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# The evolution of SME policy: the case of New Zealand

Tanya Jurado  <sup>a</sup> and Martina Battisti  <sup>b</sup>

## ABSTRACT

Building on policy process theories, this study constructs a meaningful historical narrative that explains the developments in small and medium-sized enterprise (SME) policy in New Zealand during the period 1978–2008 that marked the point where SME policy was firmly institutionalized as a subsystem within the wider economic policy framework. Temporality is a key characteristic of the policy process and historical accounts are an important means of describing how the process unfolds over time. The enquiry draws on archival sources as well as the personal accounts by individuals who were directly involved in SME policy development. Findings illustrate how the role of SMEs as a policy subsystem develops within an overarching economic policy framework. More specifically, we identify the periods of stability and those of change and what the role of actors, context and events is in this process by highlighting the complexity and interrelated nature of SME policy development. At the time of writing, the foundations of globalization are being called into question. Together with the ever faster rate of technological change, these are important pillars in the predominant political discourses that underpinned the formulation of SME policy during the period of this study. Understanding how SME policy was developed in the past could lead to a better understanding of the role of SME in this new world. As new policy is developed, this study brings to the fore the dynamics of institutional context, policy actors and stakeholders, and the impact they have on policy outcomes.

## ARTICLE HISTORY

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## INTRODUCTION

To date, small and medium-sized enterprise (SME) policy<sup>1</sup> research has largely focused on providing evidence of the impact and effectiveness of individual policies for small businesses (e.g., Acs, Astebro, Audretsch, & Robinson, 2016; Figueroa-Armijos & Johnson, 2016; Lundström et al., 2014; Mason, 2009; Shane, 2009). While this evaluative work has contributed to the ongoing and vibrant discussion of the relevance of SME policies to foster economic development, it has important limitations. It narrowly focuses on the outcomes of policies, but ignores the process under which they have been developed. Only recently, Arshed, Carter, and Mason (2014) suggested that the evaluation of SME policy outcomes would be better served by complementary

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studies into the process of policy formulation, a call which echoes earlier research findings (Curran, 2000). For example, Love and Roper (2015) discussed innovation and exporting rates in the UK and showed that SMEs that benefited from export incentive schemes drove innovation more than others, while Mole, Hart, and Roper (2014) examined the uptake by SME owner-managers of government-funded business advice services. The focus of these studies is on an individual SME policy that is considered in isolation, often blurring the fact that it forms part of a government's wider economic development strategy. Research rarely focuses on how specific policy subsystems – in our case SMEs – first emerge as a policy concern and the process through which they become institutionalized as part of a country's wider economic development strategy. Temporality is a key characteristic of the policy process (Weible & Carter, 2017) and historical accounts are an important means of describing how the process unfolds over time. Sabatier (2007) suggests that it is necessary to examine periods of 20–40 years to understand the process from emergence of a policy issue through to its institutionalization.

Building on policy process theories, the overarching goal of this study is to construct a meaningful historical narrative that explains the developments in SME policy in New Zealand during the period 1978–2008. It does so by identifying the periods of stability and those of change and analyzes the role of actors, context and events in the policy process. The time period was chosen because in 1978 SMEs were for the first time formally recognized by policy-makers and by 2008 SME policy was mostly institutionalized as a component of economic policy in New Zealand. The end of this year also coincided with the end of a nine-year Labour government, making it a clear cut-off point. This year was also chosen to improve the likelihood that potential participants of the latter period of this study would be willing to participate, as civil servants are more likely to be willing to share their reflections on previous governments than on the one they currently serve. The enquiry draws on an extensive range of archival sources as well as the personal accounts by individuals who were directly involved in SME policy development. It is first and foremost an enquiry into the evolution of that policy process and the outputs that resulted – it is *not* a study about policy outcomes, therefore it does *not* seek to evaluate how effective individual SME policies have been.

This study illustrates how the role of SMEs as a policy subsystem develops within an overarching economic policy framework. This is particularly important given current research that questions the economic role of SMEs (Acs et al., 2016; Wapshott & Mallett, 2018). More specifically, it contributes to a better understanding of how the policy process unfolds and what is the role of actors, context and events in this process by highlighting the complexity and interrelated nature of SME policy development. This is important for several reasons. First, the perspective of individual actors who are directly involved in the development of SME policy has long been neglected (Arshed et al., 2014; Xheneti, 2017). However, policy development is a political process that is neither objective nor neutral (Smallbone, 2016), but driven by individual actors – government officials, researchers, small businesses, advisors – who act within a specific context. Second, context is important to understand 'when, how and why entrepreneurship happens' (Welter, 2011, p. 165), a statement echoed by Smallbone (2016) who called for increased attention to the context in which enterprise policy is developed.

Third, events also play an important role in the policy process (Baumgartner, Jones, & Mortensen, 2018), shaping perceptions and the course of action taken by policy-makers. A final element that is significant in the policy-making process is that of temporality, that is, the time needed for events to transpire into policy outputs (Weible & Carter, 2017). For a complete understanding of the policy process, it is important to take the above elements into account and to apply a historical research approach following Perchard, MacKenzie, Decker, and Favero (2017) who state that a full appreciation of the historical context should include a historical methodology.

Using the concepts outlined above we analyze the policy development process in the New Zealand context. We examine actors, made up of policy-makers, champions, ministers and stakeholders; events, which take place in international and domestic economic policy; and the context that actors and events interact in, linking activities to the temporality of events. This approach tackles calls to examine the process of SME policy development (Arshed et al., 2014; Xheneti, 2017) as it is ‘the process that needs to be generalized’ (Smallbone, 2016, p. 10).

The following sections will explore the theory on policy development and the emergence of SME policy as a separate policy, before outlining the methodology and presenting the results and discussion.

## THEORETICAL PERSPECTIVES ON POLICY DEVELOPMENT

Because of the intricacies of policy systems, scholarship in this field tended to simplify the process by focusing on a single element of the policy process or on individual policies in isolation (Weible & Carter, 2017). As a result, a considerable number of theories and conceptual frameworks<sup>2</sup> have emerged that illustrate different understandings of the policy process.

In this study we consider SME policy not as a single policy programme in isolation but as a policy subsystem that changes over time. Given the complexity of the policy process and the temporality of our analysis, we were looking for a theoretical or conceptual perspective that allowed for simplification while at the same time enabled us to capture the richness of how the development of SME policy unfolded over time.

