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Title of the paper

Ideational and material factors influencing policy change: are complex policies doomed to fail?

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Abstract

The paper is about analysing policy change in an institutional context of plurality of ideas and actors. It examines a case of a complex, innovation policy in Croatia in the period of the country joining the European Union in 2013. Using interpretative methods and discursive analysis, it can be concluded that material factors such as interests of the actors and outside functional pressures, explained by the fantasmatic logics, can have crucial influence in changing dominant policy discourse. However, if they are not in sync with ideational factors, these policies can remain at the declarative level of implementation.

Keywords: Innovation policy, complex policy problems, policy discourse, policy ideas, Europeanization, discursive institutionalism, Croatia

Introduction

The paper is about analysing policy change in an institutional context of plurality of ideas and actors. It examines a case of innovation policy in Croatia in the period of the country joining the European Union in 2013. Innovation policy is an interesting case, because it can be characterized as a complex policy since it encompasses policy areas of several designated authorities. Furthermore, innovation policy itself has gone through several phases of its development, and the modern innovation policy certainly poses a challenge for policymakers.

This research is 'problem-driven' (Glynnos, Howarth, Norval and Speed, 2009) done as a case study of innovation policy in Croatia in the context of process of Europeanisation of national policy and financial crisis of the state budget. Croatia became a Member State of the EU in 2013, which brought a new dynamics in policy making process.

Hypothesis is developed, that the change happens if there are adequate incentives for the actors to take on the new meanings and new ideas on how to define certain policy issues, related to specific discourses' power properties. The power in this case stems from the availability of the EU funding resources, so the political change that happens is dominated by the most powerful discourse in that respect. The paper demonstrates that innovation policy is a 'complex policy world' due to plurality of meanings assigned to it by different actors involved. The empirical evidence show an ongoing existence of subjective definitions and a certain level of discontent by the individual actors whose ideational logic has not been successful in arriving to the new, 'European' agenda, which potentially poses a threat in achieving policy integration and implementation. Thus, the challenge for policy makers is to re-assess what innovation policy actually means. It can be suggested that complex policies are doomed to fail if they depend on one meaning and are counting on the wider reception of that one meaning.

Methodology is interpretative; a combination of different discursive analysis approaches. The level of analysis is speech and interaction. Material and data are gathered on the basis of semi-structured interviews with state policy actors involved and their discursive practice. The paper is a part of a wider research in a PhD thesis, and this paper presents some of the preliminary findings.

The paper contributes to the scholastic agenda of interpretative methods because its conceptual framework is found in the interpretive methods: it assesses the three logical layers of policy processes suggested by Glynos and Howarth (2007) and in particular on how these logics affects policy change; it approaches the topic via construction and dissemination of ideas within an institutional context and takes them as constitutive elements in the process of policy-making, which is situated in the theory of discursive institutionalism (Schmidt, 2008, 2011). It also uses the theoretical model of 'multiple streams' (Kingdon, 2014), which offers

an explanation of the processes that lead to political changes, especially in terms of complexity and the existence of more ideas on public policy issues.

The empirical part of the paper will present the Croatian innovation policy as a case study, and findings of the discourse analysis, also to test the applicability of the 'three logics' framework from a policy change perspective. In contrast the findings are also tested using Kingdon's model of multiple streams in explaining potential policy change.

Hypothesis is developed in a two-step process. The first step took form of simple survey sent electronically to a selected number (7) of scholars and practitioners¹ of innovation policy who have experience in innovation policy analysis. The survey had one question about the main factors influencing innovation policy agenda setting in Croatia. The answers were instrumental in clarifying the hypothesis and in designing the main part of the research. The latter was done as a combination of text and speech analysis, using a political discourse analysis and critical discourse analysis. The material was gathered via semi-structured interviews with policy actors and policy stakeholders² (in total 18 interviews) involved in the innovation policy making process in the pre-EU-accession period till the end of 2016.

In the following section, this paper will discuss innovation policy as a complex policy, with a focus on the European innovation policy and its development. Then, it discusses the role and usefulness of interpretive method for understanding policy processes. Since the empirical research is done using Croatian innovation policy as a case study, a section is dedicated to describing this particular case. In the final sections of this paper, concrete analysis of the discourse analysis is presented offering conclusion at the end, that polities with no coordination and cooperation between policy actors, as in the case of Croatia, have even more challenges for complex policies, because material factors such as interests of the actors and

¹ A list of participants provided in the Annex I.

