities and civil society stakeholders. Or we could bet for a stronger international approach: one implies strengthening links with think tanks networks and the other with international academia. Throughout our existence, we have tried all these alternatives, but we might need to follow one with more emphasis in the near future."

Table 3. Evolution of ARU Foundation's core funding (TTI)

Year	TTI support in overall budget
2012	75%
2013	28%
2014	14%

TTI's support ends in 2017, so the appearance of new funding sources is good news for ARU. Nevertheless, financial sustainability has become a major concern for its leaders. However, the organisation understands that sustainability is not only a funding issue: it is strongly linked to the decision of what the future direction of the organisation should look like. In this sense, ARU's Executive Director has identified three paths of continuity: one of them emphasizes a national approach, and the other two an international approach.

In the national field, ARU could continue working on what is possible today: collaborating with universities and civil society stakeholders, given the difficulties of working with the State. In the international field, the organisation could strengthen the links with think tank networks via TTI grantees, like ILAIPP¹ (a network of Latin American grantees working on common regional challenges), or Southern Voice². The second international path refers to strengthening and generating new links with international academia.

While these three paths are not mutually exclusive, the organisation sees few links between them. Moreover, each of these paths mean different partners and donors, and, more generally, different business models: a stronger focus on advocacy, a more regional approach, or a more academic organisation. Ensuring sustainability is the main concern behind this ongoing discussion.

Additionally, to achieve financial sustainability, ARU is planning new long-term research agendas, such as comparative studies of low-income countries in Latin America with similar countries in other parts of the world, which address structural issues for the country but also lie within ARU's research interests.

Finally, fundraising is the responsibility of the Executive Director and the lead researchers. However, ARU is increasingly opening this task up to associate researchers by putting ARU's human resources, infrastructure and equipment at their disposal to raise funds and lead research proposals and agendas.

Leadership: staff as the natural heir to leadership

In its early years, ARU was strongly associated to its founders. When the organisation started to grow, especially when it became a TTI grantee, new researchers joined the staff. As they became familiarised with ARU and enhanced their research and management skills, these new members of staff started to gain more space in organisational decision making. In particular, lead researchers became the pillars of support for the Executive Director, representing the organisation in fundraising functions and some institutional decisions.

Today, the founders continue analysing and making strategic decisions for the organisation, but now guided by a recently renewed Assembly. These decisions range from administrative issues, to how to deal with differences with the State's data, or communicational timing. They also conduct research: one of them is the lead researcher of the Monitoring and Evaluation Group and the Political Economy Group, another one is the lead researcher of the Macroeconomic Modeling Group, and the third one is an associate researcher.

ARU's leaders are aware of the need to renew leadership within the organisation. For that purpose, the institution takes special care to train its researchers and makes some of them part of decision making groups, like the new Assembly. The founders see ARU's staff as the natural heirs of the governance functions.

A gradual exit strategy of the founders after eight years of leading the organisation could involve them joining the ranks of associate researchers, as is the current case with one of them. This is also under discussion.

Staffing: young staff with a growth horizon underpinned by internal training

One of the main characteristics of ARU Foundation is that it speculates on young researchers joining the organisation, developing skills and following a career path that eventually takes them to lead its research groups. Most of the issues related to staffing are addressed in the "Recruitment, Retention, Training and Promotion Policy" section.

¹ The Latin American Initiative for Public Policy Research (ILAIPP) is a network of Latin American think tanks (all of them TTI grantees) that, based on common interests and challenges, seeks to influence the supra-national public policy debate and development of the region.

² Southern Voice is a network of 48 think tanks from Africa, Asia and Latin America, which serves as an open platform to make contributions to the international discourse on what should succeed the Millennium Development Goals. All members of the network are, or at some point were, awardees of the multi-donor Think Tank Initiative (TTI).

For this purpose, ARU actively seeks to recruit outstanding students at universities, through the organisation's researchers teaching at these institutions and/or by disseminating open calls in the faculties. For these young students, ARU presents many attractive features. For instance, it comes off as an organisation that takes chances on young profiles, so the job requirements are not far beyond their limited experience. Also, the organisation is one of the few think tanks in Bolivia, there is the possibility to develop research skills and take training opportunities, and it is seen as a stepping stone for studying abroad.

A distinctive feature of the selection process is that, for research positions, applicants need to undertake a math test to suit the rigorous economic approach of the organisation. This is a tool that recruiters (typically, the Executive Director, the responsible of administration, and the lead researcher of the respective group) use to ensure they bring the best profiles to the team. Aside from the evaluation of their qualifications, another key part of the recruitment process is the personality test Myers-Briggs-Jung, which seeks to reveal applicants' features which are aligned with the organisational ethos.

Once the new members join the team, they become research assistants, a three-month trial position after which, if their performance is satisfactory, they sign longer contracts.

As the organisation promotes young researchers in their professional growth, building a career path at ARU Foundation is possible. If researchers demonstrate solid skills, they can rapidly grow within the organisation: after a short period performing as research assistants, some of them become researchers. The road to become lead researcher is longer, as more seniority is required.

ARU's staff is composed as follows:

- 2 Lead Researchers
- 2 Researchers
- 6 Research Assistants
- 8 Associate Researchers
- 1 Financial Officer, 1 IT Service Officer

Associate researchers are required and contracted for specific projects. The rest of the staff presents two types of contractual relationships with ARU: approximately half are employees and the other half work as consultants on a per-project-basis. However, none of these researchers work full-time at ARU. As in many Latin American countries, research is not a very profitable activity, and professionals need to complement their research income with other research, consulting or teaching activities.

Research staff are distributed amongst the groups within the Research Unit, described in the "Core Business Activities" section. The entire staff responds to the Executive Director- the authority at the Executive level. Within the groups, daily working relationships are described as horizontal by interviewees, but lead researchers also have administrative responsibilities (fundraising, achievement of goals, etc).

Finally, it is important to highlight the efforts that ARU makes to promote the capacity development of its staff. These efforts are led by the Training and Education Unit, under its internal training work, which is described in the Strategic Plan. The internal training work consists of two main programmes with different approaches: the Training Cycle and the Mentoring Programme.

DECISION POINT 4. INTERNAL CAPACITY BUILDING TO ENSURE A CAREER PATH

ARU Foundation is composed of a young staff, who are carefully trained by senior researchers in order to help them in their career paths:

"Training is a combination of theoretical and practical approach to research. We have trained at least half of our staff. For us, training the upcoming generations of researchers is a measure of impact, but it is not understood like this by all the donors and policy stakeholders." (Executive Director and founder)

- **Training Cycle:** Continuous process of periodic training provided by senior researchers to young researchers. The objective is to strengthen theoretical and practical knowledge in specific subjects. The training topics are selected based on the specific needs of the research and / or institutional agendas, such as the use of informatics programmes, writing policy briefs, amongst others.
- **Mentoring Programme:** This consists of the transfer of knowledge, experience and skills through a relationship between a mentor and a junior researcher. The intention of this programme is to motivate and empower staff.

This internal capacity building approach is complemented by other trainings, such as those within the TTI's capacity development activities.

Financial management: formal procedures and financial transparency

Financial management is the responsibility of the Administration Unit, alongside administrative issues and human resources procedures.

The major expenditure of the organisation is on staff salaries and contracts, followed by equipment (including technology to generate data). The organisation's office is rented.

Overhead is established between 10 % and 15%, according to the characteristics of each project.

As a procedure of transparency and accountability, ARU's financial policy is available on the institutional website, alongside the statutes, internal procedures and financial statements.

Communications: segmented audiences and channels, and the challenge of media presence

In order to strategise its communications, ARU Foundation uses the services of one of its researchers, who distributes their time between research and communications work. Communication activities are coordinated with the Executive Director.

Communication activities are guided by a communications strategy, which is aligned to the fundraising strategy. The former was designed based on the results of a poll launched amongst ARU's audiences to understand what the image projected by the organisation was.

As is the case for many think tanks, ARU targeted its communication efforts on several audiences. While policymakers have historically been the main audience, in recent years the communications strategy matched the shift of the organisation, focusing on civil society, national civil society organisations and universities. ARU's audiences are also international organisations, with which it constantly seeks to share and position its research agenda.

Communication platforms are typically chosen according to the audience. Civil society is mainly reached via social networks. Policy debate is sought with policymakers through meetings and the dissemination of policy briefs, with the intention to position ARU as a valid actor in the policymaking cycle. Seminars are the main channel to communicate with international organisations.

Increasing the appearance in the media, and engaging with the media, is still a challenge for the organisation, and it has been included as a goal for 2015. While, today, media is not a stepping stone to reach other audiences, ARU believes its reputation and policy influence results will be improved if links with specialised media are strengthened.

On ARU Foundation's business model: leaders with policy research trajectories and established contacts, generation of a sectorial niche for independent data, a dependence on foreign donors, well-trained staff

ARU Foundation is an organisation that was founded to generate data and position itself as an alternative source of quality economic information. Over the years, and encouraged by donors, a new policy-influence approach was built in, thus becoming part of the institution's business model: promoting evidence-based policies is now the aim.

In seeking the achievement of its mission, ARU partners with different stakeholders. While policymakers used to be its main audience, the little room that the State gives to independent NGOs led ARU to a major shift: now the organisation seeks alternative ways to influence decision making, especially through civil society. Partnering with universities, especially for a broad training portfolio, is another way of educating policymakers and civil society professionals on the importance of using evidence for decision making.

To undertake these activities, ARU relies on a young but constantly trained staff, especially through the Internal Training Policy. The institution gives its young members the possibility to grow, and bets on them to become the new leaders of the organisation, replacing the founders who have been present in the organisation for eight years with different levels of commitment.

As for the future, financial sustainability is a major concern, and it is linked to the value that the organisation seeks to offer to the market, whether it is international or national. ARU could strengthen its international academic profile, could stick to think tanks' regional networks, or could deepen partnerships with national universities and civil society players. While the founders reflect on this ongoing dilemma, the Assembly has been enlarged with both renowned external people and internal committed staff, to contribute their ideas on where ARU's work should be directed in the upcoming years.

ARU Foundation's business model

Dimensions	Description	ARU Foundation
Value proposition	When producing and selling their bundles of products and services, what value do think tanks offer to their users?	Generation of independent and qualified data and rigorous economic research, and training of public and civil society professionals in research and policy management skills.
Core business activities	What are the activities that think tanks carry out in order to create value propositions and, consequently, generate revenue for their organisation?	Generation of data, research, training and promotion of debates, and a shift from generating data to influencing policies.
Governance	How does the organisation set up its governance in order to make decisions regarding its business model?	A recently renewed Assembly with external people and committed internal researchers. The Executive Director and the lead researchers make decisions on a daily basis.
Funding structure	How does the organisation generate and manage funds?	Strong dependence on foreign agencies. Combines core funding, via the TTI, and contracts and grants from other international agencies. Little room for consultancies with the State or for tempting the private sector to support research.
Leadership	What are the characteristics of leadership that support effective business models?	While the three founders still decide on strategic issues, and have kept linked to ARU's daily work with different levels of presence (being the Executive Director, leading research groups or being an Associate Researcher), they are now supported by a larger Assembly. They bet on internal staff replacing them in leading the organisation.
Staffing	How do think tanks identify, attract and motivate their staff members?	A young staff, which has the perspective of a career path within ARU, and is constantly encouraged to keep themselves trained. Flexibility is important to keep them motivated.
Financial	How does the organisation deal with revenues and costs to ensure its sustainability?	Transparency of procedures, incomes and expenditures is a major feature of ARU.
Communications	How do think tanks define their key audiences considering their value proposition and what strategies and channels do they develop to reach them?	This is not at the core of ARU's efforts; no person is exclusively dedicated to communication activities. Segmented channels for its audiences. Shift from policymakers to civil society. Growing media presence is the challenge ahead.

Unravelling Think Tanks' Business Models

Case Study: CADEP

by Leandro Echt

About CADEP

The Centre for Analysis and Dissemination of the Paraguayan Economy (CADEP) is a non-governmental and non-profit organisation founded in 1990. CADEP's main areas of work are tax studies (macroeconomics and fiscal policy), competitiveness, trade policy, poverty and employment, entrepreneurial development and regional economics. The organisation is particularly engaged in research in the areas of economics and public policy, with the goal of influencing policy decisions. Based in Asunción, the Paraguayan capital, CADEP is composed of 6 membered researchers and 15 associate researchers.

Context

In the late 1980s, as the dictatorship in Paraguay was coming to an end, many social scientists trained abroad returned to Paraguay. Since universities were devoted exclusively to teach and were not considered research space, most of the returning social scientists gathered around the only research centre that existed at the time: the Centro Paraguayo de Estudios Sociológicos (CPES). It was during this period of change that several other civil society organisations, including CADEP, were created.

However, not all of these organisations focused on research and, in Paraguay, no one was generating knowledge about the national economy. Data was generated by the public sector, but there was little analysis of it. It was then that CADEP pioneered the study of the Paraguayan and Latin American economies, and the lack of competitors at the time gave the organisation a distinctive 'niche'.

CADEP also distinguished itself by its strong emphasis on policy advocacy. In the post-dictatorship phase, stakeholders in the policy community sought insight and explanations on the country's economy. This gave CADEP an opportunity to communicate their findings through the media, generating visibility first for its founders and then for the organisation itself. In addition, CADEP's founders saw the need to create a space in which public sector technocrats, entrepreneurs, and members of the private sector could discuss economic policies in Paraguay.

Finally, CADEP's reputation was underpinned by the experience of its founders, who were trained abroad.

All these features gave CADEP a special position within the emerging policy community.

CADEP's business model

Value proposition: researchers with first-hand experience to study and inform policy, and train the future generation of policy entrepreneurs.

CADEP founders' goal was to establish an organisation capable of conducting research, dissemination and training on issues related to the economy and public policy in the country, with the clear objective of influencing public policy decisions.

DECISION POINT 1. POLICY INFLUENCE AS A CORE EFFORT

Right from its inception, a distinctive feature of CADEP was a strong emphasis on policy advocacy. The return of democracy generated plenty of space for dialogue with stakeholders of the political community. One of CADEP's first projects in 1994 was called 'Legislation 2000': they became advisors to different committees of the National Congress, that had recently began operating after the enactment of a new constitution in 1992. For five years, CADEP contributed to the drafting of bills and several were finally approved by Congress and promulgated by the Executive as laws for the country.

CADEP's founder and Executive Director states: "The situation favored this advocacy work because there was an explicit concern to create a new model for the country. We created opportunities for dialogue between government officials, politicians, entrepreneurs, professionals, etc., and we invited experts from other countries to participate in our events."

Since its inception, CADEP has contributed to the production of knowledge as a basis for the formulation and improvement of public policies, aimed at fostering economic and social development. Over time, the organisation has become a reference point for both the national (policymakers, civil society, business sector, and academia) and international (networks, academic foundations, and international aid organisations) policy communities.

Today, CADEP stands within the policy community as an organisation that conducts high-quality economic research, supported by the well-known expertise of its staff and led by two well-known professionals with prominent experience in the public policy and political fields. This research capacity, along with its knowledge of the public sector, is used to translate research findings into recommendations for national policymakers.

Moreover, the creation of the first Master in Politics and Public Management gave the organisation a prominent role in training the upcoming generations of Paraguayan policymakers.

Independent research capacity, practical experience, prominent leaders, a recognised staff, and policy advice, shape CADEP's value proposition. This is fostered by a specific focus on economic policy, with a special consideration for regional integration, making CADEP quite unique within the small research scene in Paraguay.

Core business activities: research (consultancy and independent), outreach and training

In the Paraguayan context, it is difficult for a think tank to survive by only conducting independent research. This is why, since its inception, CADEP has contributed to Paraguay's policy-making through three main activities: research, consultancy and training activities.

Over the years, and considering that research has always been at the core of CADEP's outputs, the weight of each activity in the organisation's overall work has changed.

At CADEP, research and consultancy have always been conducted in parallel. While recognising that the boundaries between both activities are fuzzy, it is important to address its main differences.

Typically, consultancy is different from research in that it is demand-led and consists of the organisation's capacity to sell services, particularly those of analysis and advice, to different private and public clients. The intention of this work is to improve clients' information or decision-making capacities and processes. This usually means that the products from consultancies are not public, although this does not mean that the organisation cannot develop public products based on that work. Moreover, in Paraguay the difference between research and consultancy can also be explained by the origin of the funds: typically, consultancy activities are supported by bilateral and multilateral organisations.

When the founders left CADEP to take positions within the State (2003–2005 and 2008–2012), CADEP carefully analysed which consultancies could risk its independence. This situation inevitably raised the organisations' profile, and the founders did not want CADEP's reputation to be manipulated by politicians of different political parties. As a matter of ethics, during that period the organisation did not take on any consultancies for the public agencies in which CADEP's members were working. Moreover, after both terms in the government, CADEP only took consultancies in areas that did not directly involve fiscal policy issues, which was the field where CADEP's members served during their time with the government. The decision to maintain a healthy distance from some consultancies was meant to ensure CADEP's technical independence.

Research, on the other hand, is understood as researcher-led, and feeds a long-term and coherent agenda. It is mainly focused on findings and, in Paraguay, is mainly supported by international foundations or by fundraising efforts.

The organisation found its niche by working in two economic fields:

- 1) Fiscal policy
- 2) Foreign trade and regional integration

Over the years, the institute has added new social policy issues to its agenda, such as employment, poverty, and inequality. It has also included entrepreneurial development and regional economies in its scope of research. In order to materialise these, CADEP does research in five areas:

1. Macroeconomics;
2. International Economy;
3. Employment and Poverty;
4. Business Development; and
5. Regional Development.

Moreover, CADEP has seed funding from the TTI to pursue new research issues that are not part of the public agenda, but that the organisation believes are important for the country (i.e. agriculture).

CADEP separates its activities into two areas: the Research Area and the Consulting Area.

Regarding training activities, CADEP has trained stakeholders on the skills needed to participate in the policymaking process. These stakeholders include parliamentarians, private sector leaders, NGO staff, and university staff. In 2001, CADEP partnered with the

Universidad Católica to create the Master in Politics and Public Management –the first in Paraguay– with the objective to contribute to the modernisation of the Paraguayan State by training public officials. Seed funding for the Master came from the World Bank, and nowadays it is maintained with funds from the public agencies that send their officials as students.

Along with other training activities, the Master's degree has been a sustainable undertaking for the organisation through the years. This has been most important at certain moments in the organisation's life, particularly when the founding partners left CADEP to serve for the government from 2003 to 2005. At that time, the founders were still the main researchers at CADEP, and the rest of the staff did not have the same skills or experience to carry out research of the quality that characterised the organisation. That was a learning experience and for the second time the founders served in office, from 2008 to 2012, contingency plans were in place. Today, besides the master's programme, training is a core component of several projects. For instance, CADEP trains NGO and municipal staff on budget issues.

CADEP's Training Area leads all training related activities. Thus, the organisational design is shaped by the following areas: Research, Consulting, Training, Communication, Institutional development and Administration.

Governance: from highly centralised to increasing decentralisation of power

According to the organisational statute, in its beginnings CADEP was governed by two main bodies: the General Assembly and the Board of Directors.

- **General Assembly:** is the highest authority of the organisation since its inception. It was comprised of the four founders and active members of CADEP (as of 2001, only two of those four remained as active members) and met every two years. It was responsible for defining the general policy of the organisation as well as evaluating the overall operation of its various bodies.
- **Board of Directors:** also comprised (until 2012) of the two founders and active members, it was the body that made the final decisions on how the institution functioned on a daily basis.

DECISION POINT 2. DECENTRALISE DECISION-MAKING

When CADEP's founders moved to a position in the public sector, the organisation suffered their absence, both in terms of strategic direction and the lack of referents for external stakeholders. The need for empowering new voices within the institution and to give them a role in decision-making spaces was clearly seen by the founders, who started to worry about the sustainability of the organisation beyond their figures.