Broadly speaking, research of the policy process entails the study of the complex interactions between three interrelated elements that unfold over time: the *actors*, the *context* affecting policy or being affected such as, for example, institutions as well as the socioeconomic conditions and *events* such as, for example, regular elections or unexpected disaster (Schlager & Weible, 2013; Weible & Carter, 2017). This actor–context–events framework is broad in nature and only defines the scope of the investigation and identifies the key underlying elements of the policy process (Ostrom, 2007; 2011). To understand better the nature of each of the three elements as well as the interrelationships between them and how they impact on policy outcomes, we build on three specific theories. The actor coalition framework helps us identify the role of actors and how their activity is coordinated (Sabatier & Weible, 2007) in the development of the SME policy subsystem. Institutional theory helps us explain how this coordinated activity becomes institutionalized over time (Powell & DiMaggio, 1991) and punctuated equilibrium theory helps us identify the events that marked key turning points in the policy process (Baumgartner et al., 2018). We discuss each element – actor, context and events – and its underlying theories in more detail below.

### Actors

The question of who the actors are that are involved in policy development has long been asked in policy process research, but only recently has the focus shifted from policy actors more broadly to specific stakeholder groups or policy communities (Wu, Ramesh, Howlett, & Fritzen, 2018) such as, for example, think tanks (Arshed, 2017), business associations (Battisti & Perry, 2015) or researchers (Sabatier & Weible, 2007). This shift acknowledges that policies are developed not only by formal authorities in government but also by those being affected, interested or expert on the issue (Miller & Demir, 2007). Wu et al. (2018) identify three stakeholder groups that are relevant in the context of policy development: government actors, international actors and societal actors. Government officials are the primary actors in the policy process, but their role depends on the policy issue and institutional context. Due to the complexity of policy challenges, governments increasingly include non-governmental actors in the process through formal and informal interactions (Pestoff, Brandsen, & Verschuere, 2012). Societal actors include a

potentially wide and diverse group of actors, but in the context of this study we consider business leaders and advisors, business associations, as well as researchers to be key stakeholders. Lastly, international actors are often members of international organizations who advise governments on domestic issues (Wu et al., 2018). The role of actors in the policy process has long been acknowledged in policy process theory such as the multiple streams theory (Kingdon, 1984). In this case actors are considered to be pivotal in the policy process in the instances when problems, policies and policies converge to create a policy window that allows a certain issue can be addressed. While multiple streams theory gives welcome attention to actors in the policy process, it has been criticized for being too narrow (Howlett, McConnell, & Perl, 2017).

The advocacy coalition framework (ACF) is another theory that emphasizes the complex role of actors in the policy process. The ACF posits that policy actors seek allies with similar policy core beliefs from across different stakeholder groups to form advocacy coalitions to achieve particular policy objectives (Sabatier & Weible, 2007). Importantly, the relationships between actors are likely to be informal, horizontal and persistent over time, as members are bound to each other by shared values and reciprocity (Wu et al., 2018).

As decision-makers, actors are characterized by bounded rationality (Simon, 1955) which means that their decisions are subject to limited information that is available on the problem, a limited amount of time to decide as well as limited cognitive capacity. As a result, actors in the policy process seek satisficing solutions rather than optimal ones. In the policy process, bounded rationality manifests itself in incrementalism, that is, a series of ad hoc decisions that take place throughout the policy-making process that has been coined by Lindblom (1959, p. 88) as 'muddling through'. Consequently, policies inherited from previous governments are often just adapted to the current context rather than radically changed (Shaw & Eichbaum, 2011). The behaviour of policy actors and the decisions they make are therefore also affected by the context in which they operate. However, for policy changes to occur, external perturbations or focusing events are necessary (Baumgartner et al., 2018; Sabatier & Weible, 2007).

## Context

Context is multifaceted and in this study we refer to context as a set of socioeconomic and institutional factors that shape the policy process directly and indirectly. Individuals act within a certain context and institutional theory highlights the importance of social, economic and legal institutions in the policy-making process. It also values historical analysis as a tool to delineate the development of a policy over a period of time (Hill & Varone, 2017; Steinmo, Thelen, & Longstreth, 1992). This process of transforming unstable and loosely organized activities into orderly, stable and integrated patterns has been described as institutionalization (Broom & Selznick, 1955). Under this approach, SME policy can be explained by taking into account past policy decisions and contemporary internal pressures, external institutional and socioeconomic pressures, and the complexity of the system within which SME policy-makers operate. Weible and Carter (2017) argue that there is a need to identify the contextual effects on policy development within individual countries as well as the similarities of these effects across countries.

For Powell and DiMaggio (1991) institutions are a phenomenological process by which certain actions and relationships become fixed and are taken for granted. They argue that these become conventions that take on a rule-like status and can affect business practices and values such as, for example, public attitudes towards business founders. The institutional approach to public policy is influenced by economics, in particular path dependence theory that illustrates the difficulty in reversing institutional arrangements (Pierson, 2000). This suggests that a change in policy direction is very difficult, since reversal costs of the initial choice are often very high. North (2005, p. 52) also extended the path dependence concept to the institutional level by defining it as 'the constraints on the choice set in the present that are derived from historical

experiences of the past'. Understanding these constraints and their historical settings are important to improve SME policy-making.

### Events

As indicated above, the policy process is characterized by incrementalism and long periods of stability, but punctuated equilibrium theory argues that this stasis is from time to time interrupted by key events that lead to shifts in attention and changes in policy (Baumgartner et al., 2018). Weible and Carter (2017, p. 27) define events as 'expected and unexpected occurrences that can alter the context and actors under study' and 'offer (or impose) opportunities for change'. Similar to the arguments put forward in the ACF, the punctuated equilibrium theory argues that policy change can be the result of unexpected, major events such as, for example, disasters or relatively minor events that build up over extended periods of time (Baumgartner et al., 2018; Sabatier & Weible, 2007). What both types of events have in common is that they spur changes through shifting political attention or policy preferences. However, not all events will lead to policy changes as they are only a necessary, but not sufficient condition for change. If and how policy changes occur are dependent on the actors, as well as the context in which they are occurring (Jensen, 2011). When responding to an event, actors need to overcome the cognitive costs of drawing attention to it, finding and processing information and devising solutions. They also need to overcome institutional costs that are related to the inertia inherent in a political system that prefers stability and incremental change (Baumgartner et al., 2018).

Temporality is a key characteristic of the policy process because it takes a considerable amount of time for the events to filter into policy outputs and outcomes (Weible & Carter, 2017). Rich historical accounts are an important means of describing how events unfold over time and for identifying patterns of policy change. Sabatier (2007) suggests that it is necessary to examine periods of 20–40 years to understand the process from the emergence of a policy issue through to its institutionalization. Using an historical account spanning 30 years, this study traces the development of SME policy, from a matter of low political and economic importance to one that forms an integral part of the wider economic development strategy. It does so by identifying the periods of stability and those of change and analyzes the role of actors, context and events in the policy process.

Research on the policy process is predominantly focused on one or more specific policies (Weible & Carter, 2017). It rarely focuses on how specific policy subsystems – in our case, SMEs – first emerge as a policy concern and the process through which they become institutionalized as part of the wider economic development strategy. The discussion shows that understanding this process is relevant as it illustrates the complexity of SME policy development and the interrelationships between actors, events and the context, and how they unfold over time. Next, we briefly discuss how SME policy evolved internationally, before describing the case of New Zealand through an historical account.