² A list of participants provided in the Annex II.

outside functional pressures, explained by the fantasmatic logics, can have crucial influence in changing the dominant political discourse. However, as the research suggests concluding, they are not in sync with ideational factors because there has not been an intensive exercise of original thinking, a discursive process of diagnosing, identifying and structuring the actual policy problem that would construct a new collective meaning, acceptable to all policy actors involved. It might be suggested that complex policies are therefore doomed to fail if they depend on one meaning and are counting on the wider reception of that one meaning.

Innovation policy as a complex policy

Authors who write about the complexity theory speak about growing instability and disorientation in politics and public policy processes and associate it with the behaviour of complex systems (Cairney and Geyer, 2015). Such an approach is close to the non-rationalist explanation of public policy making because it considers that public policies cannot be planned in the context of volatility of the future according to the past models. Such situations are certainly a challenge for public policy, as complex problems are difficult to structure. Cairney and Grayer (2015) consider that evidence-based policy making is not applicable for complex policies, but that policy makers can only be led by evidence-informed policy making that are not trying to give an unambiguous answer to the question concerning effect, but offers an idea of possible solutions in the context of time and space. The authors gave a couple of recommendations about the process itself. This implies bottom-up approach, openness to experimental public policy measures, piloting and decentralization not only in implementing but also in creating new solutions. This approach does not talk much about how certain ideas come to the agenda, but it is important since it apostrophizes the context and situation management of the policy-making process that moves from the rationalist understanding of this process. For more information on different approaches to explaining the policy process,

see authors Baumgartner and Jones (1993), Braybrooke and Lindblom (1963), Hill (2009), Howlett (2009), Kingdon (1995, 2014) March and Olsen (1996).

Colander and Kupers (2014) believe that complexity science is changing the way we think about policy problems. According to them, economists' policy models are not suitable for these problems. Furthermore, they think that the government control narratives are useful in some cases, but can be even "damaging" in others, directing thinking away from creative, innovative policy solutions. They suggest, much similar to Cairney and Grayer that it calls for a more flexible policy thinking "which envisions society as a complex evolving system that is uncontrollable but can be influenced." However, from the policy practitioner point of view, that is easier said and understood, then done. In reality policymaking is still influenced by the positivistic/ rationalist approach. As Glynn and Howarth (2007, pp2) explain it, the positivist approach that insists on prediction and prognosis and law-like models of policies, have "extraordinary resilience" in social and political studies.

Innovation policy, can, from that perspective, be a good example of a complex policy, because the idea of innovation has changed over the last decades, which also influenced the innovation policy.

The development of the theory of innovations in the last decades is experiencing numerous reformulations (Mytelka and Smith, 2002). The knowledge needed to create innovation policy is linked to some explanation of innovation policy, which is derived from "a certain theory of innovation" (Borrás, Chaminade and Edquist, 2007).

With the development of innovation theories, an insight into innovation policy and its tasks is also developing. The systematic approach of modern innovation policy considers its task to be integration of formal and informal institutions (civil, social, political, economic, educational, scientific and others) into a national innovation system to create and develop a unified

environment that directs economic actors in innovation development and application and which promotes their innovation performance for growth and development (Reiljan and Paltser, 2015). Such a view is characterized as the 'third stage' of innovation policy (Braun, 2008). The first stage is characterized by a linear view of the innovation process in which automatic spill-over from scientific research into technological application is expected. In the second stage, the role of the various stakeholders involved in the development of innovation is emphasized; however, sectoral approach focused on policy content remains dominant. It is only at the third stage of the innovation policy development that innovations are viewed as a link between market and non-market impacts, with the policy role to create frameworks that will affect the improvement of interaction between different parts of the system. It is an open question to what extent the national politics are capable of developing such policies (more about the stages in: Braun, 2008).

In Europe, the idea of the need to have more economic impact from science and research was first formalized in the early 90s, but it was only in 2020, with the new 'Lisbon Agenda'³ that the EU leaders decided that the European economy should be fundamentally modernized to be able to compete with the USA and new world players such as Brazil, India and China. One of the goals the EU has entrusted to all Member States is to allocate 3% of GDP to investment in research and development.