The Executive Director says: "Those experiences (in the public sector) alerted us about the bottlenecks that the existing structure generated in institutional functioning, thereby affecting the growth of the think tank and its ability to deal with new situations. More specifically, we noticed that there was a significant generation gap that could affect the sustainability of the institution."

An important feature of this governance arrangement is that all members of the main bodies are internal members of CADEP. No external advice or support in decision making was originally considered.

For more than 10 years, CADEP had a centralised organisational structure, where decision-making and the design of policies, strategies and institutional actions was the responsibility of its two founding members.

The need to change the organisation's governance structure became apparent with two major events:

1. The incorporation to the staff of a group of young professionals between 2008–2012, the second period when the two founding and active members were serving in the administration of the national government.
2. The Think Tank Initiative's support, since 2010, which required the implementation of institutional strengthening plans in the areas of research, communication and advocacy, and organisational performance, highlighted the weaknesses in the management of the institution and the opportunities for improvement.

After these two events, CADEP's leaders began a gradual process to open up the decision-making spaces, along with the decentralisation and delegation of executive functions¹. A key milestone in this process took place in 2012, when the statutes were modified to incorporate new active members into the governance bodies. Today, the General Assembly is composed of six members (two of them joined in 2012 and the other two in 2014), and the Board of Directors of three members. The decision to open up those decision-making spaces means new members can join every year.

Moreover, since 2013, new non-statutory bodies have been created:

- **The Coordinating Group**, composed of the six active members. This ad hoc group is responsible for monitoring the organisation's work plan (in respect to the strategic plan) as well as the progress of the organisation's various areas

¹ This process has been deeply addressed in Masi, Fernando and Servin, Belén: "Construyendo una gobernanza institucional en un Think Tank". Iniciativa Latinoamericana de Investigación para las Políticas Públicas: September 2014.

of work. The Coordinating Group makes recommendations and suggestions to the Board of Directors, which meets fortnightly and makes the final decisions based on the recommendations received.

- **An Advisory Council**, made up of external members – businessmen, senators, parliamentarians, academics. This body is supposed to guide the organisation through its fundraising efforts and provides advice on influence issues.

Funding structure: diversification on the horizon

Like many think tanks around the world, CADEP's funding structure relies on a wide variety of sources. Support from international development organisations represents the largest part of its resources, in particular the support from the Think Tank Initiative (TTI), which has been supplying core funding to CADEP since 2010 and today represents 35% of CADEP's budget. The TTI's support is unique, as it is not tied to specific projects, and allows (and encourages) CADEP's organisational development in areas such as management (including fundraising and staffing), communications, and influence.

Besides TTI's support, CADEP typically works with a project-based modality, ranging from donor grants from international cooperation agencies and foundations, to consulting projects requested by a client who pays for it. CADEP also receives public funding for projects, particularly through CONACYT agency. Finally, the Master in Politics and Public Management represents the third contribution to CADEP's funding structure.

Table 1. CADEP's funding structure

Funding model	Percentage of the organisation's budget
Core funding	35%
Contracts & Grants	50%
Training activities	15%

Considering the progressive withdrawal of international support in Latin America, and that the TTI's second phase funding comes to an end in 2017, CADEP's leaders are focusing the organisation's short-term efforts on achieving financial sustainability. Encouraged by TTI, CADEP has recently hired external consultants to help the organisation identify new funding sources and develop fundraising strategies aligned with the organisation's mission and objectives², as detailed in CADEP's five-year strategic plan.

The priority is to diversify the sources of funding by increasing consultancy work for the State and the private sector. However, this is not an easy task. Until now, work with the private sector has been limited to isolated trainings. Even though CADEP made efforts to approach private support for specific projects (the aforementioned Advisory Council is one of them), the private sector is not keen to fund public knowledge production. The sector prioritizes support for more visible activities, such as the ones developed by NGOs intended to have impact on the ground (such as humanitarian help to refugees and campaigns against corruption). Investing the field of idea generation is not their priority. Moreover, even though CADEP's research agenda includes the development of the private sector, CEO's and business leaders prefer to task their own staff with knowledge generation or hire individual consultants or specialised private agencies.

Despite these difficulties, CADEP still strives for private funding, and its strategic plan considers how the organisation can identify the private sector's needs and approach them to gain their support.

When it comes to increasing its work with the public sector, CADEP, like other civil society organisations, suffers from the partisanship of the political system, which affects the State's willingness to partner with independent organisations. Furthermore, the public sector is often more inclined to hire individual consultants than think tanks. However, in the projects where CADEP is able to work with the State, the funds come from international aid sources and not from the public sector's own resources.

Nevertheless, support from the State would appear to be essential in the years to come, so CADEP has developed some strategies to meet the public sector's needs: the integration of individual consultancies into institutional efforts, the evaluation of public policies, and consultancies for subnational agencies.

Recently, a new public fund has been made available to the research market: the National Council for Science and Technology (CONACYT). Created with royalties from the Itaipu dam, this fund was increased from USD\$ 4 million in 2014 to USD\$ 20 million in 2015 – a major sum for a country with limited economic success. The fund was designed to give direct support to research, both for 'soft' and 'hard' sciences. CADEP's experience in the economic field puts it in a good position to benefit from the new funds available and, in 2015, CONACYT funded 5 of its projects. Given the funding landscape described above, CONACYT represents a major opportunity for the organisation in the immediate future. Moreover, CADEP's strategic plan includes a strategy to influence CONACYT's support for social research.

DECISION POINT 3. LARGER CONSORTIUMS TO APPLY FOR BIG PROJECTS

A recent strategy to raise new funds was partnering with other Paraguayan NGOs to access international support. A consortium of national organisations was shaped by 2013 around the 'Paraguay Debate' initiative. The coalition continued

continued

² This consultancy was taking place at the moment of producing this case study.

continued

working beyond its initial project and has been maintained as a flexible tool that can be used to apply for large funding opportunities that would not be accessible to the individual organisations.

"In Paraguay there is a trend to atomise research and advocacy efforts. But it is a small country, and organisations find difficulties in accessing big projects. The same international cooperation asks individual institutions to ally and apply together for certain calls. The coalition around Paraguay Debate allow CADEP and other NGO to apply for big international calls" (Executive Director and founder of CADEP)

Regarding training, we have already mentioned that the Master's degree represents the main product as well as the main source of income for this activity. In recent years, and because of the creation of new Master degrees that compete with CADEP's, income from training activities has decreased. This led the organisation to rethink its training efforts, and it is considering charging for workshops, trainings and seminars, which have been free of charge until now.

Another strategy that has proven to be effective is partnering with other Paraguayan civil society organisations to access international support. Paraguay Debate is the most recent example. Created as a platform of organisations to influence the electoral process of 2013, the coalition continued working beyond its initial objective and has been maintained as a flexible tool that can be used to apply for large funding opportunities that would otherwise not be accessible to the individual organisations.

In terms of organisational structure, and with the intention to lessen the founders' work in raising funds, CADEP has recently created an Institutional Development Area. Amongst other responsibilities, this area actively seeks (along with the Research Area) and manages national and international funds for research projects, promoting income from different sources.

To sum it up, CADEP's funding structure combines core funding, contracts and grants from international and public agencies, and revenues from training outputs. Revenues from consultancies and the Master's degree support the organisation's research work, thus allowing the organisation to sustain an independent and long-term agenda of priorities. Looking at the future, permanent public funds from public science and technology agencies, partnership with other organisations to gain larger international projects, and the delivery of specific services for the public sector are being considered as important fundraising strategies.

Leadership: the challenge of decentralizing at different levels and in different roles

CADEP's leadership has been exclusively associated with its founders for almost two decades. Over the years, the founders' own career path fed the organisation's reputation. Their experience working in the public sector was important for the institution's image, including the role of one of the founders as Minister of Finance. Its profound knowledge of the State and the policymaking process has contributed to the organisation's legitimacy, as this is highly appreciated in the field of policy research and when making policy recommendations.

For many years, CADEP's founding members were in charge of almost every activity and decision within the organisation. This, however, was not sustainable. When they both moved to work in the public sector, the organisation suffered from the lack of leadership and referents, and the leaders saw the need to redesign the institutional leadership.

Becoming a TTI grantee was a very welcome coincidence: the organisational development approach of the grant allowed CADEP to experiment with different business models to separate academic activities from managerial ones, and also allowed to look for ways in which to involve new people in decision-making. Thus, new areas and positions were created: the Communications and Policy Influence Area, the Institutional Development Area, and the Research Area (with a research coordinator).

DECISION POINT 4. SEPARATE ACADEMIC AND MANAGERIAL RESPONSIBILITIES

For many years, CADEP's founders carried out almost all the managerial activities of the organisation, from strategic planning to quality review, evaluation of performance and communication with the media. Of course, they were also the main referents for research production. Alleviating this situation was a key challenge for the sustainability of CADEP.

Core funding, with the help of the TTI's grant, allowed CADEP to explore new formulas: "Once CADEP became a grantee of the Think Tank Initiative (TTI) in 2010, we started rehearsing formulas to separate the academic activities from the managerial ones." Creating a Communications Unit and the positions of Research and Institutional Development Director were important organisational contributions.

Besides shaping a more dynamic and participative organisation, there was a need to bridge the gap between two distinct generations within CADEP: the two founding members and a group of young and junior researchers working as research assistants or as administrative support.

In light of this, CADEP's leaders decided to recruit a group of senior researchers with both academic and managerial skills, who could help motivate the staff to create a strong sense of belonging within the institution.

Today, besides the ongoing leadership of the two founding members (one of them is the Executive Director), both staff and external stakeholders (for instance, donors and journalists) are starting to recognise other institutional voices with the capacity to represent CADEP at different levels, be it in conversations with the media, in project management, or in organisational decision making.

A major challenge for the future seems to be the transition in the Executive Direction, which has always been held by either of the two founders. A natural next step in the process of decentralizing decision making would be to plan for a careful transition and ensure that someone with the necessary academic profile and managerial skills takes the lead. At the moment, the organisation is focused on ensuring financial sustainability, so a transition in the leadership will be put on hold until the organisation can attain financial stability. However, it would be logical that the future Executive Director came from the new Assembly.

Staffing: stability and opportunities at junior level, flexibility at senior level, and training abroad is the ideal

Recruiting qualified researchers has always been a challenge for CADEP. As is the case in many Latin American countries, the research field is comparatively badly paid and think tanks are not an attractive employer for young or senior researchers, in particular for the latter, who prefer to work as independent consultants (mainly for international organisations) rather than being part of an institution.

However, in Paraguay, the opportunities to undertake research are very limited, since universities are mainly devoted to teaching. Hence, think tanks may offer opportunities for young researchers wanting to make a name for themselves. In the early years of the organisation, the founders used their teaching activities to identify well-qualified students and offer them opportunities to conduct economic and policy research at CADEP. This was supplemented with training opportunities, the possibility of publishing their work, and working with well-known researchers. The organisation also helped young staff in their efforts to study at foreign universities (with recommendation letters), under the premise they return to CADEP after their experience abroad to apply the new skills they acquired.

While this model worked for some time, it proved to be unsustainable: the level of turnover was very high and CADEP was not able to retain junior members of staff. The strong demand for qualified human resources in the public and private sector encouraged young staff to leave CADEP after one or two years, or dissuaded them from returning to CADEP after they concluded their studies abroad.

Competition with other employers, along with its organisational culture, shaped an institution that relied on some junior and full-time staff and a close-knit group of associate researchers who were called on to work on a project-by-project basis.

Over the years, two processes contributed to achieving some stability regarding CADEP's staff. First, the TTI grant provided support to cover organisational needs in terms of staffing. With these funds, CADEP paid seed incentives to membered researchers and junior staff, strengthening the internal team and the network of associate researchers. Second, CADEP was able to develop the skills of senior staff to support the founders as representatives of the organisation. This allowed researchers who had been working for many years at CADEP, and who showed commitment to the organisation, to become an essential part of the institution.

A third decision that helped consolidate the staff was allowing flexibility for senior researchers to work on personal projects beyond CADEP's scope. As an example, two associate researchers have managerial positions in the public sector. Moreover, researchers now have more freedom to propose research issues, thus pushing for a research agenda that combines institutional and personal interests (whenever there is a proven demand for them).

Today, CADEP's organisational structure is composed of 6 membered researchers and 15 associate researchers (8 national and 7 international).

Table 2. CADEP's staff (2015):

Position	Number of people
Membered researchers	6
Associate members	15

- Membered researchers: are part of the Assembly.
- Associate researchers: work at CADEP, but are not part of its governance bodies.

The main separation in terms of staff at CADEP is whether or not people participate in governance spaces. It does not have to do with functions, contractual modalities or time commitment.

International associate researchers work outside the country, and can be Paraguayan or from a different nationality. Typically, these researchers have worked with CADEP on specific projects or have spent some time working there, and the organisation considers that their expertise and knowledge of the working environment contributes to the quality of work.

Even though the organisation is 25 years old, staffing remains a major concern for CADEP's leaders. The five-year strategic plan dedicates a section to staffing issues, and prioritises attracting students with an interest in research who are culminating graduate studies abroad. To achieve this, the leaders have developed a stakeholder map, using their professional contacts to approach Paraguayan professionals returning to the country after studying abroad. New members start by working for specific projects, and the plan is to gradually involve them in other organisational activities. Moreover, attracting researchers with new profiles will help CADEP venture into new research areas.

Financial management: flexibility, with an increasing search for more formal internal policies

As is the case in many think tanks, the largest portion of expenditure goes to staff maintenance. While the organisation does not pay salaries, the TTI's grant has allowed it to pay seed incentives for members that coordinate institutional areas (see CADEP's organisational chart at the end of this section) and junior staff. These initial and permanent incentives are complemented with income from specific projects. In these cases, both parts (CADEP and researchers) evaluate fees and budget distribution on a case-by-case basis.

When contracts are signed with individual researchers to work under CADEP's umbrella, the organisation typically receives the overhead as well as the portion of the budget destined to other human resources involved in the project (i.e.: research assistants).

Regarding the overhead policy, CADEP considers 10% to 20% per project, depending on the client and the size of the work. The decision is made by the Board of Directors, although the organisation is working on a more formal policy to guide these decisions. As the office space is part of the organisation's endowment, the overhead is used to cover staff's seed incentives and fees, along with maintenance and house-keeping costs.

Communications: fluid relationship with media, flagship products and individual referents

CADEP has a solid relationship with the media since its start, due partly to its founders' enthusiasm for evidence and their efforts to explain, to the wider public, Paraguay's economic situation. For the founders, communication through the media and influencing the policy debate were seen as two sides of the same coin.

The positive relationship with the media, however, began to experience difficulties in 2003, when members of CADEP moved into the public sector. The organisation then decided to move out of the public eye, partly out of fear that their opinions would be confused with governmental policies and partly because there were no other CADEP members that could engage with the media. The founders were the key contacts for journalists, and most communication through the media happened through them. This communication was significantly reduced when the founders served in the public sector, and the organisation chose to limit the organisational communication to its web site.

CADEP's communication has improved through three main institutional changes. First, the emergence of new researchers with the right skills to represent CADEP in front of different audiences. Second, the TTI's support to create a Communications and Policy Influence Area. Finally, the development of a communications strategy with the collaboration of an external consultant.

One of the first steps CADEP took towards improving its communications was to elaborate an External Communication Plan based on the main strengths of the institution and the opportunities that were available. Such strengths were the high levels of production of media-worthy material (ranging from policy briefs to books, situational reports and working papers), the quality of its research, its good relations with the press, and the Board's support for more systematic and structured communication.

The efforts made by both the researchers and the communicators have resulted in a new presence for CADEP amongst the media, and in an increase in the number of users of its outputs. This increased media presence has in turn encouraged researchers to become more involved in the strategy. The new Communications Area centralises the organisations' communication with its various audiences and uses an approach tailored to each one. The relationship between journalists and researchers has strengthened to the point where members of the press began soliciting the elaboration of reports on specific topics and gathering information directly from the CADEP website for their own publications.

Despite some tangible improvements, there are still some communications challenges:

- Designing a decentralised review process for the organisation's outputs (the founders still review and edit almost all of CADEP's editorial products, from books to op-eds);
- Linking communication with fundraising efforts;
- Developing specific communication efforts for different audiences; and
- Strengthening the use of social media and data visualisation.

On CADEP's business model: well-reputed leaders, sectorial niche, research excellence and policy advice, cross-funding and organisational flexibility

Building and managing an organisation for twenty-five years is not a simple task. As highlighted above, many important decisions have been made along CADEP's lifespan on issues ranging from funding to staffing, governance and core activities. The organisation's structure and objectives have been adjusted several times to fit the opportunities and threats presented by an ever-changing context: a society keen for explanations from experts after a long period of dictatorship, the lack of funding, the need to maintain a healthy distance from political events, employer competition that made it difficult to build a solid staff body, amongst others.

However, through the years, some features of CADEP's business model remained untouched. One of these characteristics refers to its value proposition: its niche is economic policy research and analysis with a clear focus on policy influence, underpinned by the reputation of its leaders, a highly qualified staff, and its founders' experiences capitalised in the public sector. Moreover, CADEP has been flexible in adding new policy issues to its research agenda, thus adapting the organisation to the needs of the country and its decision-makers, but also pushing onto the policy agenda issues that it viewed as critical for economic growth. The best example of the latter is regional integration and Paraguayan performance within the MERCOSUR.

In order to influence Paraguayan policies (and regional policies too), CADEP has deployed several strategies. While research has been the core activity, consultancy and training activities have also been key pillars of its work, acquiring different weights according to the organisational stage and the context opportunities. When the public sector was keen for expert advice, consultancy was the flagship activity. When the public sector started to look inwardly for answers and to close doors to independent organisations, research and training emerged as the key activities. Along the years, and as it happens to many think tanks, a major challenge has been supporting and funding research through other activities, creating a sort of cross-funding for research.

CADEP's leadership has also remained unchanged through the years. This is a double-edged sword in terms of sustainability. While the professional experience and reputation of the founding members were the pillars on which the organisation was based for more than a decade, an unpredictable situation, like the request to join the government, inevitably led to new institutional governance. New bodies and positions were created, and more space was given to younger members; in addition, new stakeholders were called in to give their advice on different institutional aspects. However, the founding members have ensured their natural, privileged position in organisational decision-making by maintaining their slots in governance bodies. Moreover, the transition in the Executive Direction, after so much time, is a hard step to take.