## EVOLUTION OF SME POLICY

Historically, because SMEs were not considered economically viable enterprises, they were either encouraged to grow into much larger enterprises or considered worth protecting from external competition for other, non-economic, considerations. In largely immigrant-based societies such as the United States, Australia and New Zealand, governments legislated to protect SMEs (and in New Zealand's specific case, all business) from external competition and to protect longstanding values of independence and self-reliance, epitomized through the right to 'make their own way' (Anglund, 2000; Hunter & Morrow, 2006; Lundström et al., 2014). In older, more established, societies, SMEs were also protected from the advent of big business, but this protection was expressed in terms of preserving traditional ways of producing goods and



an emphasis was also placed on the impact that a change in the scale of production would have on lifestyles and on the quality of the product itself (Landes, Mokyr, & Baumol, 2010).

In the 1980s, the developed world experienced the closure and decline of many large-scale industrial operations that resulted in high levels of unemployment concentrated in regional centres. This stimulated greater policy-maker interest in self-employment policies, in particular after research revealed the important role of SMEs in employment generation (Birch, 1979). Indeed, up to this point public policy on SMEs was very sparse in the UK when the focus shifted to encouraging self-employment (Greene, Mole, & Storey, 2008). The decline in large-scale industrial operations also stimulated interest in the role of SMEs and entrepreneurial activity in stimulating regional development (Reynolds, Storey, & Westhead, 1994). SME owner-managers were, for instance, encouraged to develop networking opportunities following the logic that knowledge spillovers and enhanced networks would increase regional economic development. By the early 1990s, SMEs were widely accepted as a credible and substantial contributor to economic growth (Loveman & Sengenberger, 1991).

As the economy shifted towards more nimble and flexible knowledge-based economic activity, SMEs were considered to have a new role in adding value to the emerging knowledge-based economy (Audretsch, 2009) due to their ability to respond and adapt quickly to changes in their environment. SME policy was increasingly formulated, therefore, from the starting point of generating economic growth, rather than from a more social and political approach driven by a broader industrial policy. By the time the knowledge economy was firmly underway SME policy shifted from preserving small firms from extinction to enabling entrepreneurial ones (Audretsch, 2009). Moreover, globalization challenged the existing policy instruments as being outdated, especially given the emergent focus on entrepreneurship as a new paradigm (Gilbert, Audretsch, & McDougall, 2004). This latter phase in the development of SME policy saw key policies, such as innovation, become an important focus for governments in their bid to drive productivity and other policies aimed at creating an environment for SMEs that would lead to growth (Audretsch & Aldridge, 2014).

In sum, SMEs have always mattered; it is the way that they have mattered that has changed over time (Audretsch, 2009). This evolution that manifests itself in changing SME policies can, however, only be broadly traced as SMEs, and in particular SME policy, has been largely ignored by business historians. There is a lack of comprehensive historical accounts of the development of SME policy that consider the role and interaction between actors, context and events over time.

## METHODOLOGY

In order to address the limited research into the SME policy development process, this study used social constructionist techniques because they can help 'discern and critique government aims, intentions and actions' (Howlett, Ramesh, & Perl, 2009, p. 8). A social constructionist approach also enables the researcher to understand the participants' experiences, perceptions and perspectives (Booth, Colomb, & Williams, 2008; Patton, 2002) during the period in which they were involved in SME policy development. This approach is also consistent with established history research methods, which take into account that a researcher's world view may have an impact on how historical sources are analyzed (Hoeffler, 2011). First, however, we provide some background information on SMEs in New Zealand.

### Background

National contexts make terms such as 'small' and 'medium' relative, as their meaning can change between countries depending on their population or industrial base. In New Zealand, as a geographically isolated and small economy with a population of only 4.8 million, the Ministry of

**Table 1.** Timeline of small and medium-sized enterprise (SME) definitions in New Zealand.

Source SME definition	SME definition
Devlin and Le Heron (1977)	Fewer than 50 FTEs (manufacturing) Fewer than 25 FTEs (wholesale) and less than NZ\$100,000 per annum turnover Fewer than 25 FTEs (retail) and less than NZ\$250,000 per annum turnover Fewer than 10 FTEs (service) and less than NZ\$100,000 per annum turnover
Bollard (1988)	Very small: fewer than 10 employees and fewer than 20 employees for the manufacturing sector Small: fewer than 20 employees and fewer than 50 employees for the manufacturing sector
Cameron and Massey (1999)	Micro: fewer than 5 FTEs Small: fewer than 50 FTEs Medium: between 50 and 100 FTEs Large: more than 100 FTEs
Ministry of Commerce (1999)	Small: 0–5 employees Medium: 6–19 employees SME: ‘a firm with up to 19 employees’

Note: FTE, full-time equivalent.

Commerce (1999) adopted the practice of identifying SMEs as firms that employ fewer than 20 employees. However, the historical context also matters and the definition of what constitutes an SME has changed over the period under investigation. Table 1 sets out the way the definition of an SME has changed in New Zealand. It is estimated that over the period 1978–2008, about 97% of New Zealand businesses could be classified as SMEs with their importance increasing over time: in 1978, there were 110,484; in 1999, 222,295 (Statistics New Zealand, 1982, 1990); and by 2008, there were 477,668 (Ministry of Economic Development, 2008). The latest statistics from 2017 show a total of 509,725 SMEs, of which 70% have no employees. It is estimated that 28% of the country’s gross domestic product (GDP) is produced by SMEs, with the rental, hiring and real estate services industry comprising most SMEs. Further, SMEs account for 42% of jobs created (Ministry of Business Innovation and Employment, 2017).

### Data collection

The policy process manifests itself predominantly in two forms: in written form as well as in the understanding of actors involved in the development of policy (Weible & Carter, 2017). Data for this study were collected through historical documentation and in-depth, semi-structured interviews with key informants, a combination that has been specifically recommended to research the policy development process (Burnham, Lutz, Grant, & Layton-Henry, 2008).

### Business history archives

Historical documentation is a significant source of data in the study. Documents were accessed from the archives of the National Library of New Zealand, Archives New Zealand, the Ministry of Economic Development and the National Library of Australia. Extensive use was made of business and management databases as well as more generalized databases, including Business Source Complete, Web of Science, Google Scholar, Scopus, Social Science Research Network



and Emerald Full Text, as well as of newspaper archives, including Newztext and Index New Zealand. In some cases, files and other relevant documents were provided by interview participants, in particular those relating to the early years of this study. Document analysis of government policy documents and other written material that emerged from the period under consideration reflects the *authorized* voice of the research data. This material was used not only for triangulation purposes but also as background before the interviews, and to reinforce, supplement and inform the data collected through the interviews. In total, 106 documents were included in the analysis consisting of cabinet papers, policy development documents, policy reports and other contemporary sources from agencies, industry associations, news media and research reports.