Since the financial crisis of 2007-2008 the economic situation has changed. Therefore, research and innovation have been placed at the heart of a new EU Strategy that should give direction for the period 2014-2020. The strategy developed for this period, the Europe 2020 Strategy⁴, promotes smart, sustainable and inclusive development. Innovation definition in a new strategic document Innovation Union shows the ambition to implement the 'modern

³ Text of the Lisbon Agenda available at: http://www.consilium.europa.eu/en/uedocs/cms_data/docs/pressdata/en/ec/00100-r1_en0.htm (03.06.2017.)

⁴ Strategy Europe 2020 available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52010DC2020> (03.06.2017.)

innovation policy, promoting a broad concept of innovation that focuses on performance and rises above technological and product-oriented innovations, includes all stakeholders, especially companies, and emphasizes different enabling roles of citizens, understanding the need for mentality change, calling for innovation to be reflected in the successful application of ideas in practice and is directed to products, processes, services, movements, systems, and organizational structures (EC, 2011). Also, one of the goals of the Strategy is to change the governance model into a triple helix model according to which the public, private and scientific sectors at the local, national and international level work jointly creating thus a unique and complementary innovation eco-system.

In order to pursue this goal, the Commission committed itself clearly for innovation policy, by linking the goals to its main investment policy, the Cohesion Policy aiming at reducing disparities in competitiveness level of the European regions. A smart specialisation concept was launched that has become a key instrument for place-based development, implementing innovation-driven progress in Europe. Thanks to this effort, for the first time, public authorities and stakeholders across an area of more than five hundred million inhabitants have crafted their innovation policy according to a common set of principles and methodologies (EC, 2014)⁵. As a prerequisite for the use of these funds, each region within the EU had the precondition to develop a "smart specialization strategy" that links identified strong sectors with research and innovation actors to become more competitive.

According to all the above, the development of the European innovation policy is characterized by a new definition of innovation and, accordingly, the inclusion of other participants and the stronger integration of research and innovation policy into economic policy.

⁵ From the preface in a document on the EU Cohesion Policy 2014-2020 and Smart Specialization Strategy, a statement from the Commissioner responsible for cohesion policy. Available at: <http://s3platform.jrc.ec.europa.eu/documents/20182/154972/Implementing+Smart+Specialisation+Strategies+A+Handbook/2a0c4f81-3d67-4ef7-97e1-dcbad00e1cc9> (03.06.2017.)

Croatia entered the European Union in 2013, when the European Commission was in this process of further alignment of research and innovation with the cohesion policy. Next section explains, using interpretative methods, what it meant for Croatian innovation policy, how this pressure affected policy actors and policy making processes.

Understanding complexity of innovation policy world using interpretative methods

There is much discussion going on innovation policy and its challenges. This can be backed by conclusion from the ambitious Compendium Project⁶, aiming at taking stock on research done on innovation policy, stating that '...governments have implemented a wide range of policies to encourage innovation with a view to stimulating economic growth. ... Evidence for their impact, however, is often limited, widely dispersed and exists in many different forms ... from academic research to internally commissioned programme evaluations'.

Interpretative method for analysing innovation policy has not been a very much used method to analyse innovation policy, if at all. It could be said, that the reason is because the object of the enquiry has not been the policy making process itself, but mostly, the existing literature deals with the formulation and effectiveness of innovation policy instruments. Discussion about policy problems or the way they are conceptualized is mentioned only in passing. It seems that it is a kind of knowledge that is taken for granted. The interpretative methods might have an actual opportunity here to try to answer some of the policy challenges and questions, but using a different theoretical framework.

In using interpretative methods, the challenge is to try to go beyond the 'subjectivity and self-interpretations' (Glynos and Howarth, 2008), and to find a theoretical framework for explaining policy dynamics that could offer scientific relevance of the interpretations. The

⁶ Source: Report on Horizon 2020 Twinning project 'Smart EIZ.' Training Workshop: 'Assessing innovation policy: an overview of theoretical, design and implementation issues' referring to the Compendium of Evidence on Innovation Policy, <http://www.innovation-policy.org.uk/compendium/> (April, 2017).

theoretical framework of the logics of critical explanation offered by Glynos and Howarth (2007) is in that respects useful to shape the right questions at the right cognitive level of enquiry in social and political worlds. It serves to explain the transformation, stabilization and maintenance of regimes and social practices. There are, according to them, three types of logics: social, political and fantasmatic. The social logics offer a framework for characterization of certain social domain, or policy world in this case, which mostly involves recognizing its rules and patterns. The political logic focuses on the dynamics of a practice or regime, and tends to explain how it changes, emphasizing the process of "collective mobilization". The third, fantasmatic logics would offer explanations for "the forces behind the scenes" and how they affect processes and change.