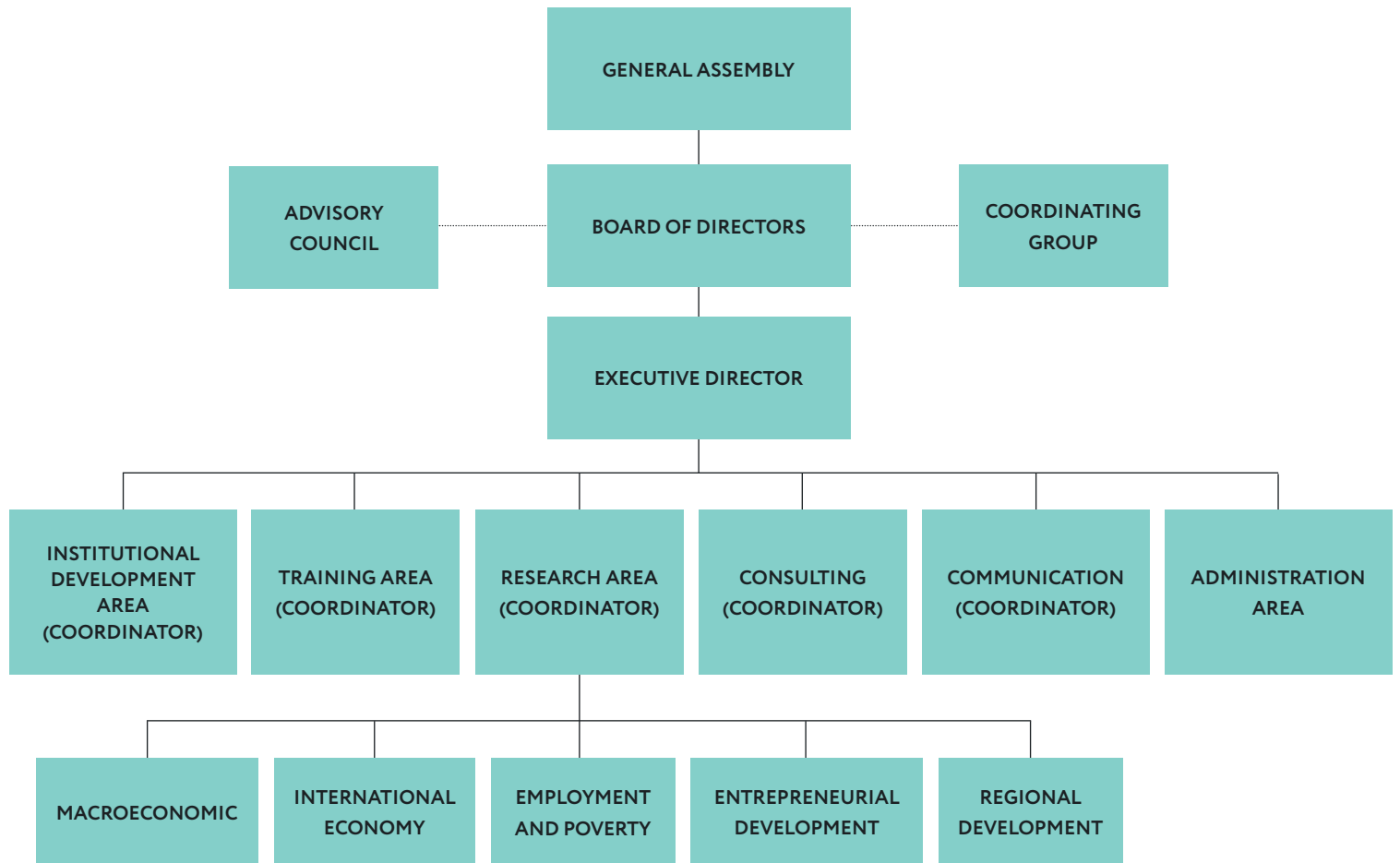
Recruiting and retaining a solid staff also required different operational decisions: a range of incentives were tested and different contractual modalities have been applied. At the moment, the combination of seed incentives for those researchers coordinating institutional areas and for junior staff, complemented with projects' incomes, and senior researchers working on a project-based modality has proven to be effective for the current funding situation. However, it is challenging for a relatively big organisation like CADEP to keep a critical mass of researchers on its books for long periods of time. Building a flexible organisation, which enlarges and shrinks according to the funding context, is CADEP's bet.

An important support to CADEP's recent organisational decisions was the TTI grant. Its core funding and a clear focus on organisational development encouraged CADEP to invest in reforms that were not strongly considered until 2010. Moreover, this eight-year support (two four-year phases) has been the pillar of the organisation's financial sustainability in a context in which other funding sources were reduced (like the public sector or income from the Master's) or could not be attracted (like the private sector). CADEP's future business model inevitably needs the diversification of funding sources, as the TTI's second phase is coming to an end in 2017. The entire organisation is aware of that and some actions have already taken place: a business plan is being developed by external consultants based on the analysis of Paraguayan context and also on the funding models of peer regional think tanks; new partnerships with national and regional civil-society organisations and think tanks are being explored; and new public funds are approached.

CADEP's business model

Dimensions	Description	CADEP
Value proposition	When producing and selling their bundles of products and services, what value do think tanks offer to their users?	Independent research capacity, practical experience, prominent leaders and a recognised staff, policy advice and sectorial niche shape CADEP's value proposition.
Core business activities	What are the activities that think tanks carry out in order to create value propositions and, consequently, generate revenue for their organisation?	CADEP concentrates in three main activities: research, consultancy and training outputs (especially the Master in Politics and Public Management).
Governance	How does the organisation set up its governance in order to make decisions regarding its business model?	CADEP is governed by two main bodies: the General Assembly and the Board of Directors, underpinned by the Coordinating Group, in charge of daily strategic direction. These internal bodies are supported by the Advisory Council, intended to guide the organisation through its fund-raising efforts and advises on influence issues.
Funding structure	How does the organisation generate and manage funds?	CADEP combines core funding, contracts and grants with international and public agencies, and revenues from training outputs. Revenues from consultancy and the Masters are channeled into supporting the organisation's research work. Permanent public funds from science and technology agencies, partnerships with other NGOs to win big international calls and the delivery of specific services for the public sector are being considered as important fundraising strategies in the near future.
Leadership	What are the characteristics of leadership that support effective business models?	CADEP is highly associated with its founders, who are still a key part of the daily work of the organisation. In order to contribute to CADEP's sustainability, a process of decentralisation has been conducted, separating academic production and managerial responsibilities, and involving other senior voices in decision-making and external communication.
Staffing	How do think tanks identify, attract and motivate their staff members?	A combination of seed incentives for those researchers coordinating institutional areas and for junior staff, complemented with projects' incomes, and senior researchers working on a project-based modality, with the flexibility to conduct individual consultancies and shape the CADEP staff 'model'. Training abroad is highly appreciated.
Financial	How does the organisation deal with revenues and costs to ensure its sustainability?	A flexible overhead policy is in place. Besides some seed salaries for some researchers, fees are arranged individually and in a project-based modality. No countercyclical fund has been built.
Communications	How do think tanks define their key audiences considering their value proposition and what strategies and channels do they develop to reach them?	A fluid relationship with the media, and some flagship products like policy briefs and situational reports are the basis of communication efforts. Social media communication still needs to be deeply explored. Centralisation of communication by the Communications Unit ensures consistency of discourse.

CADEP's organogram (2015)



Unravelling Think Tanks' Business Models

Case Study: Grupo FARO

by Leandro Echt

About Grupo FARO

Grupo FARO (Fundación para el Avance de las Reformas y Oportunidades) is an Ecuadorian independent, non-partisan, plural, secular think-and-do tank, founded as a civil society organisation in 2004. Through the years, the organisation has established itself as key actor in analysis and discussion around transparency and citizen participation. Based in Quito, the capital city and intellectual centre of the country, Grupo FARO is presently composed of 20 staff members.

Context

Grupo FARO was born in a fragmented context in which Ecuador had had seven presidents in eight years, there was decreasing credibility in political parties and public institutions, and a widespread lack of evidence-based policies existed. Within this context, there was a big opportunity to create an organisation aimed at strengthening political stakeholders' capacities to develop public policies.

However, as is the case in many Latin American countries, new political parties and leaders appeared in Ecuador in the first five years of the 21st century. One of them was the Movimiento Alianza País (Country Alliance Movement), led by the current President Rafael Correa, who was elected President in 2006. In the 90s and early years of the 2000s, it was common to see a tendency for privatisation from the State. In contrast to this, the new government promptly showed willingness to regain the State's leadership in various spheres of political, economic, social and cultural life of the country. This was underpinned by favorable oil prices, and — in many cases — was achieved by wresting power from other actors of the political community.

These new circumstances represented three major challenges for Grupo FARO and other think tanks and civil society organisations. First, the government implemented an aggressive policy against international aid¹, which was seen as a mechanism from foreign actors to influence the country's decisions. Civil society organisations supported by foreign cooperation were discredited by the State, and Grupo FARO was one of the organisations that was publicly discredited by the President (who had himself been a member of the organisation's Board of Directors in 2005).

Second, restrictive regulations were established for the NGO sector, which had never had any specific regulations until 2013. Specifically, Decree No. 16 limits the right for NGOs to participate in public policies, and allows for their dissolution if they do not follow the rules². This regulation represents a greater shift in the power relationships between the State and civil society. As for Grupo FARO, the new Decree practically prohibited what the organisation used to do, creating a major challenge for its performance and sustainability.

A third challenge, not specifically linked to the NGO sector but with implications on their work, is a regulation that, since 2008, prohibits private organisations from outsourcing additional services, intermediate work and contract hours. The regulation requires that employees have employment contracts legalised by the Ministry of Labour (see more implications in the staffing section).

These three challenges required think tanks and civil society organisations to adapt to a context with less room in politics for these organisations. There is also greater difficulty in partnering with the State for initiatives aimed at enhancing public policies (although there is still room to work at the subnational level, with local authorities). At the same time, NGOs' management became more complex. As part of the civil society community, Grupo FARO developed several strategies to adapt to the new scenario, which often required changes to its business model.

Grupo FARO's business model

Value proposition: from a focus on the State to civil society; from national approach to regional leadership

Given the period of political instability that Ecuador was experiencing at the beginning of the 21st century, Grupo FARO was born as a space to support the capacities of the State, civil society, and the private sector in developing better public policies. The organisation's proposal was based on three key elements intended to overcome fragmentation and promote informed dialogue and collective action:

¹ The United States Agency for International Development (USAid) has left Ecuador. Other international donor agencies such as GIZ and the National Endowment for Democracy (NED) have also experienced confrontations with the Ecuadorian State.

² This process is described in more depth in Grupo FARO: "Grupo FARO: Turning crisis into opportunity", TTI's Stories of Influence Series. Think Tank Initiative.

Research, to produce evidence and public policy-applied knowledge; Capacity development, to strengthen the capacities for dialogue and use of evidence for actors in the public sphere; and Policy influence, to translate evidence into policies and present it to policymakers to promote their implementation

These three elements are presented in Grupo FARO's mission: "To influence public policy to promote a more democratic, innovative, sustainable and inclusive society through research, informed dialogue and collective action".

In a short time, Grupo FARO attracted entrepreneurs, with varied expertise and experience, eager to contribute to the public good from different political perspectives. The organisation rapidly positioned itself as a qualified source of ideas for policymaking. This was made easier by the absence of competition: while there were many NGOs or consultancy firms in the market, think tanks and research organisations were new in the country. Even today the competition is scarce, and aside from the challenging context it operates in, the organisation enjoys a distinguished reputation.

With the clear objective to strengthen the State's capacities, Grupo FARO conducted research and capacity building projects aimed at helping policymakers make decisions. When the new government arrived in 2006 with a strong mandate of regaining the leadership of the State, the hypothesis was that it would leave little room for civil society organisations to perform their work. This hypothesis soon became a reality. For civil society organisations, there were many difficulties in working with policymakers. The State recovered its institutional capacities, gaining strength in terms of decision-making. As for its technical capacities, the State strengthened its research skills, seeing less of a need for civil society ideas.

Within a more stable political context, and considering the difficulties in partnering with public agencies, Grupo FARO was forced to analyse and reframe its value proposition to ensure both sustainability and the relevance of its work.

In 2009, the organisation made an important shift in its work. On one hand, Grupo FARO decided to focus its efforts on a broader spectrum of stakeholders in the policy community, to include civil society organisations, private sector companies, trade unions, universities and local public agencies. On the other hand, the organisation began playing a bigger role at regional level, approaching peer institutions interested in exchanging knowledge and experiences. At the subnational level, there was still room to work with the public sector, especially after the 2013 elections showed diversity in terms of ruling parties at this level.

These two processes were supported by a new funding landscape. International aid began supporting the work of civil society organisations with other stakeholders, in an effort to develop their capacities to participate in the public debate. Furthermore, the support of the Think Tank Initiative (TTI) provided an opportunity to promote regional work amongst peers within the TTI's network. In January 2013, 12 Latin American organisations, with the support of the TTI, met to create a space in which to undertake comparative research meant to inform regional and national policies: Iniciativa Latinoamericana de Investigación para las Políticas Públicas (ILAIPP). ILAIPP's objective is to generate evidence-based policy proposals that address Latin America's main social, economic, and political challenges.

This regional approach was complemented by opening Grupo FARO's Regional Office in Panama, which offers a more favorable and flexible administrative environment for NGOs. This shift in Grupo FARO's business model was reflected in the new vision of the organisation: "Grupo FARO will be recognised globally as a public policy centre which promotes sustainable development based on knowledge in Ecuador and Latin America."

DECISION POINT 1. FROM THE NATIONAL STATE TO THE CIVIL SOCIETY AND SUBNATIONAL GOVERNMENTS

Grupo FARO was born to strengthen the national State in a context of political instability. When the State recovered the leadership of the country with a new government administration, the organisation redefined its value proposition.

Grupo FARO's founder and executive director states: "We founded Grupo FARO to strengthen the national State. But because of an adverse scenario, and in order to ensure our sustainability, we changed our focus and today 60% of our work has to do with strengthening civil society stakeholders in their capacities to participate in and influence the public policy process. We also found more reception of our work at the State's subnational levels."

Core business activities: extension of capacity building efforts supported by research

From its start, Grupo FARO focused its work around three main activities: research, capacity building, and communication and influence. Over the years, particularly after the change of mission in 2009, the relative weight of each activity in the organisation's work has changed:

Table 1. Grupo FARO's activities

Activity	Before 2009	After 2009
Research	50%	40%
Capacity building	30%	50%
Communication and influence	20%	10%

This shift in focus does not mean that the organisation decreased its research work: the organisation actually conducts more research now than it used to, but capacity building activities were notably expanded. Moreover, communication and policy influence became more complicated as the State became stronger, less dependent, and reluctant to adopt NGOs' ideas.

The organisation was built around four programmatic axes: social equity and opportunities, public governance, information society, and environment and society; and three intersecting areas: communications, research, and administration and finances. The national research agenda was shaped around broad policy priorities. The original design was changed at the request of the Board of Directors in 2013, who considered it inflexible and an obstacle for Grupo FARO to take advantage of international cooperation calls to work on other policy issues. The programmatic axes were replaced and the intersecting areas were redefined. In order to allow for flexibility, under the new scheme, programmatic areas are created or closed in response to the demand and availability resources.

Table 2. Grupo FARO's strategic and programmatic areas 2015

Strategic areas	Programmatic areas
Research and knowledge management	Extractive industries
Communications and policy influence	Capacity development
Administration and finance	Education
Monitoring and evaluation	Health
	Knowledge society
	Environment and society

Programmatic teams carry out several projects, and are supervised by coordinators who report to the Executive Director (see Grupo FARO's organogram at the end of this section). Currently, only two of the four programmatic areas are active (Extractive Industries and Capacity Development). Regarding the other four, Grupo FARO still gets involved in networks, generates knowledge products (blog posts or op-eds), and continues to submit proposals to reactivate projects in these areas.

This flexibility has allowed Grupo FARO to work on several policy areas through the years: education policy, citizen participation in the monitoring of policies for the education sector, budget monitoring for the health sector, governance and transparency of extractive industries, forest and environmental monitoring, the development of capacities of local governments and civil society organisations, amongst others.

The restructuring of the areas is reflected in a new research agenda, redefined at three levels. The first level considers influence priorities (mostly linked to original axes). The second level refers to issues that become relevant in the policy agenda for political actors and Grupo FARO at the same time. The third level allows Grupo FARO to respond to demand: consultancies or donors' calls that allow the organisation to take advantage of the demand without straying from its mission and objective. For instance, Grupo FARO is working on a consultancy project on the teaching of popular economy and solidarity to young people. While education is an influence priority, popular economy and solidarity is not, but it still comes under the education policy umbrella.

DECISION POINT 2. A FLEXIBLE PROGRAMMATIC DESIGN AND RESEARCH AGENDA TO TAKE ADVANTAGE OF FUNDING OPPORTUNITIES

"During the first years of Grupo FARO, we were proud of rejecting several requests to work on issues that the think tank was not interested in addressing. However, with sustainability in mind, we redefined our programmatic design, we made it more flexible, in order to increase our capacity to react to donors and other players' priorities."

(Grupo FARO's founder and Executive Director)

Governance: three governance levels to decentralise and formalize institutional decision making³

According to Grupo FARO's statutes, the organisation is governed at three levels: at the directorial level by the Board of Directors and its President; at the executive level by the Executive Committee and the Executive Director; and at the advisory and audit level by Advisory Boards and the Evaluation and Monitoring Coordinator, within its audit functions.

The Board of Directors is the uppermost governance body, with the mission to conceive and promote Grupo FARO's strategic direction and add value to the work of the organisation by providing guidance and making decisions at the highest level. The Board of Directors was established in 2009 and is formed by three to seven nationally and internationally renowned members from diverse backgrounds, each serving for a period of four years. At present, the Board has five members (three women and two men; four Ecuadorians and one Chilean).

Before 2009, the statutes determined that the Board of Directors was formed by the founding members and did not state clear roles for this governing body. In practice, besides the Executive Director, the founding members never had a crucial role in the organisation's management. Creating the Board of Directors was a strategic decision to ensure sustainability by decentralizing and formalising the decision making process. This new Board generated some controversy amongst the staff, as some of them saw it as a space that would hoard all the decision-making authority. Up to then, Grupo FARO had been used to informal decision making, so formalising governance bodies required internal negotiations.

³ This section is based on the case study on Grupo FARO's performance self-assessment, produced under the TTI Exchange initiative in 2015. It should be considered that the Programme and Fundraising Director position is vacant because of financial restrictions and the difficulties in finding a suitable for the position. Indeed, the organisation is analysing whether it is possible to work without that direction.

The Executive Committee is formed by the directors of the different areas within the organisation and is led by the Executive Director. It meets each week to address, inform, decide and follow-up on operational issues. This Committee periodically invites staff members to participate and inform about specific projects, activities or issues, in an effort to maintain closeness to the teams working on the different projects. This exchange is also meant to provide them with the support they need from the executive level⁴.

Grupo FARO's advisory boards are the Academic Advisory Board and the Business Advisory Board. The former is comprised of 10 Ecuadorian and foreign individuals from academic institutions. The latter has been created recently and has three objectives: involve businessmen and businesswomen in collective efforts to influence public policies; provide advice and insight on the priorities for private businesses; and help the organisation strengthen its links with the private sector.

Current regulations for civil society organisations also require that these have an auditor within the organisation, in addition to the mandatory annual external financial audit. Therefore, Grupo FARO has assigned the responsibility to the Monitoring and Evaluation Coordinator, as this position's work naturally complements the information requirements for a financial audit.

In addition to the governance levels and bodies defined in the statutes, there are several non-statutory spaces in the organisation that contribute to decision-making processes.

DECISION POINT 3. GOVERNANCE BODIES AS A SUSTAINABILITY STRATEGY

Until the creation of the Board in 2009, key decisions on Grupo FARO's present and future were made through informal processes by the Executive Director and senior staff. Creating the Board of Directors was conceived as a strategy to ensure institutional sustainability.

Grupo FARO's founder and Executive Director remembers: "Introducing the Board of Directors was a 'political battle' within an organisation used to make decisions through informal processes and based on personal views. We needed the advice of experienced personalities that could think about the institution in the long-term."

The Project and Ideas Approval Committee is the space where project proposals and new project ideas are presented, analysed, discussed, enriched, and then approved or rejected. It is made up of one representative from each strategic area (Research and knowledge management, Communications and policy influence, and Administration and finances) and the M&E Coordinator. The Executive Director does not participate in the Committee unless he is exceptionally invited or if he participated in the design of the project. However, he has the final say in the event of a dispute between the Committee and the teams presenting projects.

The Crisis Committee is a space where members of the organisation can be invited by the Executive Director based on their institutional knowledge and their political and strategic capacities. It is activated to respond to complicated political contexts, conflicts and critical situations (internal and external), and analyse them, develop actions to anticipate and prevent a crisis, or minimize their effects.