### *Key informants' interviews*

Crucial, however, to achieve the aims of the study is the ability to access the recollections of individuals who helped shape the directions of SME policy from 1978 to 2008. Using key informant interviews allowed us to unpack the 'lived experiences of those engaged in the policy process and meanings they attach to them' (Xheneti, 2017, p. 320).

Sampling was purposive using a snowball approach (Patton, 2002) to tap into the insider knowledge and experiences of a relatively narrow group of key informants. A key sampling characteristic was that participants had a clear and direct involvement in SME policy development during the timeframe under investigation. Preliminary investigation into possible participants revealed a scarcity of possible candidates from the business sector as there was a lack of a coordinating lobbying body for SMEs such as industry associations or chambers of commerce and SMEs were not otherwise directly involved in policy development. As a result, sampling focused on senior SME public policy developers (including policy and business advisors) and SME researchers.

In total, the sample consists of 14 key informants who were directly involved in the policy development that impacted on SMEs over the period under investigation. It is important to note that in a small economy such as New Zealand, the narrow range of subjects interviewed reflects the relatively small size of its public sector. The already small number of public servants is further reduced when one takes into account the even smaller subset of those officials and others working on SME policy development over the period, at times fewer than 10 (Maxwell, 1996). Additionally, some key informants from the early years are now deceased. Over the 30-year period, more public sector agencies as well as academic researchers became involved in the development of SME policy. As a result, more key informants were available for the latter period. It is also important to note that some key informants had different roles over the period under investigation. Key informant details are presented in [Table 2](#).

Data were collected through semi-structured, face-to-face interviews (Patton, 2002). The interviews were recorded after informed consent was granted by participants. Five participants preferred not to be recorded due to their ongoing or recent involvement in policy development. For these cases, extensive notes were taken during the interview. Interviews lasted between 45 and 90 minutes, with most lasting at least one hour. The recorded interviews were transcribed verbatim and transcripts were sent back to participants for verification.

### **Data analysis**

To identify changes in the approach to SME policy over time, data were triangulated by concurrently analyzing interview and archival data using thematic analysis. Accordingly, preliminary analysis and reflexive notations (Miles & Huberman, 1994) were employed while we familiarized ourselves with the data by reading and re-reading transcripts and archival data. A systematic approach was then employed to code the transcripts before the codes were sorted into emerging themes such as period active in SME policy, type of involvement and particular areas of

**Table 2.** Key informants' details.

Participant	Time frame active in small and medium-sized enterprise (SME) policy	Role	
A	1973–94	Business advisor	Business support agency
B	1973–2008	Academic	University
		Researcher	Business support agency
C	1978–2010	Academic	University
		Business advisor	Two different business support agencies
D	1973–86	Trade commissioner	Business support agency
E	1983–2006	Policy advisor	Two government agencies
F	1989–99	Policy advisor	Government agency
G	1985–2010	Academic	University
H	1984–94	Researcher	Private research institute
I	1990–2011	Academic	University
J	1999–2009	Policy advisor	Government agency
K	1994–2008	Policy advisor	Government agency
L	2005–12	Policy advisor	Government agency
M	2001–16	Business advisor	Business support agency
N	1994–2003	Policy advisor	Business support agency

involvement. The data obtained from the archival search were reviewed according to relevance and mapped against the data collected through the interview process. The literature review provided another mechanism through which to crosscheck and verify information secured through the interviews. Codes and themes were then reviewed by re-reading all data excerpts and relationships between them were identified to generate nuanced meaning (Strauss, 1987). To this end, contextualizing strategies were used (Maxwell, 1996) that involved re-reading the data excerpts and searching for relationships that connect institutional context and policy actors to the events that led to the evolution of the SME subsystem over time. The process of contextualization was a useful mechanism to understand further the relationships between the different elements contained in the interview transcripts as well as the material in the archival data collected in this study. Taken together, these steps assisted in the identification of key turning points in the development of SME policy over the period 1978–2008.

Next, the findings are discussed in three historical periods.

## ESTABLISHING AN SME POLICY, 1978–83

New Zealand economic indicators for this period included historically high levels of inflation, stagnant growth and rising unemployment (Easton, 1997), which were the result of three key events in the international context that happened before the period under investigation, but still had a lasting effect on economic policy: the wool price crisis in 1966; the double oil shocks of the early 1970s; and the UK's membership of the European Economic Community (EEC) in 1973 (Nixon & Yeabsley, 2010). These events had particularly detrimental effects on the economy given the high dependence on both the agricultural sector and the UK as its key market. The government responded to these crises with protectionist economic policies, known collectively as 'fortress New Zealand'. Agriculture was heavily subsidized, price and wage controls were set in place, tariffs were high and import licensing regimes were run (Easton, 1997).

Key informants universally identified the establishment of the Small Business Agency (SBA) in 1978 as the first time in New Zealand that a policy programme acknowledged the specific needs of small business as being distinct to those of larger enterprises and it was the formal starting point of SME policy development in New Zealand. The SBA was the result of growing interest in small businesses overseas. In particular, the Bolton Report (Bolton, 1971) in the UK and the Wiltshire Report (Wiltshire, 1971) in Australia were considered ‘to influence New Zealand a lot’ (participant G) by drawing attention to the role that SMEs could play in an economy. Documents from this period refer to the two reports as justification to pursue SME policy during the period 1978–83 (Devlin, 1984b; Devlin & Le Heron, 1977).

Although there was no parliamentary report in New Zealand, *Small Scale/High Value*, a report issued by the Department of Trade and Industry underscored the potential for SMEs (Datson, 1977). Participants B and C assessed its influence in terms of advancing SMEs as a complementary sector of the economy, along with ‘big business’. Along with the international reports, this report provided a context to possible approaches to develop SME policies. ‘*Small Scale/High Value* is as relevant today as it was 40 years ago. It recognised that New Zealand was mainly a small firm economy’ (participant B). Key informants suggested that the emphasis of the SBA was on export development, but increasingly emphasis was placed on encouraging firms to develop their management capabilities. According to two participants interviewed, one of whom was a researcher and the other a business advisor, the SBA served to reinforce the expectations held by SME owner-managers that government should afford them protection from competition and incentivize their international engagement under as favourable conditions as possible (participants B and C). For some analysts, the SBA had detrimental effects on the way businesses in New Zealand were run, as they started to focus on obtaining government assistance, rather than improving their competitiveness, let alone export competitiveness (Bollard & Jackson, 1992).