This dynamics can be interpreted as discursive process, whereby ideas are disseminated in an institutional context via discourses. But, why discourses matter? The interest in the study of ideas and discourse in public policies begins with a so-called "ideational turn" introduced by political scientist Mark Blyth, and is a critic of rationalist approach to analysis that seeks to predict the behaviour of individuals solely through their interests and using rationalist models and quantitative methods (Blyth, 2010). Blyth, Campbell, Gofas and Hay, Hay, Schmidt, Smith, Tonder, Vis and Kresbergen and others write about the influence of ideas and discourse on public policy processes. The available literature is focused on the importance of ideas and discourse in political processes and the sufficiency of ideas on the one hand in relation to the context and interests of actors as functional, external demands on the other hand (Vis and Kersbergen, 2013, Hay and Marsh 2000, Hay, 2006). The further discussion is deepened on the level of ontology (what it is or it is not, dichotomy between material-based or idea-based cognition), epistemology (how we know or not know what we know; the causal or constituent nature of ideas) and methodology (how we demonstrate knowledge, by quantitative or qualitative / interpretative methods) (Gofas & Hay, 2010). The criticisms of

the dichotomy between ideas and interests stems from the fact that the ideational project should help not to explain how a certain situation is created, as it is quite impossible, but to help explain why an idea persists and the other does not (Blyth, 2010), whereby theorists should use all available methods in explaining political reality (Schmidt, 2010). Schmidt (2008) offered a systemic analysis by introducing "discursive institutionalism", which takes into consideration not only the construction and communication of ideas, but also the institutional context, in which ideas is communicated through discourse. The success of a particular programme (policy) depends on the presence of cognitive ideas endorsed by policy-makers, and normative ideas approved by the wider public. In addition to this, discursive institutionalism differs from the previous variants of institutionalism (rational, historical and sociological according to Campbell 1998, 2002, in: Tonder, 2010) by having a dynamic view of the changes, also relying on the silent (tacit) knowledge of the actors.

However, when it comes to the activities of state actors, one might think that relying only on ideas to explain the policy dynamic, might not be sufficient. Majone (1974, 2006) argues that the ability to solve a problem must take into account certain constraints arising from the availability of resources, knowledge and organizational skills. The obstacles can be economic, technological, political and institutional (Majone, 2006), and agenda priority will be given to the issues with less obstacles. Furthermore, he claims, the group decision-making sometimes does not meet even the minimum requirements of rationality and from the fact that the complexity of the policy system is impossible to control. Hoppe (2002) offers a useful view on policy problems definition. He divides the problems of public policies according to the degree of "knowledge base security" that policy-makers have on the problem (how much specialized knowledge and multidisciplinary expertise is needed to address a specific problem) and the degree of acceptance, i.e. consensus that the actors have about the problem. Depending on the combination of these two dimensions, he distinguishes structured,

moderately structured and unstructured problems. Structured problems have a high uniformity of the required knowledge base and acceptance, and their solving is a routine public administration task. Unstructured problems are those not having either single knowledge or consensus about the value of the norms to be addressed. In the latter, there is uncertainty about what disciplines and expertise are needed, there is a disagreement over ideas and values, involving more people with different standpoints. The situation of simultaneous high ambiguity in identifying problems and goals on the one hand and conflict of actors on the other hand has been called by Matland (1995) the situation that can lead to a purely symbolic policy implementation.

A related approach, that takes ideas into account in explaining policy processes, is developed by Kingdon (2014). In his model of "multiple streams", there are conditions that must be met at the same time in order to get ideas into the agenda, and to change policy. These conditions are that the problem is identified and defined, that the solution is available and that the political circumstances are favourable for action. This is a framework that explains how national governments create policies in ambiguity conditions. Ambiguity is defined as "having more opinions about the same circumstances or phenomena (Feldman, 1985, in: Zaharadiaz, 2007). The focus is on ideas in public policies, but it does not deny the importance of the stakeholders' own interests. Literature states that this model has the potential to answer questions about the link between the internal and external variables of the policy-making process (Durant and Diehl, 1989, Caporaso 1997, Zahariadis 2003 in: Zahariadis, 2007) where the external environment plays a role by structuring problems.