The Human Resources Committee is formed by the Administrative and Financial Director, the Research and Knowledge Management Director, the Coordinator of Human Resources, the Assistant to the Executive Director and, in the case of recruitment, a member of the hiring team. The purpose of this committee is to conduct interviews, analyse profiles and decide on human resources related issues.

Table 3. Grupo FARO's governance bodies

Governance level	Governance body	Type	Members
Directorial	Board of Directors	External	Three to seven nationally and internationally renowned members
Executive	Executive Committee	Internal	Directors of the different areas and the Executive Director
Audit and Advisory	Academic Advisory Board	External	10 Ecuadorian and foreign individuals from academia or similar institutions
	Business Advisory Board	External	Businessmen and businesswomen
	Internal Audit	Internal	M&E coordinator
Non-statutory spaces	Project and Ideas Approval Committee	Internal	One representative of each strategic area and the M&E coordinator.

continued

⁴ As a consequence of a recent self-performance assessment pilot, Grupo FARO identified the need to institutionalize the representation of programmes and the M&E position in the Executive Committee (the programmes were represented by Programme and Fundraising Director, but now this position is vacant). It was then decided that the M&E area and the programmes choose a representative to act as a bridge between the Committee and their needs (by attending the weekly meetings of the body and holding separate meetings with programmes).

continued

Crisis Committee	Internal	The Executive Director and invited members.
Human Resources Committee	Internal	The Administrative and Financial Director, the Research and Knowledge Management Director, the Coordinator of Human Resources, the Assistant to the Executive Director and a representative of the hiring team

Funding structure: diversification and regionalization to overcome a challenging context

Since its start, Grupo FARO's main funding sources have come from international cooperation. Even before there were limitations in working with the State, funding came from foreign donors, mostly through grant agreements and consultancies.

A key milestone in terms of funding came in 2010, when Grupo FARO became a grantee of the Think Tank Initiative (TTI), a programme that provides core support to their grantees. In 2014, TTI's support represented 17% of Grupo FARO's overall budget. Besides TTI's support, the organisation typically works on a project-based modality. It is important to highlight that Grupo FARO has a policy to guarantee its independence from its funding sources: each donor cannot represent more than 30% of the annual budget.

As is the case for other Latin American think tanks, the gradual withdrawal of international donors in the region (since most of the countries are now considered middle income⁵) represents an urgent challenge in terms of sustainability. To overcome this situation, Grupo FARO has tested, and continues to test, several strategies.

The first strategy involves the organisation's efforts to diversify its funding sources. Grupo FARO is gradually approaching various stakeholders to seek support for their work, such as the private sector. The new Business Advisory Board is meant to involve businessmen and businesswomen in collective efforts to influence public policies, provide advice and insight on the priorities for private businesses, and help the organisation strengthen its links with the private sector. As of late 2015, this strategy has not given tangible results, and it will probably be a while before it does. With the absence of mechanisms for tax-deductible donations, Ecuador lacks a philanthropic culture (in the last World Giving Index, which measures time, effort and money donated by individuals, the country is ranked 132 out of 135).

Grupo FARO is also seeking financial support from local public agencies by providing consultancies on the design and implementation of projects, along with capacity building activities. Given the difficulties to work with the national State, local-level authorities appear to be friendlier partners.

Universities are also being gradually approached by Grupo FARO. By law, universities should invest 6% of their budget in research. A typical university in the country manages an overall budget of USD\$ 30 million, which means around USD\$ 2 million should be allocated towards research work. However, universities mainly focus on teaching, and lack the capacity to execute that portion of the budget in research initiatives. This presents a big opportunity for Grupo FARO and universities to build a win-win partnership: the latter have the funds and the mandate to produce academic knowledge, and the former can contribute with knowledge production and contacts in international and regional networks.

DECISION POINT 4. GOING REGIONAL AS A STRATEGY FOR SUSTAINABILITY

In order to face the gradual withdrawal of international aid from Latin America and to overcome an adverse national administrative environment, Grupo FARO saw the need to regionalise its work, a decision that has been embodied in its new vision. On the one hand, the think tank strengthened relationships with regional peers in order to be more capable of generating funding opportunities and responding to a critical financial context. On the other hand, a regional office of the organisation was opened in Panama.

"We legally registered Grupo FARO in Panama. The country's strategic geographical position and its more favorable administrative environment will help our organisation in leading regional initiatives."

(Grupo FARO's founder and Executive Director)

In addition to these efforts to diversify its funding sources, Grupo FARO has bet on regionalization as an alternative strategy for its sustainability. The organisation started to play a greater role at the regional level by leading the network ILAIPP, formed by 12 Latin American think tanks supported by the TTI. 'Going regional' is not only a decision on the focus of the think tank (manifested in its new mission statement), but also a sustainability strategy. This regional approach is underpinned by the opening of Grupo FARO's Regional Office in Panama, a country that offers a more favorable and flexible administrative environment for NGOs (in terms of receiving payments and hiring consultants, amongst other activities), and from where the organisation hopes to become a hub for regional policy research projects.

⁵ In the case of Ecuador, the economic growth experienced in the last years was pulled up by oil prices.

Another action aimed at increasing fundraising efforts was decentralising functions previously under the Executive Director's responsibilities. In 2013, Grupo FARO sought to create the Resource Mobilization Unit, intended to support the different programmatic areas for fundraising: detecting suitable calls, preparing proposals and 'selling' the programmes' work to different stakeholders, amongst other functions. However, the new hire in charge of fundraising only lasted three months in the position, hindering the establishment of the Unit. After three months, fundraising responsibilities returned to the Executive Director, although now with greater support from programmatic areas that actively seek their own funds. To force programmatic areas to get involved in fundraising, area coordinators have financial goals and are in charge of their own budget. Moreover, decentralisation of the fundraising functions was accompanied by flexibility in staff's remuneration scheme: members of staff who bring new projects to the organisation receive economic incentives.

The opportunity to deliver capacity building products at a cost to various stakeholders is becoming another opportunity to generate revenue. These stakeholders include local governments, civil society, private companies, universities and the media. Grupo FARO currently offers free trainings, supported by international donors, which could be the basis to explore other funding mechanisms.

To overcome the gradual withdrawal of international cooperation in Latin America, Grupo FARO is testing two strategies: the diversification of funds by approaching new potential donors and/or partners, and the regionalization of its work. These are supported by internal adjustments such as the decentralization of fundraising responsibilities, and the flexible remuneration scheme to encourage staff to raise funds. Furthermore, the organisation is looking at designing a capacity building offer as another way to generate revenue.

Leadership: personification and pragmatic centralisation of decision making, with gradual renewal on the horizon

Grupo FARO celebrated its 10th anniversary in April 2015. Since its founding, the organisation has been led by one Executive Director, who is also one of the founders. In practice, this has shaped an organisational culture in which personalisation and centralisation of decision-making are the rule, and where most of the decisions are the responsibility of the Executive Director. This situation is also explained by the fact that staff turnover has been high since Grupo FARO's start, so the Executive Director is not only the leader, but also the person that personifies institutional memory.

Both the Executive Director and the governance bodies are aware of this situation, and have been thinking about a gradual transition for some time. However, a new Executive Director has not emerged within or outside the organisation. Even though leadership transition is still on the agenda, the organisation prefers to reach financial stability before embarking in this big change.

Nevertheless, the organisation has carried out some actions to prepare the field for future changes in leadership. For example, the TTI's support allowed the organisation to invest in leadership mentoring and capacity building processes. Also, the Research Area was converted into a Research and Knowledge Management Area, with the intention to make information available for everyone in the organisation.

Moreover, desirable characteristics of the future leader have been discussed. To accompany the organisation's regionalisation, a person with vast experience at the regional level will be a good candidate. Also, an Executive Director with a strong academic profile will benefit the organisation's research initiatives. Finally, the current Executive Director's involvement in the Board post his departure is still being discussed.

Staffing: a comprehensive human resource reform to support career paths and deal with high levels of turnover

Through the years, Grupo FARO has seen considerable growth in the number of staff it employs. Between 2004 and 2008, there were around fifteen members working at the organisation. In 2011, this number increased to 31 and, as of 2015, there are 20 members of staff. Three factors explain the high levels of turnover:

1. The organisation's project-based modality facilitates the exit and entry of new staff according to the needs of the projects (in terms of number of people and expertise);
2. Competition with the State for qualified staff: the new administration sought to strengthen the analytical and planning capacities of the State, hiring lots of human resources that used to work in the third sector; and
3. Grupo FARO is a young organisation with members that very often leave to continue their studies (mainly to complete Master and PhD degrees).

The high turnover of staff represented a major concern for the organisation's leaders, who saw a need for an updated and more adaptable human resources policy.

Another challenge the organisation faced in terms of staffing came from a new regulation at the national level: in 2008, the Ministry of Labour — based on the new Constitution — prohibited outsourcing of additional services, and required employees of all private companies and organisations to have employment contracts legalised by the Ministry. This change was meant to increase the number of formally employed workers, encouraging more stability of and for workers. To suit the new regulation, the organisation had to change their contractual arrangements.

The organisational environment was another challenge Grupo FARO had to face. This was particularly affected by the high levels of turnover and the lack of transparency in staffing and career path decisions.

Considering these three major challenges, in 2012 Grupo FARO embarked itself on a comprehensive human resources reform aimed at introducing more certainty in terms of staff career paths, fulfilling the new legal requirements, and improving the organisational environment. This reform was implemented through the following actions:

Table 4. Grupo FARO's human resources reform (2012)

Action	Description
Changed contractual terms	Grupo FARO's staff used to be hired through contracts based on the delivery of professional technical services. To comply with the new regulation, the staff became employees of the organisation. Depending on the position, fixed-term contracts (for long-term positions) and specific task contracts (for people working on specific projects) were established.
Created a human resources manual with role functions and hiring policy	Each position was redefined, requirements for each position and functions were made explicit, and selection criteria for staff recruitment were established in a HR manual. The manual became an important input for the new performance evaluation process.
Developed new performance evaluation process	A new process of evaluation of each member's performance was developed, based on an agreement of annual objectives between the employee and his/her supervisor. The fulfillment of the objectives is linked to economic incentives.
Team Building	Team building activities were promoted with the aim of strengthening work teams and improving communication between areas, as well as increasing the sense of belonging to the organisation and internalising the institution's mission.
Increased the transparency of salaries	A benchmarking assessment of institutions similar to Grupo FARO was conducted. This information was used to build a table with salaries according to job roles, which allowed to make decisions on salaries more transparent.
Measurement of the organisational climate	A survey was designed and distributed amongst the staff with the support of a consultancy firm.

Most of these actions were designed and implemented with the advice of a consultancy firm that had conducted similar processes in other civil society organisations, and the actions were financed with the TTI's support. Different units and positions were tested to manage human resources issues⁶. Today, this function is conducted by the Executive Director's Assistant and the Administrative Coordinator.

Implementing a human resources reform was a big challenge for an organisation used to informality regarding institutional processes. The risk was that the staff saw these decisions as top-down impositions. However, even though there was some resistance throughout the implementation, as the process progressed the staff felt the changes were beneficial for the entire organisation. An important characteristic of the process was its flexibility. Decisions were adapted over the years, based on constant assessment of the results and staff feedback.

Today, most of Grupo FARO's staff works via an dependent employee relationship with the organisation (except one volunteer and two roles in the Administrative and Financial Direction). However, staff turnover is still high. This is mostly due to the competition presented by the State, which receives 70% of the people who leave Grupo FARO. Also, the public sector can pay up to 50% more than NGOs. Universities are the other major competitor for qualified staff. Given this situation, the organisation is constantly seeking for new ways to adapt to the challenge of retaining staff.

DECISION POINT 5. RETHINKING HUMAN RESOURCES POLICY

In 2012 Grupo FARO started a comprehensive human resources reform aimed at introducing more certainty in terms of the staff's career paths and stopping high levels of turnover, fulfilling the new legal employment requirements and improving the organisational environment. Flexibility was a key feature of the reform: decisions were adapted over the years, based on constant assessment of the results and the feedback of the staff:

"A long-term objective was to conserve a critical mass of employees of Grupo FARO in order to be sustainable along the years." (Financial consultant at Grupo FARO)

One recent initiative is the implementation of a variable remuneration scheme: members of staff who bring new projects to the organisation receive economic incentives. Moreover, engaging volunteers (with limited time commitment) is now being considered.

Amongst the different causes for the high turnover is the weakness of the organisation's hiring processes. This process should be realistic about the potential duration of the working relationship, and base this on an analysis on if the candidate's interests are aligned to those of

⁶ An Institutional Development Area was created, but then was divided in two different positions: Monitoring and Evaluation, and Human Talent. The latter started to work under the Administration and Finance Direction, but it was noted that its approach was mainly administrative without addressing issues such as professionalization or promotion of human resources. Because of funding availability, the position was closed and but a new one was opened: the Assistant of the Executive Director, which today is in charge of human resources management jointly with the Administrative Coordinator (the former takes care of staff development and the latter of payments and other administrative issues).

the organisation, as well as the candidates' ability to work independently and under stressful situations. The Human Resources Committee is meant to improve the hiring process by providing multiple perspectives on the analysis of a candidate.

Regardless of the high level of turnover, the organisation is still considered an attractive working place for young researchers, mostly because of its reputation amongst the policy community and the absence of competition in the third sector. Moreover, the organisation is seen as a good place to engage in international exchanges and participate in capacity building activities that help shape a solid professional profile.

Outstanding researchers with communication skills and political knowledge are constantly sought by Grupo FARO. However, it is difficult to attract senior researchers. There are two main reasons for this: the lack of senior policy researchers in the country, and the lack of resources to hire the small portion of people who fulfill the requirements (who work mostly for the Ecuadorian civil service and universities).

A strategy to overcome this is a virtual space that gathers associate researchers, where the organisation can connect with policy researchers. This will allow Grupo FARO to gather expert input and support through peer reviews or advice on projects (which may be paid or unpaid). Another idea under discussion is the possibility of hiring regional senior researchers, as a way to underpin the regionalisation strategy of the organisation.

Grupo FARO's staff is mainly young – half of its staff comes straight from university – an element that shapes it as an innovative and dynamic institution. Grupo FARO actively seeks to build strong relationships with universities and receives their students as interns.

Financial management: external advice and new tools to overcome and face adverse scenarios

In 2014, bad administration of its finances put Grupo FARO in a critical financial situation. The financial objectives were not attained over the year, creating a situation that resulted in the need to sell part of Grupo FARO's land assets, originally destined to build the new offices.

To overcome the crisis, by mid-2014 the organisation decided to hire an external consultancy firm, which provides two people to support Grupo FARO's Administrative and Financial Direction (DAF). The organisation found an important deficit in its budget and, to resolve the issue, set a short-term objective to better organize the administrative and financial situation and incorporate more efficient features and procedures. As for the long term, the organisation set the objective to conserve a critical mass of employees to be sustainable over the years. The intention is to allow the organisation to work with researchers over longer-term research agendas.

To fulfill these objectives, the consultancy firm promoted two main management tools:

- The creation of an income stabilization fund or countercyclical fund to enable Grupo FARO to cover up to six months of the salary of an employee once the project in which she or he was working comes to its end, as long as the organisation wants to keep the employee for new projects.
- The creation of a labour contingency fund to allow the organisation to cover expenditures derived from firing employees or paying potential retirement pensions, facing potential legal conflicts with its employees, and to cover the staff's salaries and fulfill all the administrative obligations of the organisation in case it is forced to or decides to close down its operations.

Moreover, the consultancy firm, in consultation with the DAF, introduced administrative processes to better organize budgetary and financial procedures. The financial manual was revised to promote improvements on the financial management informatics system, new opportunities for building and reporting on projects' budgets were established (like initial and follow up budgetary meetings), and more transparency and accountability were promoted⁷. The overhead was established according to the characteristics of the project: a minimum of 15% for projects with a budget of more than USD\$ 50,000 and a minimum of 10% for those under USD\$ 50,000.

After one year of working with the consultancy firm, the directive staff agrees that the organisations' expenditures are more stable, and that inefficient expenses have been gradually eliminated. Staff salaries represent the major part of the organisation's expenses, especially since the State introduced a regulation that promotes employment dependence in the long and mid-term, implying higher labour charges for employers.

Communications: finding the right balance between policy influence communication and academic outputs

Grupo FARO's communications actions and activities are led by the Communications and Policy Influence Direction. Building this Direction was not an easy task; it was difficult to find professionals that could adapt their knowledge and capacities to the think tank world. Due to budgeting issues, the Direction has been working with a Director and a communications specialist, but some efforts are being undertaken to build a three-person team.

When Grupo FARO was founded, its target audience was the national State. The shift in the organisation's mission led to a change in its target audience: today the organisation's communication outputs are directed at other Ecuadorian NGOs, the general public, local governments, agencies at the national level, universities, and regional think tanks.

These diverse audiences are reached through different channels. For instance, to reach local governments, citizens and NGOs, the organisation set up workshops and forums, and produced handbooks and toolkits. As for national public agencies, communication is usually done through closed discussions.

As part of the strategy to partner with universities, Grupo FARO has sought to produce a higher number of academic and indexed

⁷ Indeed, in 2014, Grupo FARO was recognised for its transparency by the Transparify international ranking of think tanks' transparency.

publications. This will increase the reputation of the organisation as a producer of high-quality research. However, a major challenge is to achieve the right balance between documents for policy influence and documents with more academic features.

Finally, Grupo FARO wants to increase its presence in social media, an important step which will support the regionalization of the organisation's work.

On Grupo FARO's business model: a broad research agenda, regionalisation and new partnerships to ensure sustainability

Grupo FARO celebrated its 10th anniversary in 2015. Throughout this decade, the organisation has made important decisions to overcome challenging contexts, both political and financial.

Three major changes at the macro and micro contextual levels are at the core of the organisation's new business model. At the macro level, there was the arrival of a new administration in the national government with a mission to recover the State's leading role in public life, radically shifting the power relationships with private spheres. At the micro context, understood to be regulations affecting the NGO sector, this new spirit of the State was reflected in a new Decree that strongly limits the participation of NGOs in public policies, which, at the extreme, might cause their dissolution. Another change at the micro level is the new package of labour legislation that places complex administrative requirements on private organisations.

As with many other NGOs, Grupo FARO needed to adapt their work to survive in this new, challenging landscape. The organisation changed its mission in order to focus on a broader spectrum of stakeholders, not only the National State (which used to be its main audience). More emphasis was put on working with the civil society, universities and the subnational public sector. This decision also had an impact on its core activities. While at the beginning the organisation mainly conducted policy research, today capacity building activities play a major role. Also, its research approach shifted from policy monitoring and evaluation to a stronger emphasis on policy proposals, which are better received by public stakeholders.

Moreover, Grupo FARO sought to face a challenging context by strengthening its regional approach. Given the difficulties of working in Ecuador, the organisation's heads saw an opportunity in grouping several Latin American think tanks whose countries face common public policy challenges and which suffered the gradual withdrawal of donors in the region. This approach is also based on the spirit of being more connected and working as a net, which is expected to diversify and attract new working and funding opportunities. In order to facilitate the management of regional projects, Grupo FARO recently opened an office in Panama, being its first office outside its country.

Besides its regionalization, another strategy to overcome a challenging funding landscape is the diversification of sources. Indeed, the organisation is seeking new partnerships at the national level. In particular, universities appear as a suitable partner, as a recent regulation forces them to invest in research.