This is reinforced by key informants who reported that their understanding of what an SME was, and what role they played in the economy, was not clear (participants A and B). Policy-makers considered SMEs to be smaller versions of a larger firm and operated on the premise that *real* economic growth was primarily driven by large enterprises. In fact, New Zealand was not, according to key informants, in a leadership role when it came to understanding the nature and role of SMEs. Overall SME policy development was characterized by informality and the sense that only a few individuals at the forefront its development were determined to promote the embryonic SME sector.

This lack of a wider understanding of SMEs is reinforced by participants who recalled the launch of the ‘Think Big’ economic strategy (participant C) in 1981 that focused on large enterprises in an attempt to address New Zealand’s economic vulnerability to global events. They referred to this as a period that was ‘highly regulated’ (participant C) and characterized by a ‘heavy handed government’ (participant A).

Towards the end of this period, however, the protectionist approach was failing and the economy faced unprecedented levels of inflation and unemployment (Organisation for Economic Co-operation and Development (OECD), 1983). Increasing calls were made for a change in the economic overall approach.

Regional development policies and policies that sought to incentivize export diversification were beginning to take SMEs into account (participant D). In particular, several forms of assistance were delivered to encourage exporting during this first phase of SME policy development, but the assistance remained largely financial through, for example, grants, loans or tax incentives (Jurado & Massey, 2011).

Attitudes to how businesses were run changed markedly with the signing of the Closer Economic Relations (CER) trade agreement with Australia in 1983. Hitherto there had been few incentives for businesses, and in particular SMEs, to export to address scale-related difficulties

as tariff walls effectively shielded them from competition. The CER agreement reduced tariffs which ended the complacency of the business sector as they now faced external competition and started to consider exporting seriously (Nixon & Yeabsley, 2010).

## ECONOMIC REFORM, 1984–98

Key informants recalled the period from 1984 to 1998 as a momentous period of New Zealand economic history. In 1984, the New Zealand economy was overregulated, with a heavily subsidized agricultural sector, soaring unemployment, high levels of inflation and economic stagnation (Easton, 1997). The newly elected Labour government held an economic summit to bring together interest groups, in particular trade unions, industry and manufacturer association members (Cook, 2013). Although the SBA contributed an overview of the SME sector to this summit (Devlin, 1984b), this went largely under the prevailing ethos of the time which a key informant described as a blanket business policy, as opposed to a specific SME policy: ‘The sort of official view of government at that stage was you wouldn’t want a small business policy, you wouldn’t want a big business policy, you would want to leave it to market forces’ (participant H). In this vein, the newly elected government instigated a series of rapid moves where the currency was floated, banks deregulated, farming subsidies removed, and industry assistance and import protections reduced or eliminated (Bollard, 2005). The consequences of the reform and the opening up of the economy were manifold and the impact on New Zealand society as a whole cannot be understated. For SMEs themselves, these macroeconomic reforms exposed them to external competition for the first time. One key informant recalled: ‘Brutally thrown to [compete globally], they had to sink or swim. Two thirds of them swam and one third sank’ (participant H). Economic reform not only impacted directly on how SMEs operated their day-to-day business but also had unintended consequences in terms of what was known about SMEs. For instance, the introduction of a value-added tax in 1986 required firms with a turnover greater than NZD\$30,000 to register to qualify for tax refunds, with the unexpected result that a greater number of SMEs than anticipated registered for tax purposes, thus improving the available information about the numbers of SMEs operating.

Suddenly we found from [goods and services tax (GST)] registrations we had one third more small businesses than we thought we had had. So basically a lot of small businesses [had been] operating in a grey economy and they sort of came into the official sector at that point. (participant H)

Further examples include the Fair Trading Act and Commerce Act introduced in 1986 and the Employment Contracts Act introduced in 1991, which opened up the external environment of SMEs even further. As a result, SMEs were exposed to a more competitive environment while at the same time having to adhere to regulatory standards. This continued to change the manner in which SMEs operated by encouraging them to become effective and efficient. ‘You found small businesses had to stand on their own, they had to compete much more and they had to take on new skills. Small businesses had to make decisions themselves’ (participant H).

Despite initial favourable economic indicators, the combination of the structural economic reforms and the 1987 stock market crash, during which the New Zealand share market index fell by over 60% (Whitwell, 1990), the country entered a significant economic recession and unemployment doubled to peak at 10.2%. In line with the prevailing government view that businesses were best served by businesses themselves, the SBA was disestablished that same year (Development Finance Corporation of New Zealand Act 1986). This was a source of great disappointment for SME advisors at the time as there was general agreement that there was no suitable replacement for the services that were provided by the SBA (Bollard, 1988). Media commentators also reported disappointment by SMEs that the support had been

withdrawn (National Business Review, 1986). In this vein, an informant from a SME support agency reflected: 'We started to have a really rocky time because it was reckoned that we really shouldn't be helping anyone because they [SMEs] should help themselves' (participant A). While direct government support was being cut back, stakeholder involvement in researching and discussing SME policy became stronger, with New Zealand's international links being strengthened. The Small Enterprise Association of Australia and New Zealand (SEAAANZ) was formed in 1987 to provide a forum for SME stakeholders to engage with one another, share information and debate policy issues relevant to SMEs. At the same time, there was a drive by national researchers made up of stakeholders in government, SMEs, industry associations and academia, to build significantly the New Zealand SME knowledge base (Bollard, 1988; Devlin, 1984a; Haines, 1991; Harper, 1994). Moreover, high-ranking government ministers were showing more interest towards SMEs and wanting to find out more about them. A key informant recalled the Minister of Finance calling for more research into why SMEs were not benefitting from the economic reforms in the late 1980s: 'My recollection is that Mr. Douglas, [the Minister of Finance] about 1989, wondered why we actually weren't getting the benefits. And he turned to the Department of Trade and Industry and we initiated a research programme' (participant F).

This followed international research programmes being developed: the Asia Pacific Economic Cooperation (APEC) started work on SMEs in 1994 and the OECD's SME Working Party, established in 1993, provided another regional and international forum for the exchange of views and perspectives both between SMEs themselves and also with policy-makers and researchers.

Despite the rejection of the direct provision of assistance to SMEs and the continued liberalization of the economy, a new national-led government softened its stance somewhat by introducing business development boards (BDBs) in 1990 to support SMEs to develop their capabilities (Controller and Auditor-General, 1998). As one key informant recalled, the structure and form of the BDBs mirrored those of the Business Enterprise Centre in the UK and in Australia: 'I went to the UK, understood what they were doing. I already had a lot of engagement with the Australians. I understood what the Australians were doing, and then I proposed that we adopted that scheme in New Zealand' (participant G).

An unintended consequence of the establishment of the BDBs was the proliferation of consultants with limited results in terms of boosting SME growth. This led to a review carried out by the Ministry of Commerce and their subsequent disestablishment in 1998. A new business development plan was proposed 'to find innovative ways to improve general management capabilities of small firms' (Bradford, 1998).