Glynos, Howarth, Norval and Speed (2009) sketched six approaches and techniques to study the discourse, with a focus on ontology (which try to capture nature of social relations and structures and their interplay), focus, i.e. the level of analysis linked to the objects of study, and finally on purpose which answer the questions of researchers' motivation for doing the

research: is it explanatory or critical. According to their sketch, political discourse analysis and critical discourse analysis are more devoted to analysing the ontological level questions and are in essence both trying to explain and criticize. What they all have in common, however, is the centrality attributed to subjects in the construction and apprehension of meaning.

This paper follows the political discourse analysis, by which objects of discourse can be interpreted and understood in many different ways. Because the research is problem driven, the purpose is to use whatever approach that can be useful in a retroductive explanation. There are two approaches of the critical discourse analysis, however, that are employed in this research. The socio-cognitive approach of the critical discourse analysis, represented by van Dijk (2009), stressed the importance of context. It is argued that it can explain the social situation, since it is interpreted as an interface between knowledge and meanings constructed in discourses. Dialectical-relational approach of the critical discourse analysis, represented by Fairclough (2013), stresses the overarching importance of power. This approach sees power as influential in all aspects of practices. The approach explores how language, text or its production represent broader concepts in relation to interests of those involved and how it is used to achieve power.

The analysis of discursive practice in this case should explain the way, in which ideas are directed, to whom, where and when, what are their value qualities and the presumption of power (Leitch and Davenport, 2005). Power is in this case reflected in the competence for innovation policy and the availability of financial resources for policy implementation.

Applying interpretative method to analyse Croatian innovation policy

Following the Glynos and Howarth terminology and logics (2007), the social logics of innovation policy in Croatia, is applied to understand what the problem is, i.e. what is the

underlying policy idea. The social logics would provide for rules and regimes, in this case these are the EU memberships rules. The political logic is used to explain how the policy problem is being 'contested and transformed' with the new trends in understanding and defining innovation, and also with new political context of EU membership that caused the 'collective mobilization'. The fantasmatic logics serves to explain in what direction the EU membership has led the existing policy actors and the overall policy agenda. The Kingdon's model is applied in this paper for analysing changes in dominant discourse, i.e. for analysing the potential impact of EU membership as an external influence on structuring the problem of innovation policy in Croatia.

Discursive analysis is used as a method to test the hypothesis, situated in the theory of discursive institutionalism that ideas and discourses matter in the process of identifying policy problems and reaching a consensus on its definition and meanings. However, this research tries to investigate also other potential factors that influence policy making process, the potential constraints, and the therefrom stemming relations between ideational factors and material factors and how they affect the formation of a discourse. The ideational factors are deemed those that offer policy problem definition, having its origin in a certain knowledge base, or promoting a certain value and belief system. Material factors, on the other hand, represent interests of the actors involved, which inherently carry the interest for power.

Next section explains innovation policy in Croatia, taken as a case study and example of a complex policy.

Innovation policy in Croatia – a case study

Country Report Croatia 2016⁷ including an In-Depth Review done by the European Commission shows that limited progress has been made in relation to the Europe 2020 target of R&D investment (R&D national target is 1.4% of the GDP, EU target is 3%, and Croatia is currently at 0.8%, continuing a stagnant trend ever since 2008 (EC, Eurostat, 2016⁸). According to the annual Innovation Union Scoreboard, which measures Member States' innovation performance, Croatia is considered as a moderate innovator, also demonstrating stagnant trend (IUS, 2016⁹). Progress Review concerning implementation of policies for small and medium-sized enterprises in Croatia according to EC analysis (the EU Small Business Act Country Fact Sheet 2016¹⁰) shows that Croatia in the field of Skills and Innovation continuously shows weak results and is among the ten weakest in the European Union. With regard to SME's access to national research and development results, an indicator showing how much investment in research and development leads to new commercial opportunities and how much these opportunities are available to small and medium-sized entrepreneurs is the lowest all over the EU and falls each year.

Scholars who wrote about Croatian innovation policy, claim that innovation policy in Croatia is poorly understood. The failure of modern innovation policy in Croatia is the result of a series of socio-political factors, especially the transition process (Tmarc, 2006). Its effectiveness depends on the existence of an appropriate knowledge structure within social areas, which should define where innovation policy should function (Aralica, 2012).