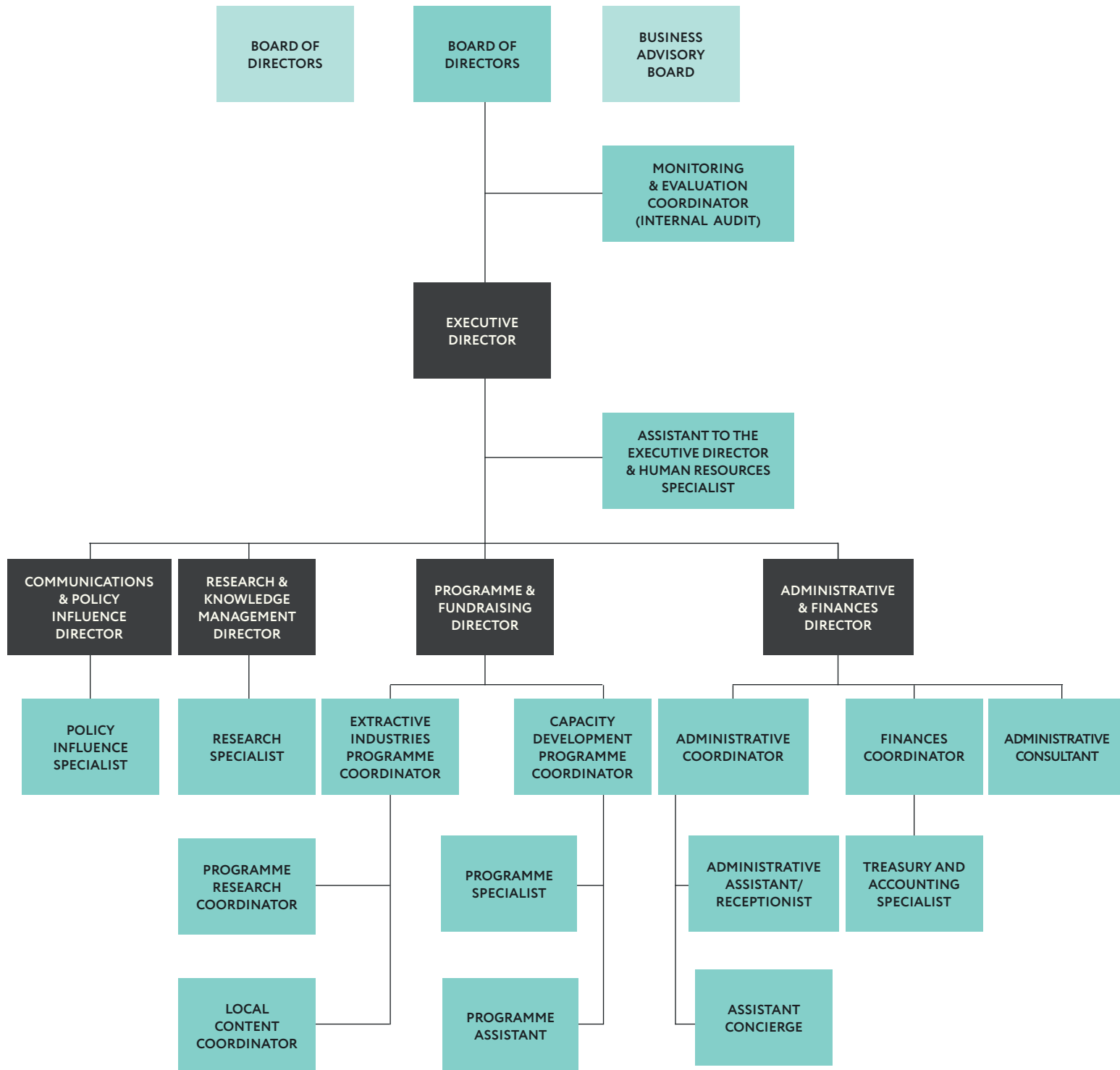
Sustainability is at the core of two other major processes. Firstly, new governance bodies were formalised some years ago to make the organisation less dependent on its Executive Director. Secondly, a comprehensive reform of human resources management was conducted to enable Grupo FARO to conserve a critical mass of qualified researchers, and stop the big migration of personnel to the State's civil service, which pays much more than NGOs. Thus, actions took place to introduce more certainty for staff career paths, fulfill new legal employment requirements, and improve the organisational environment.

Finally, it is important to highlight that many of these decisions and their respective actions were possible, in large part, because of the TTI's support, which is flexible enough to allow organisations to explore the best alternatives to develop their organisational capacities. These possibilities, of being flexible and testing several models, are very important for a 'learning organisation' such as Grupo FARO which, given its youth and the challenges posed by the national political context and the new administrative requirements, is still seeking a schema that better suits its needs.

Grupo FARO's business model

Dimensions	Description	IRE
Value proposition	When producing and selling their bundles of products and services, what value do think tanks offer to their users?	Advice to strengthen participation of diverse stakeholders in public debate and the production of relevant policy knowledge, in the form of publications, presentations, trainings, amongst others, shape its value proposition
Core business activities	What are the activities that think tanks carry out in order to create value propositions and, consequently, generate revenue for their organisation?	Grupo FARO concentrates in two main activities: capacity building and knowledge production. Policy advice finds more room at a subnational level. A new research approach has shifted from policy monitoring and evaluation to a stronger emphasis on policy proposals. More flexibility in the research agenda was developed to take advantage of opportunities
Governance	How does the organisation set up its governance in order to make decisions regarding its business model?	The organisation is governed at three levels: at the directorial level, by the Board of Directors; at the executive level, by the Executive Committee and the Executive Director; and at the advisory and audit level, by Advisory Boards and the M&E Coordinator. Even though some current bodies have regional and international members, a Regional Advisory Board could provide strategic support for its new objectives
Funding structure	How does the organisation generate and manage funds?	Grupo FARO combines core funding, contracts and grants from international cooperation and public agencies for policy advice and capacity building activities. Diversification is being explored, especially amongst private sector companies and universities. Regionalisation is a venture to position the organisation more prominently in the region and to conduct supranational projects. Designing a systematic capacity building offer is another strategy under discussion
Leadership	What are the characteristics of leadership that support effective business models	Grupo FARO is highly associated with its founder and current Executive Director. Formalising and giving more space to other governance bodies was a strategy to gradually overcome the personification and centralisation of decision making. A transition in the executive direction is in the agenda, but achieving financial sustainability comes first
Staffing	How do think tanks identify, attract and motivate their staff members?	A young and dynamic organisation with economic and flexibility incentives to attract senior professionals, with dependent employees as standard. A comprehensive reform was conducted to enable career paths. A large staff turnover is still the major challenge
Financial management	How does the organisation deal with revenues and costs to ensure its sustainability?	An external consultancy firm was hired to help organize the financial and administrative situation after a critical situation. New tools and processes were set up to protect a critical mass of researchers and personnel to ensure the organisation's sustainability
Communications	How do think tanks define their key audiences considering their value proposition and what strategies and channels do they develop to reach them?	Communication outputs are segmented according to different audiences. A more academic profile of research products is in the agenda, without disregarding the policy influence approach

Grupo FARO's organogram (2015)



Source: Grupo FARO, 2015 .

Executive Committee

It should be considered that the Programme and Fundraising Director position is vacant because of financial restrictions and the difficulties in finding a suitable for the position. Indeed, the organisation is analysing whether it is possible to work without that direction.

Unravelling Think Tanks' Business Models

Case Study: Institute for Research and Empowerment

by Ashari Cahyo Edi

About IRE

The Institute for Research and Empowerment (IRE) is a non-governmental and non-profit organisation located in Yogyakarta, Indonesia. It was founded by a group of young lecturers from Gadjah Mada University. With most of its staff graduated and working at the university, IRE has been well known as an academic and research-based advocacy NGO since its establishment. The organisation has various research and advocacy projects including youth civic education, stakeholder engagement, promoting demilitarisation, and village governance reform. Since 2000, and using different funding sources, IRE has been successful in consistently advocating for village governance reform.

Nowadays, IRE is staffed by 12 professional researchers and 8 administrative staff, and is well recognised in its sector.

Context

Life under the Suharto authoritarian regime in Indonesia during the 1990s was politically restricted. People were not allowed to express dissenting opinions or political preferences. Under the pressure of high political scrutiny, civil society organisations, mainly NGOs, had a limited space to operate in, and discourses on development and politics were severely controlled by the government. As a result, policymaking processes became the Government's domain. The think tank community was dominated by in-house government think tanks, university-based research centres, and think tanks that were linked to Suharto's New Order Government.

In response to that context, IRE's establishment in 1994 was aimed at promoting critical thinking and provided an alternative space for academic discussions amongst university lecturers. In 1999, after the fall of the New Order, IRE began to develop capacity-building projects targeting communities. The organisation saw this moment as an opportunity to give hope to the people of Indonesia, though external access to policymakers remained scarce.

When decentralisation started taking place in Indonesia in 2001, IRE participated by promoting good local governance and accountability. In such a context, policy reform is one of the linchpins to encourage more just and democratic local governance (at district and village level). IRE chose village governance as one of its core issues of interest. It has since gained a reputation nationwide, particularly when it was involved in advocating for a new Village Law in 2013.

Nowadays, opportunities for influencing government policies are greater, as governments are more open to the ideas of NGOs that present evidence-based advice. National and local policymakers (government and parliament) are seeking to use research as the base for their responses to street demonstrations. Capitalising from its networks amongst policymakers and its research areas, IRE has provided various examples on best practices as input for policy-making, in an effort to ensure any policies that are developed are truly relevant to the local context.

IRE's Business Model

Value Proposition

IRE's mandate is to foster empowerment to develop values that are inherent in democracy: pluralism, autonomy, independence, equity, equality, civility, openness, non-violence, anti-domination and anti-discrimination.

How does IRE differ from other think tanks? Village governance reform has become the most high-profile topic from IRE's main areas of work. The organisation's name is often referenced by donors and government agencies because of IRE's long-term presence in this field.

The way IRE approaches policy reform is also quite distinct. There are three features distinguish IRE from other think tanks:

1. IRE has the capacity to undertake credible research and to access policymakers, and it also has vast networks at the grassroots level. Its credibility is built on the fact that, since its inception, IRE was known as an academic NGO and its staff were members of the university.
2. IRE's programmes (including advocacy, technical assistance, and community organisation) have been always preceded by research efforts to understand the problems being addressed and to explore policy options. Unlike other think tanks, IRE follows up after its advocacy activities until the recommendations are adopted by policymakers.
3. IRE combines a supply-side with a demand-side approach when undertaking advocacy. On the supply side, at state/government level, facilitated by the personal networks of its senior staff, IRE directly influences the course of policy making through formal and informal dialogue and advocacy. On the demand side, IRE gives communities access to policymakers and the policymaking process. For instance, to assess how well a national policy is being implemented, IRE

carries out focus groups discussions with grassroots organisations. The results, as well as the recommendation, are then formulated into a policy brief, and presented to ministries or members of parliament.

This unique approach to policy reform has caught the attention of donors and, since 2012, donors have been interested in supporting IRE. For instance, IRE's national advocacy work was funded by the Australian Community Development and Civil Society Strengthening Scheme, the European Commission, and Hivos.

The development of IRE's unique features are product of milestones the organisation has achieved. 1997 and 2012, IRE's vision and mission was oriented towards national matters, such as strengthening the position of IRE as an NGO in Indonesia. As a new organisation, it was important to focus its efforts on this, given that Indonesia was seeing the emergence of many NGOs with the same core areas of interest. Also, IRE is based in Yogyakarta, with less access to mass media than organisations in Jakarta. NGOs in regional areas, like IRE, had to develop a strong position to ensure the media would regard them as partners in news coverage.

It was only in 2013 that IRE's vision and mission became more outwardly oriented. IRE's 2013–2017 strategic plan states its vision to become an organisation with an active role in developing knowledge to influence strategic policies aimed at the development of a strong state and self-reliant local communities. Its mission is to develop knowledge through research, capacity building, and publications to encourage the State to reform policies to be pro-poor.

The Knowledge Sector Initiative's (KSI) support has undoubtedly played a determinant role. Changes in the strategic plan and the subsequent advocacy approach have been facilitated by the KSI. IRE received funding to support its staff to pursue masters and PhD degrees, and to enhance their capacity through activities such as trainings and workshops on research methods and policy paper writing.

Core Activities

IRE has four main activities designed to implement its mandate:

1. Critical and participatory action research to identify and analyse problems, needs and policy options. Since its start, IRE has used this research to generate evidence for policy advocacy.
2. Education and training as vehicles to collect and disseminate critical thinking and alternative discourses to various audiences, which existing institutions are often unable to facilitate. These audiences include the State, political communities, civil society, and economic communities. Education and training are ways to improve the capacity of strategic actors such as local bureaucrats, politicians, professionals, researchers, social activists, and university students.
3. Publications as platforms to articulate and socialize critical ideas drawn from various activities. The existing forms of publications include the Flamma Review, the Mandatory Journal, policy papers, policy briefs, posters, and books.
4. Advocacy, a shared movement (through organizing, networking, policy analysis, dialogue, and public hearings) to trigger changes to public policies in the realm of the State, and as social-cultural engineering in civil society.

These four types of activities have been an integral part of IRE for 20 years. Although IRE is currently affirming itself as a think tank and knowledge production institute, the activities it engages in do not solely pertain to conducting research.

An example of this is its involvement in the implementation of the Village Law. IRE is aware that the ideals of this Law will not be implemented properly if the village stakeholders do not have an in-depth understanding of it. IRE was involved in advocating the conception of the Village Law since its start, and thus feels a moral responsibility to ensure that this Law is implemented as intended. To ensure this, it conducts educational activities and provides training to stakeholder villages on the implementation of the Village Law.

Education and training activities have become IRE's flagship activities to explore sources of income other than donor agencies. Agencies and companies that have used IRE's training services include: Semen Indonesia, PT Total E & P Indonesia, Chevron Indonesia, and Premier Oil.

The four core activities described above are categorized into three clusters of topics, where each topic is coordinated by a manager:

1. **Deepening democracy:** research and advocacy projects, including but not limited to, representation, citizenship, election, parliamentary strengthening and political parties, are handled by this cluster (from proposal initiation to implementation phase).
2. **Governance and policy reform:** issues on local governance reform and innovation, planning and budgeting reform, public service reform, and socio-economic policy reform.
3. **Community development and empowerment:** projects include community development, advocacy, and corporate social responsibility intended to improve the quality of participation, social volunteerism and self-reliance, along with the development of livelihoods and local economies.

Members of staff are allowed to do projects beyond their cluster topics. This division is intended to assign experts on specific topics as the person in charge. Moreover, there is also a shared focus on some cross-cluster issues within these three clusters, namely poverty alleviation and village reform.

Governance

Legally, IRE is a foundation. However, in its daily operations, IRE is managed more like an association. The structure within the foundation includes a Board of Trustees, a Managing Board, and a Supervisory Board. Under its structure as a foundation, there is an Executive Board that manages the daily activities of IRE.

Since IRE's Executive Board manages the daily activities, the involvement of the foundation's governance bodies (The Board of Trustees, the Managing Board and the Supervisory Board) is only for matters that are strategic in nature. For example, the Boards are involved in electing

the organisation's Executive Board Director, preparing and reviewing IRE's strategic plan, annual work meetings, and strategic decisions related to finance. As for the election of the Executive Director, the Boards' role is to set the rules and mechanisms: candidates must work for IRE for at least four years, be nominated by 3 members of staff, and not hold a full-time position in another organisation. Beyond this, decisions are made by IRE's Executive Board.

The Executive Board is made up of IRE's Director and two deputies: one in charge of programmes and networks and the other one responsible for human resources and institutional development. There are cluster managers under the Programmes and Networks Deputy, who manage research clusters and communications. There is an office manager and a financial manager under the Human Resources and Institutional Development deputy.

The cluster managers oversee the researchers in their respective clusters. The communications manager oversees IT, layout, publications, and the library staff. The financial manager oversees the accountant and the cashier. The office manager oversees the secretary and the office assistant.

There are two types of meetings at IRE: institutional meetings and project meetings. Institutional meetings involve all of IRE's executive staff and are usually held on a Friday, hence referred to as the Friday Forum. The agenda is very broad, ranging from office equipment needs and setting agendas for future activities, through to determining IRE's approach in responding to emerging social and political issues. Project meetings are held in accordance with project management needs; these happen at least once a month and only involve the staff who are involved in the specific project being discussed.

What can be perceived in these meetings is that the decisions of the organisation are made based on what the majority of the staff wants. The staff body is then the highest authority in terms of decision making within the organisation.

Leadership

IRE is led in a collegiate style and cultivates an egalitarian relationship amongst its staff, instead of a 'top-down command' leadership style. Formal meetings can be held on a range of issues and in different ways, including coffee shop or lunch discussions. The common online chat platform, 'Whatsapp', allows IRE to maintain real-time coordination and a jovial nature of communication. With this style of leadership, conflicts are mitigated.

The Director is selected through an election mechanism that involves all IRE's research staff. This is seen as a form of healthy rebellion to a governmental bill which states that the founders and Board members are responsible for the election of the Executive Director of all foundations.

The best type of leader at IRE is also a facilitator and catalyst for staff. Hence, participatory approaches are preferred to top-down ones, because staff do not see themselves as passive employees who can only approach the organisation's decision makers through formal meetings or one-on-one conversations.

Environments such as this eventually demand that staff optimize the leadership potential they have. Managers at IRE are not only required to be proficient in the substance of issues in their divisions, they must also have the ability to manage time and issues in the divisions and their particular fields.

The assumption is that this model facilitates the distribution of work. All IRE staff are involved in the management of the institution and projects, so as long as problems can be resolved at the division or project level, there is no need for the Director or deputies to intervene. While this style has proved to be effective, it can have its downsides. To some extent, this creates reluctance and indecisiveness. Personal ties, friendships and mentorships hinder leadership to decide effectively on termination or sanction, which seems to take more than time than in other NGOs or think tanks.

Funding Structure

95% of IRE's funding comes from international donors. Cooperation with the donors is usually done through participation in calls for proposals, or through funding schemes based on the donor's confidence in IRE. The nature of these projects is usually long term (1-5 years). In addition to this, IRE also tries to combine long-term with short-term projects (under 12 months).

When working with donor agencies, mainly in the long-term, IRE partners with international and national institutions. Collaboration provides shared resources such as networks, expertise and experiences that increase projects' success. Examples of collaborations include one between IRE and Mercy Corps in 2012-2013, when the two formed a consortium and submitted a project proposal to the European Commission, and a collaboration between IRE and UN-HABITAT for a joint project which was also supported by the EC. In those two projects, UN-HABITAT and Mercy Corps undertook community organisation, while IRE focused on research, wrote the policy briefs, and conducted policy advocacy.

As shown in the table in the following page, IRE has worked with local parliamentary councils and government entities in the past. For projects under Rp50 million (USD\$ 4,500), government entities can directly appoint third parties as government programme implementers. For projects above USD\$ 4,500, third parties have to be limited liability companies. Nevertheless, contracts with these State entities require kickbacks and bribes. IRE has made it a policy to prohibit staff and Directors from signing contracts with State entities if kickbacks are involved.

To make things more difficult, IRE cannot access government grants that are specifically intended for NGOs, CBOs and charitable foundations. This scheme is dominated by political elites in the executive and the legislative parts of the government. CBOs, NGOs, and foundations need to have political connections with those elites in order to access such grants.