Although policy-makers widely believed that the enabling economic environment, developed through the reforms launched in 1984, had enhanced levels of competitiveness and reduced costs, productivity levels remained low and this prompted renewed interest in policies to improve management development amongst SME owner/managers. As a result, the BIZ business support programme was established in 1998 to 'enhance management capability, business skills and knowledge of SMEs' (New Zealand Treasury, 1999, p. 44). It could be argued that BIZ was the continuation of the original policy to support SMEs that dated back to the SBA, and was continued by the BDBs for most of the previous decade.

Nevertheless, the credibility of SME policy had suffered considerably and the role of government was eyed warily in terms of the future of SME policy. Locke (2000, p. 34) summed up the frustration felt at the time: 'The 1990s have been witness to numerous changes in government policy for small to medium businesses and there's scant evidence that anything worthwhile has been achieved.'

Several of those interviewed acknowledged that policies for SMEs were still not a high priority. 'So how is the government thinking about small business? They were not thinking of small business specifically' (participant H). 'We wouldn't have had a small business policy over that



period' (participant F). Indeed, there was a sense prevalent over this period that the government should 'get out of the way' (participant G) of the private sector, including SMEs. A number of key individuals, however, saw a need for 'a comprehensive small business policy' (Tweed & Cameron, 1991, p. 55).

## THE ENTREPRENEURIAL ECONOMY, 1999–2008

Although this period (1999–2008) began with the Asia Financial Crisis and ended at the onset of the Global Financial Crisis, the years in between were characterized by relative stability, particularly compared with the economic and social upheaval of the mid-1980s and early 1990s.

Politically this period started with another change in government after the Fourth National Government was defeated at the polls and replaced by a Labour government in 1999. The government's core economic policy objective was to increase productivity and rates of innovation and return New Zealand to the top half of the OECD rankings (Clark, 2001). SME policy sat within the overarching objective during this period set out in the Growth and Innovation Framework (GIF) (2002–06) and later by the Economic Transformation Agenda (ETA) (2006–08). Against this background, policy-makers reconsidered how SMEs might fit into the evolving paradigm and potentially help drive and generate economic growth as well as social cohesion: 'Vibrant SMEs are important for successful economic and social development' (New Zealand Government, 2002, p. 4).

Policies were set in place to provide an environment that would make doing business easier. A report in 2000 by the Ministerial Panel on Business Compliance Costs concluded that the proportional burden of compliance was higher on SMEs than on larger firms (Massey, 2003) which reflected international findings. The result was a commitment by the government to improve the quality of regulations, to make information about these regulations more readily available, and to implement these effectively (New Zealand Government, 2002). These policies included the introduction of a Regulatory Impact Statement for all policy proposals submitted to Cabinet requiring all government departments to consider the impact of the regulation on SMEs (Department of Internal Affairs, 2015). Others included the Good Regulation Project to ensure 'a thriving environment for SMEs, where regulation is more than just an unnecessary evil' (Labour Market Policy Group, 2004, p. 6) and the Quality Regulation Review that investigated the burden of regulation as it stood towards 2008.

During this period engagement with stakeholders in the policy development process increased significantly. By 2008, the government's key SME stakeholders included industry associations, economic development agencies, providers of business assistance and those involved in academic research on SMEs (Ministry of Economic Development, 2008).

At an international level the profile of SMEs was also more prominent as was the contribution of international organizations to setting the SME policy agenda. In 1999, New Zealand hosted the Asia-Pacific Economic Co-operation (APEC) meeting, which brought together ministers and senior officials from Pacific Rim nations. Participant F remembered being the SME policy advisor for the SME meeting, where discussions centred on reducing internal barriers to the functioning of SMEs, and encouraging e-commerce. The press release by the Minister of Enterprise and Commerce put SMEs at the heart the development of a knowledge economy: 'Ministers and business representatives acknowledged their joint responsibility to promote the growth and profile of SMEs, which are emerging as the engine rooms of the knowledge-based APEC economies of the future' (Bradford, 1998). Further, New Zealand became a signatory to the OECD Bologna Charter in 2000, which laid out the key issues affecting SMEs that members of this organization should be concerned with. New Zealand's involvement further exposed policy-makers to the value that SMEs could generate for the wider economy across economic as well as social indicators. The combination of the rising profile of SMEs internationally,



and New Zealand's engagement with these organizations, influenced how policy was developed in so far as SMEs were consolidated within the economic policy arena as a sector in its own right.

As SMEs became more entrenched in public policy, it became clear that a range of policies affected SMEs and needed to be coordinated more effectively. The appointment of a Minister for Small Business in late 1999 (Department of Internal Affairs, 2015) was an important step towards coordinating SME policy development between the different government agencies. The appointed Minister was a Cabinet minister for other portfolios and this in turn increased the profile of SMEs amongst other policy-makers:

The role of the Minister for Small Business was to make sure that when we made rules that we didn't just think of the big players or the impact on all big players, that we all sort of thought of the impact of the rules on the small players and was that actually stopping them becoming big players. (participant J)

Likewise, the establishment of the SME Senior Officials Group gave SMEs more visibility amongst policy advisors from various government departments: 'The Senior Officials Group was set up to share information about research programmes, statistics and encourage dialogue across different government departments' (participant L).

Another important element in the improvement of interagency communication in SME policy development issues was the Ministerial Group on SMEs (2002), made up of the Ministers for Small Business, Commerce, Economic Development, and Finance (New Zealand Government, 2002). Around the same time the Small Business Directorate was established in 2003 within the Ministry of Economic Development. Data collection on SMEs was increasingly sophisticated and the Directorate published an annual summary of key SME indicators. The report, *SMEs in New Zealand: Structure and Dynamics* (Ministry of Commerce, 1999), provided regular snapshots of SME indicators and became a point of reference for all SME stakeholders.

Of significance during this period was the rise in consultation processes set up by the government. Most notably was the establishment of the Small Business Advisory Group (SBAG) in 2003 to enhance communication between government and SMEs. Six to eight members were chosen to bring to government issues that impacted on the growth of SMEs with suggestions for possible solutions and priorities. The SBAG played an important part in transforming the way the government developed and presented new policies to SMEs (participant L).

The most significant policy output was the establishment of the New Zealand Trade and Enterprise (NZTE) agency in 2003. For a key informant the establishment of NZTE was the culmination of a long process that had started with the SBA discussed earlier on (participant B). The reasoning behind NZTE was to make it easier for SMEs to access government business support by providing a more coordinated, flexible and targeted approach that combined domestic and international considerations. This resulted in a reorganization of the way business support delivery was structured within the government. The main objectives of the three key programmes that NZTE coordinated included developing management capability, export development and supporting high-growth firms.