With regard to innovation policy in general and the Europeanization of innovation policy, most available literature deals with issues of formulation and the possibilities of implementing a unified European policy, especially with regard to the unequal capacity of individual

⁷ Official European Commission document available at: http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_croatia_en.pdf (03.06.2017)

⁸ Gross Domestic Expenditure data and Business Expenditure data on investment in R&D, available at EUROSTAT at http://ec.europa.eu/eurostat/web/products-datasets/-/t2020_20&lang=en (29 May 2017)

⁹ Country report available at <http://ec.europa.eu/DocsRoom/documents/17831> (03.06.2017)

¹⁰ Country report available at <http://ec.europa.eu/DocsRoom/documents/22382> (03.06.2017)

Member States and their distance from the technology frontier (Radošević and Kaderabkova, 2011). With no relevant literature from the political science perspective that might provide answers on why innovation policy is poorly understood, there is clear gap in existing knowledge and empirical evidence that would offer additional insight and explanations on innovation policy in Croatia, taken as a complex policy.

If we start from the notion that innovation policy in Croatia is not very well understood, the question is, and this will be the focus of this paper, how it is understood then. What are the ideas and meanings asserted to innovation and innovation policy?

This paper starts from the premise that policy-makers first have to define what a certain policy problem is and whether it can be solved by government intervention, and if it is so, by which actors. The following section provides results from a research performed aimed at analysing interpretations of innovation policy problems as well as discursive practice in formation of dominant discourse.

Empirical analysis

Croatia has with the EU membership got the access to about 10 billion EUR for investment from the cohesion policy funds in the period 2014-2020. For unlocking the funds for research, development and innovation, the country had to develop a Smart Specialization Strategy that would identify niches in which the country should invest in order to reach the goals of the cohesion policy, namely competitiveness and economic growth. The EU also demanded certain organizational and institutional rules to be in place for implementing the policy and spending the money. This brought new actors in the research and innovation policy arena. The managing authority for these funds became the Ministry of Regional Development and EU funds. The Ministry of the Economy, having in mind the new economic purpose of research and innovation investment, became the body responsible for development of the Croatian

Smart Specialization Strategy. The Ministry of Science, Education and Sports, on the other hand, that has been responsible for science, research and technology thus far, has since the financial crisis been unable to allocate more substantial means for research in the public sector, which left this particular ministry in a situation without funds for implementing science and research policy. What is quite specific for Croatian innovation policy is that the first systematic investment in innovation directed activities began with projects designed and co-financed by the World Bank in mid-2000, for which the responsible body was the ministry of science. In early 2016, these projects continue and run in parallel with the implementation of EU supported mechanisms, launched by other ministries. The World Bank technical assistance in the early 2000, and subsequent specific projects, the so called "Science and Technology Projects" launched in 2006, included capacity building of policy-makers and civil servants in that ministry, but also initiated establishment of specialized agencies and state companies for implementing technology and innovation policy: Croatian Institute of Technology - HIT; and Business Centre of Croatia - BICRO. Then Ministry of Science, Education and Sports delegated many policy functions to those institutions, so they were almost autonomous in designing and implanting innovation policy tools. In 2012 they were transformed into governmental agencies, losing therefore some of its autonomy. In the same year, HIT and BICRO were merged into a new agency, the Business Innovation Agency of Croatia - BICRO. In 2014, the new BICRO merged with a governmental agency for small and medium-sized companies, with the argument of the need to build capacities for the upcoming EU investment funds disbursement. The new agency called HAMAG-BICRO, under authority of the Ministry of Entrepreneurship and Crafts was supposed to become the technical secretariat for monitoring and evaluation of the implementation of two strategies adopted for the period 2014-2020: The National Innovation Strategy adopted by the

Government in 2014 and with technical assistance by the OECD¹¹, and the Smart Specialization Strategy adopted in 2016, both of the responsibility of Ministry of the Economy. In 2016, Ministry of the Economy, using funds from the EU sources, established a new body, called the Centre for Industrial Development - CIRAZ in partnership with Croatian Chamber of Economy, delegating the activities and funds for establishment of innovation systemö to CIRAZ.¹²

This situation caused confusion in the innovation policy arena. On the ontological level, that asks about öwhat isö innovation policy, or what the underlying social and political problem that it should solve is, and if it is up do governments to do it. On the epistemological level, there are different knowledge bases that offer ideas and meanings of what innovation is. In Croatian case, there is a myriad of actors that advocate for ötheirö policies, ones that fall under their epistemic remit, such as research policy, industry policy, entrepreneurship development policy or the European cohesion policy. On the methodological level, there are questions and how innovation policy can be best implemented and managed and who the responsible and accountable bodies are for it.