Time Scale	Donors	Partners	Activity
Long term	Ford Foundation, European Commission, TIFA Foundation, USAID, AusAID/DFAT, Hivos, United Nations Democracy Fund (UNDEF), Indonesian Community for Democracy – NIMD, the Asia Foundation, and the National Democratic Institute for International Affairs	UN-HABITAT, Mercy Corps, Centre for Civic Engagement and Studies	Research and advocacy
Short term	Plan International Indonesia, Mercy Corps, International Republican Institute (IRI), Yayasan Dian Desa (Dian Desa Foundation), Community Development Bethesda, SIMAVI Netherlands, Local Legislative Council		Capacity building for beneficiaries so they have enhanced knowledge and skills to do advocacy in the areas of planning and budgeting

When it comes to funding sources, IRE has two principal rules. First, IRE refuses to access or work directly or indirectly with the World Bank, as it believes it was involved in human rights abuses during the Suharto era. Moreover, there is a conflict of interest with the World Bank, as it has been promoting market-led policies and development approaches whereas IRE, since its inception, has been promoting people-centred development and the democratic roles of government. Second, IRE avoids working with companies responsible for human rights abuses, environmental destruction, and other negative impacts. For example, although IRE was approached by Monsanto to implement a community development project in 2008, it declined the offer despite its low financial reserve. Besides being strongly influenced by the Frankfurt school of thought and its critical theories, IRE also takes into consideration its NGO peer groups' opinions and assessments on companies' track records.

To reduce dependency on international donor agencies and to create alternatives for limited government grants, IRE conducts some business activities. These for-profit activities include publishing books, breeding Etawa goats, and establishing a consulting company to access tenders from governments.

IRE's publishing company was established in 2003, and published books based on projects, research and academic books. However, after 4 years in business, the Board terminated the company in 2007. Today, publications is a division assigned to produce books, policy papers and other knowledge products derived from projects, and no longer acts as a separate company and profit-making enterprise.

The two other activities, goat farming and the consulting company, were also shut down. The main problem with these business initiatives was that they were not managed professionally. It was the researchers that were responsible for the management of these ventures, and they were already busy managing the core activities at IRE.

How does IRE respond to the limitations of donors, government grants and the unlikely-to-be-successful fundraising efforts of setting up these businesses? The first strategy is to strengthen its business development process. The Executive Director and his/her deputies are responsible for leading the initiatives. Regarding calls for proposals, the Executive Director and one of the deputy directors form a task force of researchers. Each year, IRE produces around 24 proposals, of which 4 or 5 are accepted.

The second strategy is to optimise the use of senior researchers and Board members. Senior researchers have networks they can use to win projects, making proposals only an administrative requirement. IRI, Hivos, Ford Foundation, and Plan International are some donors IRE can access through these networks.

To maintain these networks, IRE ensures that Executive Directors stay within the organisation once their leadership has ended, preferably as a senior researcher. Other NGOs and think tanks in Indonesia fail to do so, and once their directors leave the role, they move to other organisations and take their networks with them.

Looking at IRE's funding history, it is apparent that fundraising at IRE is difficult. Maintaining integrity on the one hand and simultaneously struggling against a harsh funding environment on the other hand has been a constant challenge. Nonetheless, establishing a special, separate division for fundraising was not a good option for the organisation. Instead, an ad-hoc and flexible fundraising strategy, where responsibilities lie on the directors, deputies and researchers, has allowed the organisation to grow in the last two decades. Nonetheless, IRE aspires to have business units that can generate profit. The organisation believes it is important to develop these business units to avoid relying on donor funding in the future. To do this, there are two schemes being discussed. One would involve activities based on IRE's core activities, such as trainings in collaboration with companies, political parties and government agencies. The other one would be a business unit with activities unrelated to IRE's.

Financial Management

From its start, IRE assigned a 'Finance and Administration Deputy', in charge of managing its finance policies. In the early years, the focus of financial management was to establish systems, procedures and mechanisms essential for managing finance and administration. In 2013, the title of 'Finance and Administration Deputy' was changed to 'Organisational and Human Resource Deputy', with the intention to put more weight on human resources management.

IRE has two schemes regarding salary: monthly salaries and activity-based compensation. IRE's main budget is allocated to pay staff salaries, which is around 70% of the annual budget. The rest is used to cover supporting expenses, mainly utilities.

IRE wants to build a reserve from accumulative savings. As a roadmap towards that goal, IRE generates savings from increased budget allocations for staff salaries in the budgets obtained from donors for specific projects. These savings are used for monthly salaries and for funding activities that cannot be covered within the project schemes. If there are funds remaining, these are invested in activities that will generate profit that is saved for building the reserve. IRE's savings also come from contributions by IRE staff who are involved in projects organized by other institutions, for example, if they are invited as [paid] speakers, facilitators, trainers or researchers.

Several Standard Operating Procedures (SOPs) were formulated and applied from IRE's beginning, though more comprehensive SOPs were set up when IRE received core funding from the KSI. These SOPs regulate mechanisms for spending on goods and services as well as other measures to strengthen accountability and transparency. To establish credibility, independent auditing is routine, and conducted annually.

Human Resources

Since its establishment, the public labelled IRE as an academic NGO because the founder, the Executive Director, and the researchers were lecturers at universities in Yogyakarta. Three characteristics common to most of IRE's research staff are the capacity for doing research, delivering capacity-building training, and writing academic and policy-relevant papers. To date, those characteristics are used as criteria to recruit new staff. Over the years, about 5 lecturers have resigned from IRE because they wanted to focus on academic activities at universities. Nevertheless, for the newer generation, becoming IRE researchers and lecturers seems to provide a strong incentive. In 2014, two researchers followed their IRE's predecessors by applying and becoming state university lecturers.

Position	Number of Individuals	Academic career
Board	6	2 university professors, 2 lecturers, 1 researcher, 1 guest lecturer
Executive and deputy	3	1 lecturer
Researchers	8	4 lecturers

In 2013, IRE hired a consultant from the Department of Psychology of Gadjah Mada University to assess its human resources needs and to recommend the most effective way to recruit staff. The consultant concluded that the most effective strategy is to recruit fresh graduates rather than individuals in the middle of their careers. Recruiting individuals who are familiar with the work style and core activities of IRE was also suggested. In 2011, IRE recruited new staff through an open announcement; however, once applicants were accepted at IRE, a number of issues arose, which meant that IRE did not turn these contract staff into permanent staff.

After this experience, the recruitment mechanism was adjusted to a semi-open system, where information for staff recruitment is only provided to people who are familiar with IRE and IRE staff. IRE has a unique leadership and management style, and the organisation has to familiarise new recruits with these and make it their social habits. IRE applies a one-year probationary contract to provide the opportunity for IRE to make an adequate assessment of the candidate. If successful, the new recruits then become full-time staff. In 2015, IRE recruited 3 new research assistants who are now being trained for various scopes of work, with the goal to make them full-time researchers.

IRE currently has 22 staff members, with 7 of them working part-time and the rest full-time. About 10 out of the 22 staff members are researchers and 12 work in support roles (finance and administration). Within project implementation, the Executive Director and the Deputy Directors can also work as researchers, and the Board members are assigned as evaluators and senior advisers, according to their expertise. This set-up brings up two issues. First, the composition of research staff with administrative staff is not ideal as there is a lack of balance with finance administration staff, who are in fact supporting researchers. Second, the executive and Board levels are involved, and end up working under the command of researchers.

At a glance, this model might seem like it would create conflicts of interest. However, it benefits the organisation because it teaches individuals to act and work in different positions. Where this year someone can be Director, in the next two years he or she could be a researcher. By involving the Board in projects, IRE has been able to create avenues for Board members to assess the performance of the centre on a daily basis. They know what is happening on the ground, which improves the feedback loop for their immediate advice and support.

IRE staff recruitment is not carried out periodically. Recruitment is undertaken in accordance with needs and after assessing the institute's financial situation. IRE must also arrange its staff potential, considering:

1. The synergy and optimization of the researchers' levels in knowledge institutions;
2. The division of special, cross-cutting, multi-discipline tasks based on themes that are the focus of the organisation as a whole; and
3. Competitive salary schemes, a clear career path, and individual recognition.

The NGO world has become a kind of knowledge industry, and people are planning careers in NGOs or knowledge production institutions. However, the challenge for IRE is retaining staff it has invested a long time training and mentoring. Universities are IRE's main competitors when it comes to hiring and retaining human resources. To mitigate this, IRE has part-time and full-time employment arrangements, to allow staff to work for both universities and the organisation. Furthermore, IRE rewards staff with authorship and recognition of staff publications in newspapers, conferences and journals.

IRE provides many opportunities for staff to continue to develop themselves. It provides development opportunities in the form of training activities held internally and sends staff to participate in training activities held by other institutions. With support from the KSI, IRE has provided scholarships schemes for staff to enrol in graduate schools (at PhD and master's level). Before core funding support, IRE provided soft loans (zero interest) to staff who wanted to acquire a masters or doctoral degree. So far, four staff have gained doctoral degrees, and two masters are in progress. As the KSI grantees, IRE can also nominate staff to get Australian Awards Scholarships.

Communication

IRE used several means of communication to reach out to policymakers. At local level, IRE has face-to-face discussions through workshops or informal meetings. The meetings serve two objectives: (1) they are a means of collecting data; and (2) a means of research dissemination. Data collected at this level is then formulated into policy briefs in response to policymakers' requests and policy dynamics at the national level. For instance, IRE was recently challenged by the National Planning Board to provide a preliminary model for a new plan design for village government. Data gathered from meetings at local level was formulated into a policy brief on that issue.

At the national level, IRE has been acknowledged as the most prominent think tank in the area of village governance. IRE believes that when its recommendations are adopted into policy/regulation, further efforts to monitor the implementation are required. Implementation, however, involves budgeting, which creates room for politics to mislead policy. IRE feels personal links with policymakers can be strategic entry points to ensure the policy/programme implementation. Therefore, informal meetings and discussions are considered to determine the result of an advocacy activity.

IRE has assigned a communications manager to handle its communications strategy. In the early 2000s, IRE had a similar post under the name "Publication and communications manager." This manager was responsible for website content, bulletins, and journals. Publications derived from projects were under the responsibility of project managers. At the time, influenced by the academic nature of IRE's staff, publications followed academic styles. The decision to publish a journal reflects this academic orientation. The organisation published two-monthly bulletins with the hope to reach grassroots organisations and policymakers. Besides publications, communication with policymakers has been carried out through face-to-face conversations in workshops, seminars, and informal discussions.

Gaining core funding from the KSI has provided significant financial support for IRE to reformulate its communications strategy. For instance, the policy brief developed for the National Planning Board, mentioned above, is based on advocacy efforts supported by the KSI. It was only in 2010 that IRE started producing policy briefs with a practical end. Moreover, the process IRE uses to produce policy briefs is quite unique. National policymakers often ask the organisation to provide recommendations based on the views of local stakeholders. To fulfil this request, IRE collects data through focus group discussions or other activities. The data collected is then analysed and formulated into a policy brief to be presented to relevant stakeholders.

Another way to influence policy is to incorporate communications into research collaborations. In 2012, with support from the KSI, IRE initiated a collaborative research project with a district in Yogyakarta Province to formulate a local Poverty Reduction Strategy Paper (PRSP). Local governments in Indonesia have in-house research departments, but these are inactive. The collaboration provided researchers at these departments with an opportunity to have a co-learning experience with IRE researchers, resulting in a local PRSP.

Beyond these strategies, IRE has cooperated with national newspapers to influence the national discourse on certain policies. Firstly, IRE has held discussions at national newspaper offices, where members of parliament, ministries, think tanks, and local governments have participated. The following morning, the newspaper released a lengthy report on the discussion and the resulting policy recommendation. Secondly, IRE published a series of opinion pieces on national newspapers. To start this process, IRE invited the senior editors of the newspaper to provide writing trainings. IRE's researchers then wrote opinion pieces and, within a month, 6 opinion pieces on similar issues were published. After dominating the national opinion section in a national newspaper, one of IRE's researchers was asked to be a commentator on village law on national television.

IRE's business model

Dimensions	Description	IRE
Value proposition	When producing and selling their bundles of products and services, what value do think tanks offer to their users?	Independent and advocacy-oriented research, bridging grassroots and policymakers
Core business activities	What are the activities that think tanks carry out in order to create value propositions, and consequently, generate revenue for their organisation?	Generation of data, influencing public policy, capacity building through trainings, producing publications
Governance	How does the organisation set up its governance in order to make decisions regarding its business model?	Legally founded as a foundation, yet the Board has set up more democratic procedures for decision making
Funding structure	How does the organisation generate and manage funds?	Heavy dependence on donor funding; project based. Little opportunity for government contracts, anti-World Bank; experiments with business have not succeeded, yet still aspires to create funding streams through enterprise
Leadership	What are the characteristics of leadership that support effective business models?	Collegial leadership, real time, accessible discussion between staff and directors via whatsapp
Staffing	How do think tanks identify, attract and motivate their staff members?	Researcher-cum-academics, flexible status (part time and full-time), opportunities to study abroad and internal scholarships for further degrees
Financial management	How does the organisation deal with revenues and costs to ensure its sustainability?	Two schemes: project based payments and monthly basic salaries
Communications	How do think tanks define their key audiences considering their value proposition, and what strategies and channels do they develop to reach them?	Reaching out to stakeholders through dialogue, policy briefs, and newspaper news and opinion pieces

Unravelling Think Tanks' Business Models

Case Study: Jawa Pos Institute of Pro-Autonomy

by Ashari Cahyo Edi

About JPIP

JPIP is a media based think tank, founded in 2001 in the second largest city of Indonesia. Its main product is the hosting of the “Local Government Innovation Awards”. Its reputation in undertaking public service performance measurements has made JPIP a prominent think tank in the areas of performance measurement, capacity building for local government, and media discourse on decentralisation. Consisting of four permanent researchers, JPIP is small but has been able to mobilize various experts and university lecturers in an effort to produce high quality research.

Context

In 2001, the Indonesian government enacted a new law on decentralisation. This substantial shift away from centralisation was mandated by the *reformasi*, a period of transition after the fall of Suharto in 1998. Bringing power closer to the people was believed to be necessary to make democracy work better for the welfare of the nation. Previously, it had been difficult for regions to advance, in spite of the wealth of natural resources in Indonesia, as these resources were being extracted and taken to Jakarta, where they were then re-distributed to the regions.

When the decentralisation law was implemented, public discourse was colored by positive and negative views on the capability of local government. Despite the aspirations of the population, the national government was reluctant to distribute authority to the regions. Central government, in those early days, framed decentralisation as a new opportunity for corruption and other abuses of power to arise, rather than as opportunities for political learning.

Although power abuses and policy-administration malpractices were likely to happen during the transition, the negative discourse on decentralisation undermined ideas and strategies to develop local governments' capacities.

The Jawa Pos is a media holding whose subsidiary companies operate across the nation. It proclaims to echo the voice of local people. Instead of doubling regulation and punishing local governments that break the law, the CEO thought that providing incentives for those who can do good, be innovative, and excel through their own efforts would be a more appropriate route to take.

Driven by this ideology, The Jawa Pos set up a foundation named Jawa Pos Institute for Pro-Otonomi (JPIP). The main mission of JPIP is to create a climate of innovation for local government. This is done mainly by creating independent awards aimed at celebrating excellence of local governments. JPIP has also set up a ranking system in the regions.

Every year, each district/municipality in East Java is ranked using a report card. These rankings are published in the newspaper, so the highly ranked districts gain legitimacy and feel honored. At the same time, it is expected to motivate the lower ranking districts to improve, and citizens are encouraged to support and assist the regions to move forward.

There are a number of specific challenges JPIP faces. An external challenge is related to the policy climate. There have been times when the central government rises up to decentralisation, but there are times when it shifts back to centralisation. Central government is also a threat, as every time the government changes so do the policies on decentralisation. As a defender of local autonomy, JPIP often finds itself opposing the central government's policy.

In addition, as a regional advocate, its main weakness is that it has to deal with agencies affiliated with the centre. Because JPIP is based outside Jakarta, its arena is relatively small. It is in a region closely associated to The Jawa Pos, so it is relatively difficult for JPIP to gain the appreciation and support of the national press- The Jawa Pos' competitors. While the local governments have been highly appreciative over the 15 years of JPIP's work, the media have very rarely covered JPIP's work.

JPIP's Business Model

Value Proposition

JPIP proclaims itself as the defender or advocate of decentralisation. It differentiates itself from other think tanks in the way it upholds its specific “pro-autonomy” value. Issues taken up by other think tanks may diversify, but JPIP's concentration is on its “pro-local autonomy” core value. This value proposition underlies all programmes and activities undertaken by JPIP.

Observing and measuring performance with a goal to rank local governments can create an accountability challenge. More often than not, local government leaders or officials want to influence research by offering gratifications. Through its code of conduct, JPIP ensures its

researchers' discipline and avoids receiving bribes, gratuities, and resists any temptation.

In addition, JPIP continues to receive more offers and invitations to develop the capacity of staff and organisations. Increasing numbers of JPIP staff are receiving scholarships to study in Indonesia and abroad. JPIP has also obtained national and international awards. Almost every year, national and local authorities attend the inauguration event of the "Otonomi Awards" held by JPIP.

In 2006, the President also came to the "Otonomi Awards" ceremony and the following year, the Vice President, the Minister of Internal Affairs, and other officials came to show their appreciation of JPIP's activities. Nowadays, many prominent donors including USAID, DFAT, GIZ, EU, and JICA appoint JPIP to do commissioned research, capacity building and policy advocacy.

CHALLENGES OF THE VALUE PROPOSITION

Internal threats may come from The Jawa Pos Group itself, due to a conflict of interest. In any case, JPIP was formed by The Jawa Pos Group, which is a business enterprise. As a profit making body, it must pursue material profits. Meanwhile, JPIP is a not-for-profit institute, whose main mission is to oversee the implementation of decentralisation.

The internal organisation of JPIP so far has successfully resisted temptation and been able to restrain itself from receiving bribes and gratifications. Yet, the other Jawa Pos businesses in the group may not be able to completely avoid the offers of local governments. JPIP cannot control everything and it cannot ensure anything. For example, in a few regions it was proven that there were journalists taking advantage of JPIP by telling the district chief and mayors that they could increase their ranking.

Besides these internal threats, JPIP also faces competitors that are also granting awards to local governments, for example, KPPOD (Committee for Monitoring the Implementation of Regional Autonomy), which was initially focused on monitoring, but then it also began granting awards to the regions. Other examples include the Innovative Government Award and an award from the Ministry of State Administrative Reform on the same theme.

(from an interview with Senior researcher and Board of Trustee Member)

Core Business of JPIP

JPIP's core business is research for monitoring and evaluating the performance of local governments. Every year, JPIP sends researchers to different regions to monitor and measure local government performance. The "Otonomi Awards" is now given in 5 provinces. JPIP ranks the performance of local governments based on issues such as education, healthcare, community economic empowerment, and so forth. It continues to open up opportunities to collaborate with other parties, especially donor agencies. The organisation's goal is to open new JPIPs in other provinces.

JPIP works with various donors on a number of issues. For instance, the institute has worked with USAID to promote government accountability. With AusAid, JPIP also worked on the issue of promoting decentralisation and good public services. These examples show that the core activities mandated by the CEO and the foundation's mission have broadened JPIP's activities from ranking performance and award giving to action research and policy advocacy.

The other activity that features strongly in JPIP is the publication of opinion pieces twice a week on The Jawa Pos. These opinion pieces have attracted the attention of policymakers. For instance, after JPIP published an article on the performance of Surabaya City, one of the top officials called the JPIP's director and opened a policy dialogue to address the negative views presented in the opinion piece. The Jawa Pos is a nationwide newspaper with subsidiary newspapers across the nation, therefore these opinion pieces written by JPIP researchers are believed to be very influential.

Governance

JPIP is a foundation, which means that it legally has a Board of Trustees, a Managing Board, and an Advisory Board. However, these boards do not get too involved in the running of the organisation. That responsibility lies on the Executive Board. Policies are made by those in the field, or the Executive Board, while those on the organisation's Board do not get too involved.

JPIP's business model is mostly defined by the Executive Board. The foundation arrangement for JPIP is more as a means to meet formal legal requirements and was formed ex-post after JPIP had been operating for a while. This is how The Jawa Pos tends to work, once the business entity is up and running, then the formal legal aspects are addressed. JPIP was founded in 2001, while its foundation status was established in 2006.