The contribution that SMEs could make to the economy was increasingly acknowledged during this period. Moreover, developments in the field of entrepreneurship influenced how SME policy was formed, the types of firms that were targeted, and the capabilities that SME owner/managers needed to be assisted with. Consequently, policies increasingly targeted growth-oriented small firms and entrepreneurial individuals. As a key informant recalls:

We were so imbued with small business are the ones that generate, small businesses do that, small business do the other, that it just didn't hit us that the entrepreneur was the actual agent that we were trying to cultivate. (participant A)

A shift took place in terms of the attitudes of policy-makers towards SMEs; no longer were they regarded as 'little big firms' but were considered in their own right as potential engines of the economy. This shift focused policy-making to encourage entrepreneurial activity amongst firms:

Somehow there was a sense that in the bottom of your economy somewhere was this power house and that it was made up of lots of little firms and you didn't have to wait until they were the world's biggest, the world's greatest, for them to make a contribution to the economy. (participant J)

## DISCUSSION AND IMPLICATIONS

The research has demonstrated that SME policy between 1978 and 2008 developed from being an incidental outcome to being an integral part of the wider economic development strategy through the provision of targeted assistance to SMEs and engaging stakeholders and SMEs themselves in the policy development process. Based on focusing events, three distinct periods in SME policy development in New Zealand were identified – 1978–83, 1984–99 and 1999–2008 – that are characterized by changes in the socioeconomic and institutional context, the actors involved and resulting policy outputs. What has remained unchanged during the 30-year period is the role of key individuals influencing the policy development process as well as some key underlying concerns of SME policy-makers when it comes to the economic contribution of SMEs. A summary of the policy process is provided in [Table 3](#).

Our findings confirm the path-dependent nature of SME policy and the difficulty of changing direction (Pierson, 2000). The historical analysis points to a high degree of continuity in the underlying concerns policy-makers had in relation to the performance of SMEs, which is reflected in the policy content. Throughout the period under investigation, the lack of management capability as well as low levels of internationalization remained ongoing concerns for policy-makers, and all the identified policy outputs addressed these issues albeit in different ways depending on the prevailing political discourse. While the focus in the first period was to protect businesses by, for example, imposing tariffs and providing subsidies and grants, the focus in the second period was to provide an enabling environment through regulatory reforms, rather than providing direct support. In the third period, the underlying concerns were addressed by more targeted support mechanisms that increasingly addressed the individual as opposed to the business. This continuity in underlying policy concern is somewhat surprising given that the economic and political context changed dramatically over the 30-year period. Even more so, evidence from the United States (Audretsch & Aldridge, 2014; Dennis, 2011a, 2011b), Australia (Mazzarol, 2014; Parker & Hines, 2013; Schaper, 2014) and the UK (Greene et al., 2008) suggests a similar continuity despite different contexts. The reasons for developing SME policy have not only remained largely the same in the 30 years under investigation but also are surprisingly similar across different countries.

The discussion will further examine the key themes arising from the historical account in relation to the complex interaction of actors, context and events in the development of SME policy. We will discuss in detail below, namely: the role of context; the influence of key individuals as conduits of international practice; and the increasing importance of societal actors as stakeholders in SME policy development.

### The role of context

Findings suggests that the role of context is complex and its effects on policy development might not always be direct. While we agree that context is important in policy studies (Smallbone, 2016), we argue that we need to start unpacking the context 'construct' and go beyond its

**Table 3.** Summary of small and medium-sized enterprise (SME) policy process.

	<b>Establishing an SME policy, 1978–83</b>	<b>Economic reform, 1984–88</b>	<b>Entrepreneurial economy, 1999–2008</b>
<i>Actors involved</i>			
Government actors	Medium	High	High
Societal actors	Low	Medium	High
International actors	Low	Medium	High
<i>Context</i>			
Socioeconomic context	High levels of inflation, economic stagnation and rising unemployment	Initial economic stagnation then recession, unemployment doubled, high levels of inflation	Period of economic stability, focus on growth, innovation, productivity
Institutional context	Protectionist approach 'Fortress New Zealand' resulting in an overregulated economy and a heavily subsidized agricultural sector	Sweeping neoliberal economic reforms to open the economy to international competition	Neoliberal economic principles form an overarching economic framework
<i>Events</i>			
	Major past events that had a lasting impact into this era: 1966 Wool price crisis 1970s Double oil shocks 1973 UK's membership of the European Economic Community (EEC) 1971 Bolton Report and Wiltshire Report  Major current events: 1981 Launch of 'Think Big' economic strategy 1983 Signing of Closer Economic Relations (CER) trade agreement with Australia	1984 Fourth Labour Government elected 1987 Wall Street share market crash 1987 Establishment of Small Enterprise Association of Australia and New Zealand (SEAANZ) 1990 Fourth National Government elected	1984 Asia Pacific Economic Cooperation (APEC) started work on SMEs 1993 Organisation for Economic Co-operation and Development (OECD) SME Working Party established 1999 Fifth Labour Government elected 2008 Global Financial Crisis
<i>SME policy outputs</i>	1978 Small Business Agency (SBA)	1986 Market Development Board established 1987 Closure of the SBA 1989 Establishment of regional development councils (rebranded as business development boards (BDBs)) 1998 BDBs disestablished and replaced by BIZ centres to aid access to management capability, skills and knowledge	2002 Appointment of Minister of Small Business (outside of Cabinet) 2002 New Zealand Trade & Enterprise (NZTE) 2002 Establishment of Ministerial Group on SMEs 2003 Establishment of Small Business Directorate & of Small Business Advisory Group (SBAG)

(often) vague usage by better understanding the different types of contexts and their direct and indirect relationships with different elements of the policy development process. Findings from this historical analysis seem to indicate that it is the prevailing political discourse that manifests itself in the institutional context that impacts on *how* SME policy is delivered, that is, the specific policy programmes, but less on *why* SME policy is developed, that is, the underlying concerns that are addressed. The socioeconomic context does not seem to have direct influence on the policy development process. Instead, its influence is indirect through shaping the political discourse that in turns is enacted by key individuals who drive the policy process. This finding extends previous work that so far has only argued that the prevailing political discourse impacts on policy development (Hill & Hupe, 2009), but not how that influence unfolds in detail.

### Key individuals: conduits of international practice and important influencers

As policy development happens mostly outside the public sphere, the individuals who are involved in the policy formulation mechanism are not easily accessible (Arshed et al., 2014), which has led to a dearth of studies that consider the perspective of those at the forefront of SME policy development. Building on eyewitness accounts, the historical analysis of the development of SME policy showed the important role of key individuals in influencing the policy process. This confirms a recent suggestion by Smallbone (2016) that policy-making is a *political* process and as such is neither objective nor neutral. At any time during the period under investigation, it was only ever a handful of people who actively influenced the policy development process. Moreover, the eyewitness accounts used in this study have proven invaluable to understand better who these key actors were in the policy development process and how they exerted their influence. The analysis has shown that these key individuals were not all from within government, that is, policy-makers, advisers and senior officials, but also from outside government, for instance, the business sector, international organizations such as the OECD, and academia. These individuals catalyzed policy development and implementation by forming advocacy coalitions and acting as conduits of international practice. The role of actors in advancing solutions to a problem has been widely reported in the policy theory (Cairney, 2013). Amongst these theories, multiple streams theory posits that individuals become prominent in the policy agenda when the three streams of the policy process (problem, policy and political) intersect (Howlett et al., 2017). In our case, the problem is how to grow the economy, the policy is SME policy and degrees of interest vary according to the political priorities.