JPIP's agendas are formulated in semi-informal meetings in the office and through brainstorming and discussions that involve the researchers. As JPIP has a slot in the "weekly column" the team regularly holds meetings and discussions in the office to respond to issues that need to be addressed. JPIP does not have a formal forum to determine the organisation's business models. Formal meetings are held when needed for a very specific or important purpose.

Every year, JPIP holds an organisational meeting, or a work meeting, which is a forum used to conduct an institutional evaluation, including evaluating the organisation's core business. In addition, JPIP also utilises and considers the input from the Boards to evaluate the organisation's performance. However, JPIP has not yet developed a written strategic plan. This activity is essentially only to evaluate commitment, communication and performance.

Leadership

The JPIP leadership model is claimed to be unique, if anything, because JPIP is part of The Jawa Pos. Since 2001, JPIP has been led mostly by Jawa Pos staff: senior journalists and the editor in chief. This is done with the intention of “integrating” The Jawa Pos with JPIP. This leadership model has so far proved effective.

JPIP's leadership does not need to be authoritarian, and the leader does not need to be the cleverest person. Yet JPIP understands very well that the captain must be fully in charge of the institution to ensure that JPIP's role is optimised. JPIP requires effective leadership, not a strong or repressive leadership nor a democratic leadership. “Effective” refers to a leader that can establish good relationships and can promote both the people and the organisation.

Positions that require leadership skills in JPIP's organisational structure are the Director, Deputy Director and the financial manager. The financial manager must not only have accounting skills, but also a vision on how the institution can continue to grow in a sustainable manner. In addition, he/she should be able to take on financial policies.

Thus far, the different executive directors of JPIP come from different educational backgrounds. The first director was a UGM graduate in communications, the second director was a political science graduate, and the current serving Director is a law graduate. On average, these directors have had at least 10 years of experience in editorial work.

Until now, the Director of the research division has been responsible for all aspects of research. The Executive Director is in charge of overseeing the vision and mission of the organisation. However, to ensure the organisations credibility, the JPIP director of research has several roles. Meanwhile, the finance manager's role is to ensure that JPIP is sustainable.

Most of the Foundation members belong to the Executive Board and are therefore a representation of the Board of Executives. Thus, relations between the Foundation and the Executive Board have never been problematic.

Funding Structure

JPIP has internal and external funding. Internal funding comes from the Jawa Pos, while external sources are from grants from donor agencies and others. The Jawa Pos provides support in the form of offices and facilities, as well as financial support, although it is minor compared to the support from partnerships with donor agencies and other parties.

Financial support from external sources is obtained through successful applications for proposals. JPIP also establishes cooperation with the central government through the ministries and local governments at provincial level. The organisation does not access funding from district or municipality governments as they are its clients in the ranking and the objects of assessment in some JPIP programmes.

JPIP's funding model: a) internal funding; b) external sources from successful applications; c) sponsorships from the private sector (such as Bank of East Java, Semen Gresik) and event sponsors; and (d) central and provincial governments.

Type	Domestic	International	Percentage before 2012	Percentage 2012
Internal	Trust funds from The Jawa Pos		30%	10%
External	National and provincial government including the Ministry of Health, Ministry of Development of Disadvantaged Regions, the Ministry of Environment, and provincial governments.	Donor agencies including USAID, AusAID, CIDA, the European Union via Kemitraan, JICA, TAF, Water and Sanitation Programme (WSP), the World Bank, the Ford Foundation,	70%	90%

As shown in the previous table, JPIP has been successful in increasing its external funding sources. JPIP is considered to be more credible and has more extensive networks, and is increasingly recognised by donor agencies.

According to JPIP, the most suitable fundraising model presently for the organisation is a combination of event sponsorships, such as the Otonomi Awards, with project support from donor agencies. In terms of sponsorship models, it is better if they are small, because the process is “complicated” and the funds are limited, especially if it involves government projects, procedures, or administrative requirements, which tend to be more complicated than donor projects.

JPIP's regular revenue comes from the Otonomi Awards programme, from the ticket sales and sponsorships of activities and events. Sponsorship can be from the private sector or from State-Owned Enterprises (SOEs). In addition, JPIP only relies on the programme savings and contributions from staff wages and salaries. JPIP does not use the staff salary percentage model for any work outside of JPIP (representing or on behalf of JPIP).

JPIP does not have a special fundraising division, it is a shared responsibility. JPIP also does not have a written code of conduct regarding funding sources. Staff who have attracted donors or partnerships usually become team leaders (programme managers) in the programme. The only agreement it has is that it will not receive funding from local governments (district / municipal), as they are clients that are

assessed in the programmes at JPIP. So far, JPIP has conducted research to assess the performance of local governments and to rank them accordingly.

Until now, JPIP has been able to collaborate with the central and provincial governments to obtain financial support for programmes, although it still finds the administrative procedures for this very complex. As a non-profit agency, mechanisms to work with the government are very complicated.

The strategy adopted by JPIP to increase revenue is to build trust from the public and donor agencies through partnerships with other organisations, expansion of networks, and increased accountability. Although JPIP is still dependent on external funding, it is selective about which donor support it accesses, and remains focused on the vision and mission of the organisation in garnering programme funding support.

Financial Management

The proposed budgets in JPIP's proposals have been designed for efficient savings, both in terms of programme efficiency and contributions from each staff member involved in the programme. Each staff member must contribute a portion of their salary or honorarium for the benefit of organisational sustainability. The staff contributions vary between 20% to 30% of salaries or honorariums from those listed in the Budget and Expenditure Plan (RAB).

This savings mechanism is intended to safeguard the sustainability of the organisation. For example, JPIP obtains donor support for programme "A" for two years, and, at the end of those two years, the savings are used to sustain JPIP until it receives funding for another programme.

In addition to the contributions from staff salaries, JPIP always strives to streamline programme activities. Savings are considered from the start of the programme's activity and are included in the programme's budget. These savings amount to approximately 10% of the total budget. The savings can usually cover overheads for at least one semester, while JPIP seeks further funding support.

According to JPIP, this savings mechanism does not affect the quality or performance of programmes, as the savings projection is designed from the initial development of the programme budget in the proposal.

JPIP's financial standard operating procedure (SOP) is only about 3 years old. The financial SOP has three components: a Cashier SOP, a Financial Officer SOP, and a HRD SOP. It also governs regulations for travelers, including JPIP staff and visitors, including those from State agencies. The SOP is regulated in detail, from authorization through to vouchers. There is also a budget SOP regulating mechanisms for cash receipts and advance payments.

Through this SOP, everything is visible once an activity is completed – the expense total and the remaining budget amount. The budget surplus and any budget "red lights" are instantly apparent after an activity is complete. When auditing takes place, JPIP is prepared and does not need to work overtime to prepare like it used to. The SOP has helped run programmes smoothly and improved institutional accountability.

Authorization to release funds also involves approval (signature) from the Executive Director. The Executive Director approves the release of funds after the finance & accounting manager attaches the approval for the proposed budget (financial plan) from the head of division. The disbursement of funds is signed by the Executive Director and the deputy executive director. Besides a division of functions, structural authorization mechanisms are part of a layered control function within the JPIP.

To improve accountability, JPIP conducts internal and external audits. Internal auditing is routine and done independently by The Jawa Pos, while the external audit from a public accounting firm is conducted when JPIP is running a programme or managing a project. JPIP's financial management adheres to existing regulations.

In addition, JPIP also organizes meetings for reporting, intended to ensure accountability within the organisation. This mechanism is meant for reporting on the activities that have been implemented by JPIP over the previous year as well as the plans for the year ahead, as a means of evaluating the performance of the institution.

Spending for fixed overheads averages around 20%, and the remaining 80% is for programmes. Expenditure for permanent employees is around 20% of the fixed overhead total. So, whether there are programmes or not, JPIP's fixed overhead expense is about 20%. When JPIP is working on a project, overheads increase significantly with additional contract employees.

The expense considered to be the most important and expensive is the salaries and honorariums of personnel (researchers). Due to the savings mechanism, there is a significant mark-up in the personnel expenses budget. For example, for a given position the real salary is Rp. 8 million, but it is marked-up in the budget to Rp. 10 million. The efficiency model that JPIP applies does not have much effect on the performance of the institution. All employees are committed to efficiency, to the extent that they do not complain if their income needs to be deducted for the sake of the sustainability of the organisation.

One of the constraints that JPIP faces in the area of financial management is the high cost of external auditing by a public accounting firm. Therefore, JPIP only has external audits when it is working on a programme or project, and the audit budget is charged to the project, which is set out in the project proposal. For example, an external audit costs around Rp. 100 million. So, when there are no projects, there is no external audit and the public accounting firm does not publish an auditor's opinion. Only the internal audit results from The Jawa Pos are specified in this circumstance.

Financial policies issued by JPIP include policies on petty cash and per diem amounts (this regulates staff level or position and fieldwork zoning), that have both been translated into a SOP.

Human Resources

There are two categories of staff: permanent and programme staff. There are 4 permanent employees and there tends to be quite a lot of programme employees depending on the needs of the programmes. Nowadays, about 10 out of 15 JPIP staff are full-time (around 60%), and part time researchers are mostly university lecturers.

How does JPIP recruit its full-time staff? JPIP recruitment models use a cadre and transmission system. The reason for this is that JPIP does not only require staff to work, but they also need to meet three criteria: they must have a head, heart, and hands. The head or intelligence can be obtained through open recruitment, but a special approach is required to obtain staff with a heart. Therefore, JPIP chooses a semi-cadre recruitment model, for example by accepting interns. These cadre are then involved in research and other activities in order to see their skills and capacity. JPIP tends to recruit those who are still “green” but have the potential to develop their capacity through hands-on experience.

JPIP openly recruited twice, but did not manage to recruit new staff with the kind of characteristics that it needs. The candidates who came to JPIP through the open recruitment did not last long, and eventually all of them left. This was due to many factors, one of which was a matter of commitment. JPIP's working model, which is often full and intensive, requires overtime. These tight schedules did not always fit with the character of the staff recruited through the open recruitment.

Compared to other think tanks, how can working at JPIP be an attractive job prospect? JPIP staff gain recognition in their work and it is believed that this maintains their loyalty to the organisation. For example, when they are in doing research in the field, they may meet and interview key people in the region, including high level officials such as the district chief, mayors, regional secretary and heads of offices. This gives staff a sense of pride. Pride and recognition are psychological incentives that staff obtain when conducting activities while working with JPIP.

In addition, they also gain the confidence to write in columns in *The Jawa Pos*. These columns are a half page in size, which is equivalent to approximately Rp200 million in value. So, there is the awareness that when they write in a *Jawa Pos* column, they are being advertised for free for something that is worth Rp200 million. In addition, this opportunity also increases their chances of obtaining scholarships and training both nationally and internationally. The opportunity to manage JPIP projects also provides staff with a chance to travel to regions, which is an opportunity for personal and professional growth.

This semi cadre recruitment model has not produced a team of highly skilled researchers. The transfer of research knowledge and skills of researchers occurs little-by-little and requires patience. Moreover, sometimes those who have become competent researchers are headhunted by other organisations that offer more promising opportunities. However, when examined further, it tends to be easier for the staff recruited through an open system to leave JPIP. Their loyalty to JPIP is lower and sometimes JPIP may only be a stepping-stone.

JPIP believes that its recruitment model facilitates them to recruit credible, accountable and committed researchers. This is a serious consideration in recruiting, given the vulnerabilities that staff face when in contact with the local bureaucracy, who are infamous for their corruption. JPIP assessors and researchers are vulnerable to being lobbied or approached by clients or parties wanting to influence the assessment outcomes in the programmes related to the regional ranking and awards. The cadre model is therefore deemed suitable and good for the sustainability of JPIP.

Communication

Since JPIP is part of a newspaper, the main communication means is the media. Updates on research findings, organisational responses to current issues and other JPIP concerns are published on the newspaper. As a business group, JPIP enjoys the opportunity to reach the farthest regions since the business group exists in almost all provinces in Indonesia.

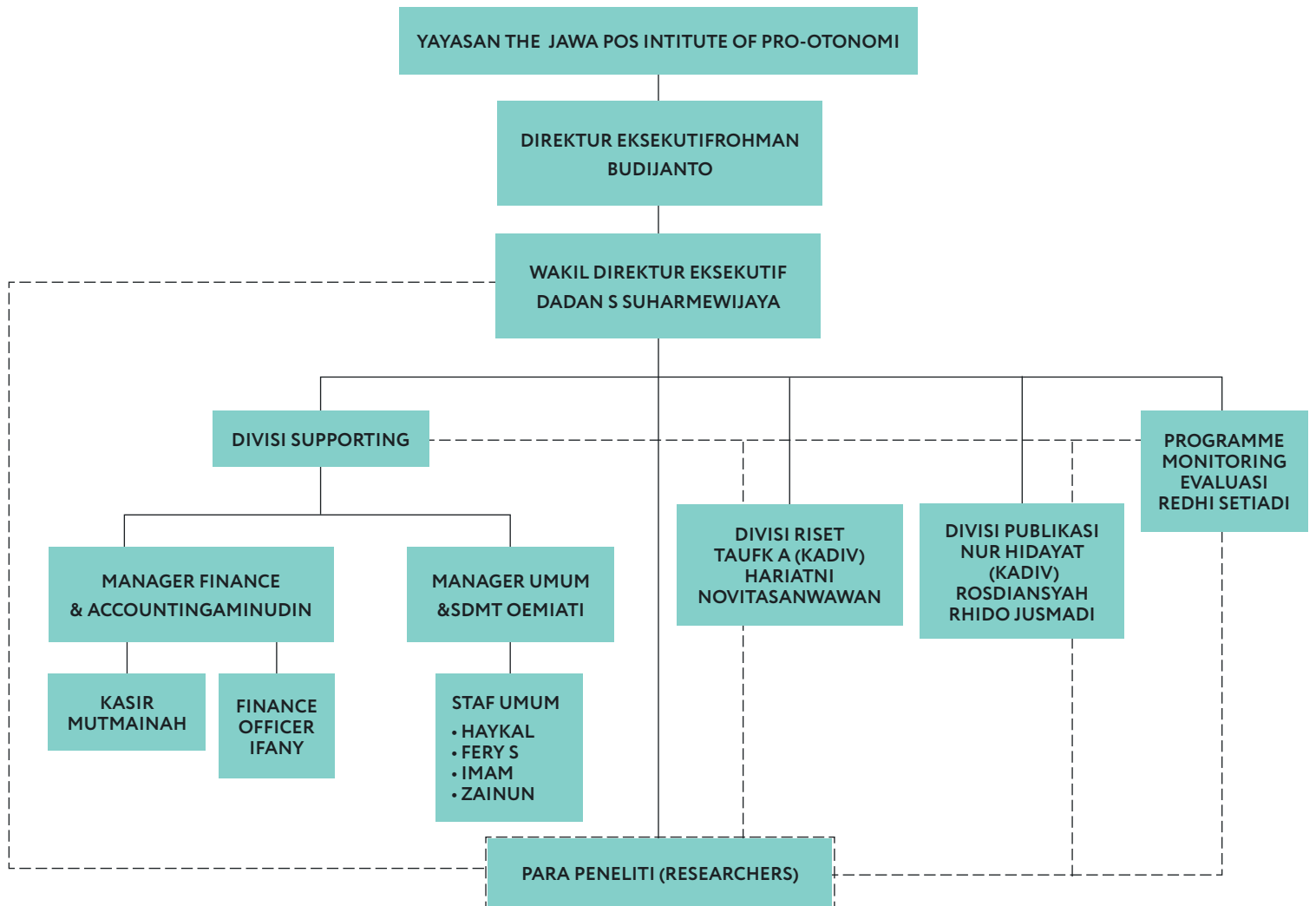
The other avenue that JPIP utilises for communication is meeting with policymakers. This is part of commissioned research and policy advocacy, where JPIP sets up meetings to endorse changes in policy. These meetings are also intended as a channel for JPIP to recommend changes in practices within government services.

As many other think tanks, JPIP also utilises websites where the institute publishes the database on the rankings and publications, such as books. The websites incorporate social media, namely Facebook and Youtube. The institutional website includes papers on best practices that have been conducted by the local governments who won the awards, with the intention to inspire other local governments.

JPIP's Business Model

Dimensions	Description	JPIP
Value proposition	When producing and selling their bundles of products and services, what value do think tanks offer to their users?	Advocate of decentralisation, expert at performance monitoring and measurement
Core business activities	What are the activities that think tanks carry out in order to create value propositions and, consequently, generate revenue for their organisation?	The Otonomi Awards, commissioned research, shaping public discourse through op-ed articles
Governance	How does the organisation set up its governance in order to make decisions regarding its business model?	Seniors editors dominated the Board, micromanagement is under executive directors
Funding structure	How does the organisation generate and manage funds?	Initially dependent on The Jawa Pos, JPIP strives to increase commissioned research projects
Leadership	What are the characteristics of leadership that support effective business models?	Director level is filled by senior editors. The research manager sit below the Director, with no option for a researcher to be Director
Staffing	How do think tanks identify, attract and motivate their staff members?	Recruitment by internship, offering authorship and incentives beyond financial remuneration.
Financial management	How does the organisation deal with revenues and costs to ensure its sustainability?	Guided by SOPs, savings gained from staff project salaries, programme budget secured
Communications	How do think tanks define their key audiences considering their value proposition and what strategies and channels do they develop to reach them?	Policymakers and the public reached through newspaper, meetings, and websites

JPIP Organisational Structure



Unravelling Think Tanks' Business Models

Case Study: SMERU

by Ashari Cahyo Edi

About SMERU

Founded as a foundation in 2001, The SMERU Research Institute (SMERU) is an independent and non-profit institution for policy studies. SMERU's focus areas are poverty alleviation, decentralisation and welfare with regard to vulnerability and social protection issues. Located in Jakarta, the capital of Indonesia, SMERU has developed a strong reputation for rigorous, objective, and influential research on government policies and programmes. Undertaking policy-oriented research with support from multi-donors' funding, SMERU is equipped with 29 researchers, 8 administrations and finance, and 10 IT and communication staff members.

Context

SMERU's existence was underpinned by unique circumstances during one of the most critical moments in Indonesia's history. At its inception, at the end of 1998, the country experienced a 14% economic downturn. This was the lowest economic level since the great depression during the 1930s. International development agencies in Indonesia saw an urgent need to have credible research-based evidence on the impact of the economic crisis. The country needed to understand the situation and formulate better policy options, yet universities and independent think tanks, as well as in-house government think tanks, were rarely capable of fulfilling such urgent requirements.

AusAid, ASEM and USAID initiated a "Social Monitoring and Early Unit" (SMERU) project with a two-year funding commitment. The World Bank provided managerial support. As a response to the crisis context, therefore, the initial work of SMERU was to monitor the impact of the crisis and to formulate policy recommendations. As the country recovered from the crisis in 1999, SMERU expanded its scope of work by branching out into social policy and welfare programmes after the crisis, along with decentralisation issues.

In 2001, the researchers within the Unit and the donors realized the importance of having think tanks like SMERU. It was at this point when all involved arrived at a consensus to set up an independent organisation. Finally the institution was established with the name of "The SMERU Research Institute". The donors backed the new organisation with a core funding scheme (See Funding Structure section).

SMERU immediately faced a constraining funding context. Philanthropy for research is not part of the culture of many wealthy Indonesians. While the government has strong needs for evidence-based policy recommendations, it limits the opportunities for think tanks to commission and undertake consultancy research for the State.

As shown in KSI's diagnostic on the Indonesian Knowledge Sector, think tanks' research credibility is a secondary consideration when deciding who to seek advice from, since the government chooses think tanks based on their willingness to give kickbacks for the contracts they win. Furthermore, think tanks and NGOs are required to be established as limited liability companies if they want to be eligible to win government contracts.