The establishment of the New Zealand SBA in 1978 is an early example that reflects the influence of international developments in the UK, the United States, Australia and Canada (Small Business Management Advisory Committee, 1975). Similarly, the BDBs established in 1990 were modelled on the Business Enterprise Centers in the UK and in Australia. International organizations such as the Small Enterprise Association Australia and New Zealand, Asia-Pacific Economic Cooperation and the OECD provided valuable platforms for international exchange and diffusion of SME policy. But it was also professional ties between transnational actors (Xheneti, 2017), such as individual researchers and policy practitioners in the UK, Australia and the United States that contributed to the exchange of knowledge and practice. Findings from this study, however, point to the importance of key individuals in the policy development process and their interactions on national and international levels, something that to date has been neglected in SME policy research.

### The increasing role of societal actors as stakeholders in policy development

Although the importance of adopting a more consultative approach to SME policy development has been well noted (Audretsch & Aldridge, 2014; Bennett, 2008), Smallbone (2016) recently concluded that throughout the world it is very unusual for policy-makers to engage formally with stakeholders in the SME policy development and delivery process. This historical analysis

illustrates, however, that the influence of stakeholders, and in particular societal actors such as SMEs as well as lobbying agencies such as business associations and chambers of commerce, expanded over time, from comparatively little influence in the first period to considerably more influence in the third period. The establishment of the SBAG in 2003 represents a formalized approach and continued effort to engage SMEs and stakeholders in the policy process. The findings from this historical analysis illustrate how SME policy has evolved from an incidental outcome of an incremental policy approach to being an integral part of the wider economic development strategy that increasingly followed an institutional policy approach. This change in policy approach manifests itself in growing stakeholder engagement and consultation. The role of societal stakeholders has to date been neglected in SME policy research and there is much scope to theorize stakeholder engagement building on, for example, ACF and institutional theory.

## CONCLUSIONS

This study has shown that SME policy development in New Zealand was the result of a series of events during which stakeholder engagement and consultation increased over three periods with radically changing economic and political contexts and actors. As new periods came in place new governments brought in new priorities and key individuals pushed specific aspects of SME policy such as employment or export diversification. Interestingly, despite these different contexts, and due to the challenges of temporality in the development of policy, what in fact ended up occurring was a policy that was path dependent, while at the same time SME policy advocates continued to view SMEs as conduits to a truly entrepreneurial economy, and governments backed SMEs to improve economic indicators.

Our aim for this study was to explore the SME policy development process from a historical perspective. Building on archival sources and eyewitness accounts we analyzed the changes and developments in SME policy in New Zealand during the period 1978 through to 2008. Findings from the study allowed us to contribute to the literature on enterprise policy in several ways. First, the emphasis on process shifted focus away from isolated policies, and instead considers the interdependencies and of interconnected policies. Policies that focus on SMEs are grounded in a worldview that views entrepreneurship as an agent of economic change, with the shift of policies to support individuals develop their capabilities. Yet, policy that emerges in other areas also affected how SMEs performed, and towards the end of this period more attention was given to unintended consequences from other policies in the formulation stage, through mechanisms such as the SME Senior Officials Group. The ACF depicts a policy process within a policy subsystem where like-minded actors, in terms of core beliefs and normative values, come together with a common goal in mind (Howlett et al., 2017). Our results depict a policy process where like-minded actors made up of key individuals and groups of stakeholders within the SME policy subsystem, held strong views about the direction of SME policy in order to enable economic growth. In the case of SME policy development, this moment of change occurred when key individuals promoted a particular aspect of SME policy, and the prevailing political discourse became more interested in developing the entrepreneurial qualities of individuals with the ultimate aim of developing successful SMEs. However, our findings suggest there is still more work to be done to bring more coordination between the different policy subsystems.

As we write, the foundations of globalization are being called into question, namely neoliberal economic policies and free trade. Together with the ever faster rate of technological change, these are important pillars in the predominant political discourses that underpinned the formulation of SME policy during the period of this study. Understanding how SME policy was developed in the past could lead to a better understanding of the role of SME in this new world, as policy is developed keeping in mind the dynamics of the institutional context, policy actors and

stakeholders, and the impact they have on policy outcomes. In this increasingly complex context, stakeholder input will become even more dominant over time, while policy outputs will continue to cater for the changing nature of the economy.

The study is, however, not without limitations. First, it depended on interviews with a relatively narrow subset of policy-makers involved in SME policy development as well as a similarly narrow group of SME stakeholders. While the sample may be relatively small, given New Zealand's relative small size and the proportionately small number of government officials and others involved in policy-making, it can be considered sufficiently significant to allow for meaningful insights and conclusions. Second, eyewitness accounts are a potential source of recall error or bias. While archival resources allowed us to triangulate the participants' recollections, we are interested in 'interpreting the past' rather than 'controlling the past' (Cox & Hassard, 2007, p. 488). As such we acknowledge that our 'understanding of the present is informed by the construction of past reality' (p. 477). Third, the study is situated in a small, open economy and care should be taken when applying the findings to different economic contexts. A function of this emphasis on context is that it contributes to the debate on whether SME policy is, in fact, needed (Smallbone, 2016; Wapshott & Mallett, 2018). We therefore call for historical accounts of policy development in other countries that allow for more comparative analysis and contribution to this debate. Further, we suggest that future research should explore SME policy in combination with other policies and explore the interdependencies and their joint development. Lastly, we believe that exploring how individual and stakeholders form advocacy coalitions to influence the SME policy development process is another fruitful avenue for future research.

## NOTES

<sup>1</sup> The academic literature clearly differentiates between SME and entrepreneurship policy. While the first focuses on enhancing the performance of existing small firms, the latter focuses on individuals who are interested in starting a business or are in the process of starting up (Lundström et al., 2014). Dennis (2011a), however, argues that the policy agenda was one and the same well into the 1990s as small business was used as an umbrella term that covered new as well as established ventures. In practice, the distinction between SME and entrepreneurship policy is therefore often blurred, particularly when taking a historical perspective, as their development tends to be intertwined. For the purpose of this study we predominantly use the term 'SME policy' as it is more suitable for the historical period under investigation.

<sup>2</sup> For an overview of established and emerging policy process theory, see Hill and Varone (2017) or Weible and Carter (2017).

## DISCLOSURE STATEMENT

No potential conflict of interest was reported by the authors.

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