The response of the organisation, as with many other think tanks that want to be independent, is to work with international donor agencies. In fact, SMERU internally set a policy that prohibits the organisation from accepting government funding, in order to maintain its independence.

To date, SMERU has been successful in securing core funding combined with project-based and commissioned research from international funders. Over time, the organisation has been able to diversify its funding sources. As a result of its independence from the government, SMERU has succeeded in establishing its credibility and has become a trusted source of advice by national agencies.

SMERU's Business Model

Value Proposition

Having been established and growing in such a context, SMERU has strong adherence to its three values.

1. **Independence**, meaning that SMERU is an independent institute that is not part of a political party, religious institute or any other political/ideological institution.
2. **Objectivity**, meaning SMERU produces objective analysis on various issues which ensures that the findings are based on evidence and not opinions.
3. **Inclusivity**, meaning SMERU aims to present diverse voices, particularly those from marginalized groups, in all of its research.

Echoed by its founders, the three values above are translated in practice into independent and applied-empirical-synthesis research. These characteristics, as Mendizabal (2010) classified, distinguish SMERU from other think tanks in Indonesia. Think tanks with an NGO origin tend to actively combine research and advocacy. 'Advocacy' also implies that think tanks' work is based on certain ideological and political preferences, according to McGann (2007). For SMERU, this leads to subjectivity, which subsequently erodes the organisation's credibility.

Besides striving to be recognised as an independent and objective research institution, SMERU focuses on the demand side. To change policy without explicit advocacy requires finding the right match between what SMERU aspires to research and what the government needs to know about. SMERU believes that advocacy is implied if "the interest of stakeholders match the activities of research organisations." Therefore, as echoed by a member of the Board of Trustees, SMERU always undertakes consultations and discussions with the funder and policymakers before initiating a research project. This focus has been well understood by policymakers; hence policymakers prefer to use SMERU's advice. The demand focus also intends to increase the likelihood of practical applications of the research. To help the intended target/stakeholders, SMERU identifies this explicitly in its strategic plan.

DECISION POINT 1: "LET DATA SPEAK, AVOID ADVOCACY"

"SMERU succeeded because it insisted upon adherence to the highest standards of the international scientific community, avoiding advocacy except that implicit in its research findings. Its work has been subjected to rigorous scrutiny, in academic, policy, and general circles, scrutiny that includes—but is not limited to—the practice of peer review.

Political influence in the selection and execution of research projects has never been tolerated; the formal structure of SMERU's foundation and governing processes protect the independence of its research staff. An important lesson is that the appearance of inappropriate influence, however spurious, is just as dangerous as the actual presence."

Founder and the 1st former director (Sudarto, 2011)

SMERU has also been successful in maintaining its stakeholders' trust in its ability to secure the quality of its research. Technically, the research programme has been defined; roles are divided amongst the different levels of researchers, and every person has a clear job description. Monitoring and evaluation is also conducted during the research process and at the end of a programme, to ensure all outcomes are measurable by clear indicators. All these aspects are guided by standard operating procedures (SOPs), and clearly reflect SMERU's values and principles.

Core Business Activities

As a think tank, SMERU has consistently conducted high-quality research using qualitative, quantitative and mixed methods. By "focusing on the demand side", prior to doing their research, SMERU is striving to build coherence in its research agenda with the national government's development plan. The Table below shows the deliberate coincidence between the two agendas (Sumarto, 2007, p. 24).

2008–2013 SMERU Research Agenda	Long-Term Priorities of the National Development Plan
1. Good Governance, Decentralisation and Public Service Delivery	1. Bureaucracy and Governance Reform 2. Investment and Business Climate 3. Infrastructure
2. Labour and Migration Diagnostic and Policies	
3. Social Protection Policies and Social Welfare	4. Education 5. Health 6. Food Security
4. Poverty and Vulnerability Diagnostic and Policies	7. Poverty Reduction
5. Pro-poor Growth Policies	

Consultation and dialogue precede research activities, and also come into play after the research has been conducted. Prior to the research, SMERU undertakes discussions to explore the needs of policymakers and how the results will be used. Discussions after the research are mostly about disseminating and providing recommendations. Since there is already a strong match, many recommendations derived from findings are adopted by policymakers. For instance, in 2005, SMERU finished a study that produced a poverty map across the country. This map was used by the National Statistics Bureau, the National Institute of Family Planning, the State's Ministry of Women Empowerment, and the Ministry of Agriculture. Like this one, there are many examples showing the success of SMERU in getting their recommendations adopted by policymakers.

Aside from being known as a research institution, SMERU has also developed a business providing consultation services, training, and workshops. All of these services adhere to SMERU's values and basic principles. Recently, the Institute also explored the possibility of

working with the private sector. Corporations, under the banner of corporate social responsibility campaigns, have begun to participate in the development agenda through poverty reduction. However, it is far from conclusive that SMERU will soon initiate research or other projects with private companies.

Governance

There is no suitable legal entity in Indonesian legislation under which research institutes could be placed. There are two legal options that come close to reflecting SMERU's nature as a research institution: a foundation, or an association. After a series of discussions, the legal entity chosen for SMERU was a foundation, although this option is not totally suitable. Legislation on foundations is heavily influenced by the US model, where a foundation is founded by a group of people who have funds, and those funds will be governed and managed for social interests. In the case of SMERU and research institutions in general, researchers have formed the foundation and they have a duty to find funds in order to support themselves and the foundation. This concept is obviously quite different.

With regards to this, friction sometimes arises due to differences in opinions. As a result of choosing a foundation as the legal entity, the foundation has greater power, including governing internal institutional matters such as the election of directors. In addition, given that the foundation governance also includes some foreigners with very busy schedules, it is often difficult to hold meetings due to time constraints.

As a foundation, SMERU has a Board of Trustees that is responsible for the supervision of the institution in general, supporting the vision and mission of the institution, and providing valuable input on internal and external matters.

SMERU's Board of Trustees consists of 6 people, some who are indeed active at SMERU, and others are external personnel with strong profiles in research. This is intended to maintain a balance on the role of the Board. If all members of the Board of Trustees were external, there is a concern that they may not understand internal conditions well, thus policies could potentially be developed that are not in accordance with internal conditions.

In addition to the Board of Trustees, there is also a 9-person Advisory Board, consisting of a group of academics from a variety of different disciplines at both national and international reputable universities. The Advisory Board is responsible for providing advice on research design and processes, as well as the management of SMERU. The presence of this Board is essential to strengthen the substance of research conducted by SMERU.

The Trustees, Advisory Board and the Management Board meet every six months to discuss activity reports and to develop plans for the next 6 months. The Advisory Board is responsible for monitoring the implementation of activities at SMERU, in terms of substance, finances and administration. However, this monitoring is of a general nature and not detailed. Certain important decisions are discussed at a higher level, that is, between the Board of Trustees, the Advisory Board and the Management Board in regular forum meetings every six months. For instance, one of the issues that the Board is currently advising on is avoiding advocacy.

Leadership

The Board of Trustees appoints the Executive Director of SMERU. Such model could cause conflict, especially when the Trustees' selection is not in line with the wishes of the institute's internal bodies. Sometimes there are such differences of opinion, but the mechanism for resolving these problems is through open discussions until a solution is found.

Since the beginning of 2001 until 2015, only two people have served as directors. The first Director headed SMERU from when it was established in 2001, until 2009. During his tenure, he successfully established institutional structures and built the institute's reputation as a professional research institute. He then became a research fellow at Stanford University and was replaced by the then Deputy Director. The successor led SMERU between 2009 and 2014, and is serving again as director for a new period, which started in 2014. Reflecting on this model of succession, one of the founders states that this model applies well. The position of Deputy Director can be conceptualised as a phase to prepare a senior researcher for leadership level.

The Director is in charge of maintaining the quality of work and ensuring that all research activities and institutional operational matters run smoothly. Under the Director, there are two Vice Directors: one in charge of the research and publications and another in charge of finances and the secretariat office.

The leadership style at SMERU has been built in the spirit of inclusiveness, where leaders establish open communication with all staff and develop structures that are not bureaucratic or hierarchical. This open atmosphere reflects an egalitarian nature where relations between the Director and staff are not formal or bureaucratic in nature. The same applies to the Management Board and the Board of Trustees. This egalitarian spirit also affects strategic decision making processes, where decisions are reached through consensus, without a top-down approach.

The consequence of developing such a model is that decision-making processes may be lengthy. However, it is much better for everyone to feel a part of the decision-making and to take responsibility for the choices that have been made. In addition, internal decision-making processes also take place through regular meetings held every month. During these meetings, every person is able to express their opinions related to the issues being discussed.

Funding Structure

When SMERU was first established, it used the remaining funds from the World Bank programme. The funds could be used to finance SMERU for approximately 3 months. Following this, SMERU still obtained funding from the World Bank, but the amount became increasingly smaller. Therefore, at a strategic planning meeting, SMERU decided to develop new strategies for fundraising. As a result, in 2015, the funding structure consists of 40% of core funds, while the remaining 60% consists of 30% of commissioned research or paid research

and 30% of grant bids from donor institutes. The existence of core funds is certainly very interesting. These are grants provided by donor agencies, where the recipient institute is free to use these funds, even though they must be accountable.

SMERU's funding sources are almost entirely from international donors, and, given that most of this funding is from donors that are based in Indonesia, they have an interest in Indonesia. Currently, SMERU receives funding from the Australian Department of Foreign Affairs and Trade (DFAT), under the Knowledge Sector Initiative (KSI). In addition, SMERU also gets funding support from the Ford Foundation, USAID and DFID. Nonetheless, SMERU has successfully increased its financial independence with an increasing proportion of funds sourced from competitive grants for research and specific research projects.

SMERU has a policy not to receive funding from the State Budget (APBN) or the government, which is still applicable to this day. The reasoning for this is, firstly, to avoid intervention that sometimes occurs in research processes and results. SMERU has an obligation to conduct research in a professional manner; therefore it does not allow any opportunity for intervention from any of the donors. Second, SMERU avoids any potential for corruption, and many government programmes that work in cooperation with external parties are required to return a portion of the budget, thus the funds that are actually received are not in accordance with the contract or MoU.

Although quite a lot of donor agencies have worked in cooperation with SMERU, unfortunately the donor network only relies on one person, Sudarno. As the former SMERU Director, Sudarno has greatly assisted in linking SMERU to donors. Looking ahead, SMERU has begun developing networks with large companies, given that companies also require socio-economic studies related to the business and policies that they develop.

Financial Management

In relation to financial management, SMERU has a policy that the Board of Trustees must be informed of the expenditure of funds above 200 million rupiah (USD\$ 15,000), and they must approve it. The Trustees and the Management Board discuss these issues in the bi-annual meetings.

In addition, there are also policies related to subsidies for specific projects. Nowadays, a lot of funding agencies demand that institutes that are managing programmes share funds. In relation to this, if a project is considered to be strategic in influencing policy, then the institute will share funding, including resources for policy advocacy processes.

As for the composition of spending, the largest expenditure to date is for salaries and allowances, which is 70%.

Like other research institutes, SMERU must also think about the sustainability of the institution. Thus, funds are managed so that the institution can generate savings. Savings are not referred to as a reserve, as this institution does not yet have a reserve account, given that the savings are often used for various shorter-term investments. However, such investments are still limited to investment of money in capital markets, although not in the form of stocks, given that it is seen as too risky. SMERU only invests in bonds which are managed professionally.

However, based on the institute's strategic planning, the savings will be invested in a number of different sectors.

SMERU plans to develop a business development unit. In relation to this plan, a business development expert will be sought to work on this project. One of the important tasks is to identify opportunities and assets in SMERU that can be used to develop business.

As for financial reports, SMERU produces a financial report every 6 months and financial audits are conducted by an independent public accountant annually. The financial reports and audits are submitted to the Board of Trustees.

The reports submitted to the Board of Trustees are the same as those submitted to the donors. In addition, there are also donors who request special audits, such as USAID, which does its own audits. In principle, SMERU follows the donors' models of financial reporting, given that each donor agency may have different standards related to financial reporting.

SMERU's audit reports can be viewed by anyone and are published through its website. This is done in an effort to create a climate of transparency and accountability in non-governmental institutions.

Human resources

SMERU is classified as a large research institute. Currently, there it has 62 staff members, including 30 full-time researchers. Amongst them are 26 researchers, including assistant, junior, senior and fellow researchers. Teams of researchers are always formed in an ad hoc manner, thus teams consist of researchers of various levels, with the aim that a mentoring process occurs between the senior researchers and the younger researchers. The communications and information division consists of 10 staff with diverse skills and expertise in publishing, communications, and information pertaining to research. In addition, there is the support department, comprised of 8 staff members in the administrative, financial and technology sections. The support staff are very important in assisting with administrative and financial matters in research processes and in institutional governance. SMERU has a policy on staff recruitment that there can be no family relationship with candidates. This policy is to avoid any domestic or kinship issues impacting on work in the office. In addition, staff candidates must be willing to work full-time.

In recruiting staff, SMERU advertises the vacancies on its website and newspapers. The problem with open recruitment is that some irrelevant applicants sometimes bet their luck regardless of their ineligibility with regard to interests, educational backgrounds, and experiences. For instance, SMERU once had an open recruitment in the newspaper. However, so many people applied – around 400 – that the selection process was a really big job for the institute, particularly considering that the track record of candidates was far below expectations.

Since advertising vacancies in the newspaper was not an ideal process for the organisation, SMERU sends its recruitment information to university departments which are relevant to SMERU's needs. For instance, for economic researchers, the institute invites alumni of top Indonesian universities' department of economics and business. Mailing lists have also been used to invite candidates to apply. This is seen to be quite effective, given that it is not open and cannot be accessed by too many people.

The staff selection process itself is conducted in several stages, starting from a selection based on education, followed by an interview, and through to a psychological test. It is then decided if the candidate is accepted or not. In addition, there is a written test in English and a written quantitative test, where candidates must be able to make a quantitative analysis of a given problem. As for the qualitative test, candidates are given an issue and are asked to create a narrative on it.

Those who pass the selection process are given a 3-month contract as a trial period. After 3 months, they will be assessed by the Director/Deputy Director who will also request input from their supervisors in considering whether their placement should continue or not. To measure their performance, SMERU has developed an internal evaluation model that is implemented in daily management, where staff evaluations are conducted at the end of every year. Each staff member undergoes a 360 evaluation, and the results are recorded in written form. In addition, a self-evaluation is also done, where each person evaluates him/herself, in relation to their performance, their strengths, and their weaknesses. After the evaluation, a score is formulated. This score is used as a measure for determining salary increases and promotions.

Evaluation outcomes that result in promotions and salary increases are generally well received by the staff. However, sometimes there are complaints as this assessment is considered to be subjective. To address this, the institute continues to improve this policy by developing suitable indicators to make this assessment more objective.

How does SMERU develop the capacity of its staff? As a research institution, the capacity of individuals, especially researchers, must continue to improve. In relation to this, the institution encourages staff to further their education and demands the highest possible levels of education to raise the institute's reputation through high-quality research studies. SMERU assists researchers who continue their studies in country, although this policy has not been institutionalised as a SOP. For those who study abroad, SMERU can only assist by providing a reference.

Located in Jakarta, SMERU has been competing with donor agencies to secure staff. In terms of salary, donor agencies are beyond SMERU's league. NGOs based in Jakarta face a similar problem. The way to earn a bigger salary is by moving out of the organisation, which usually happens with experienced staff.

SMERU perceives welfare as important for staff to have peace of mind and work optimally in order to maintain quality of work. Therefore, in addition to the provision of a basic salary that is considered appropriate, staff are also provided with various social security provisions in order to uphold their rights as workers, such as health insurance, employment Badan Penyelenggara Jaminan Sosial (BPJS), BPJS health, as well as pension funds.

In addition, SMERU also optimises its reputation in the eye of donors. It is relatively easy for SMERU researchers to get scholarships to study abroad. While SMERU is hardly able to compete with donors regarding salary, the institute uses the opportunity to study abroad as a comparative advantage in attracting potential researchers. Authorship is another incentive offered to researchers. To date, surpassing many universities and other think tanks, SMERU is placed in high ranks for being able to publish its research in referred international journals. For those seeking more than financial rewards, this authorship and international publication are effective to recruit applicants.

Communications

How do think tanks define their key audiences considering their value proposition and what strategies and channels do they develop to reach them?

SMERU builds engagement with the intended stakeholders at the start of its projects. The organisation meets the policymakers and asks what their needs are, rather than basing research topics solely on their own agenda. SMERU's strategic plan identifies specifically who the stakeholders are. The work of communicating the research products, therefore, requires less workload.

The SMERU stakeholders

Category	Description
International Agencies	AusAid and other donors using SMERU's services
National government	National Planning Agency (Bappenas), Ministry of Trade, the Bureau of Statistics, etc.
Regional government	Several regional governments
Civil society	<ul style="list-style-type: none"> Universities and peer think tanks NGOs at national and regional level The Indonesian people, particularly poor people

The way SMERU communicates the findings of its research plays a critical role in the outcome. Unlike NGOs that are more open and straightforward in communicating negative findings, SMERU researchers prefer to have government officials briefed about the findings in private. For journalists, bad news is good news. To avoid adversarial reaction that may then weaken the government's receptiveness, this communication has been institutionalised into standard operating procedures.

SMERU also diversifies its publication products, ranging from research reports, working papers, bulletins, and policy briefs. Each serves different purposes and audiences. Before being published, a product follows several procedures including technical review, expert review, internal seminars, and so on. While this publication diversification is becoming common amongst think tanks and NGOs, SMERU's researchers have built a reputation in international academic communities. Some senior researchers have published articles in referred journals, which raises the organisations' credibility.

Another feature of SMERU's communications strategy is the use of its website. Individuals can navigate it by using search words that indicate 'topics' or 'types of publication'. Based on data, SMERU's publications provide richness of data that can be used as sources and as a starting point for further research.

SMERU's Business Model

Dimensions	Description	SMERU
Value proposition	When producing and selling their bundles of products and services, what value do think tanks offer to their users?	Data speak: independent, impartial, non-partisan and implied advocacy think tank Focus on demand side
Core business activities	What are the activities that think tanks carry out in order to create value propositions and, consequently, generate revenue for their organisation?	Generating high quality, objective, applied research Consultations with the targeted stakeholders precede the research Disseminating findings through dialogue and publications
Governance	How does the organisation set up its governance in order to make decisions regarding its business model?	Combination of internal and external members of the Board: bringing external expertise and networks in to develop the organisation. The Board oversees principal matters and avoids micromanagement.
Funding structure	How does the organisation generate and manage funds?	Striving to reduce dependency on core funding by diversifying sources: commissioned projects and competitive grants
Leadership	What are the characteristics of leadership that support effective business models?	Strong dependence on personal leadership Experimenting with model of succession: the next director is the deputy Leadership that is less formal and more egalitarian
Staffing	How do think tanks identify, attract and motivate their staff members?	Opportunity to get a reference to study abroad Authorships and publications are enabled beyond project products
Financial management	How does the organisation deal with revenues and costs to ensure its sustainability?	
Communications	How do think tanks define their key audiences considering their value proposition and what strategies and channels do they develop to reach them?	Engagement prior and after the research Key audiences are identified in the strategic plan Easy access for stakeholders through its website

On Think Tanks is a global platform dedicated to studying and supporting think tanks.

Founded in 2010, it focuses on key issues of relevance and interest to think tanks as well as their staff and supporters. On Think Tanks believes that supporting think tanks to be more strategic in the way they make short and long term decisions can result in better policy advice and better policy outcomes.

On Think Tanks works with others to develop and support initiatives to help think tanks and their supporters. These include the On Think Tanks School, a Data Visualisation Competition, and a global Think Tanks Exchange.

www.onthinktanks.org