Preliminary research to make hypothesis was carried out in August 2015. The research method was in a form of a one-question survey and was sent via electronic mail. The question asked in the survey was "What do you think are factors influencing the innovation policy in Croatia in the phase of determining the agenda?" In the introductory part, a brief explanation of the "phase of determining the agenda" was given. According to the opinions received, determining the agenda of innovation policy at lower levels of influence within state actors is influenced by the mechanisms of exposure to innovation ideas that come with the processes of

¹¹ Wich resulted in comprehensive report on Croatian innovation policy state-of-play: OECD Reviews of Innovation Policy: Croatia 2013.

¹² Source of this information are publicly available documents and strategies from institutions involved at www.mingo.hr, www.hamagbicro.hr, www.mzo.hr, and also gathered from the experience of the Author who worked on these topics in the period 2008-2016 as an employee of BICRO and the Ministry of Entrepreneurship and Crafts

globalization and Europeanization; while at the decision-making level (politicians) determining the agenda is most influenced by the current political climate related to the perception of the inability to gain visible profits from innovation policy for their own political image during a political mandate, especially in the context of budget constraints.

In these answers two elements are considered very important: first are the ideas and the way policy actors are exposed to them and the process of their dissemination; and second are political gains that could come from pursuing innovation policy agenda. Further investigation, thus, took on to identify the role of ideas in this particular policy process and the role of interests, and their interplay. Semi-structured interviews were led with representatives of policy actors involved in innovation policy processes in the observed time period. Majority of interviewed actors chose to participate anonymously, with revealing only their function and employer. Questions asked related to the description of the problem to be addressed by innovation policy; a description of co-operation with other bodies and stakeholders in process related to the development of relevant strategic documents; the jurisdiction issue for innovation policy; a description of the influence of membership in the European Union, and the relationship of innovation policy with other sectoral policies. Due to the unavailability of some of the important participants, available written materials were used in the form of their media statements.

The findings of these interviews are analysed with a view to see how discourses are constructed based on verbalization in oral statements that convey ideas, meanings and actors' interests. Statements are grouped and categorized under specific, dominantly present narratives, given in the text that follows, corroborated with examples of statements:

a) The generalization of problems that innovation policy needs to address, the inability to define problems as a result of broadening the scope or substituting policy problems with policy goals.

- ö.It is difficult to say what the problem is, it depends on the viewpointö.
- ö.Economic growth and social well-being are goals of innovation policy.ö
- öWe did not know what our problem was, we chose all possible cohesion policy priorities, but then we lost our focus.ö
- öThe problem that innovation policy needs to address is a wider social problem, the whole society is concerned, but in a narrower sense these are companies that need to have the conditions for growth and development.ö
- öThe ultimate goal of innovation policy is social well-beingö.
- öWe do not have a clear definition, so I would set it wide: economic growth and social well-being.ö
- öThe problem to be solved is the problem of society as a whole, in a narrower sense problems experienced by scientists and students.ö
- öInnovations have an impact on the whole nation, on all the pores of this life, on health and on childrenö
- öThe problem to be solved is to create the conditions for new business models to function and progressí therefore corresponding legislation is requiredí such as tax policy.ö

These answers suggest that the underlying problem is not something that innovation policy can address. The wider, expected policy goals is set in the second plan, whereas the participant narrow it down to problems that is directly connected with their sectorial policy.

This opens a huge space for not reaching the actual problem. Also, the notion of a policy problem is not quite clear; it is often interpreted as policy goal it is supposed to achieve.

b) The innovation system and innovation policy are perceived as a governance model to be governed by the state - the discourse of the need for authority and state control as a bridge to surmount the discontent with 'ruining' the old system

- 'One supreme body should be at the forefront of the innovation system'.

- '...the competency needs to be in the Premier's Office'.

- 'I do not know who should manage it, it is difficult to answer because there were many bodies claiming to be in charge of innovation policy, in theory it is well thought out that there is a supreme body'

- 'There is a hole in the institutional system, HIT no longer exists, BICRO no longer exists, there is no a single institution to deal only with innovation policy, there is a new institution we do not know anything about (i.e. CIRAZ)'.

- 'The system should be under the supervision of a single body, as the system is uncoordinated and there is no serious discussion among the ministries'.

- 'In some other countries that are more advanced the innovation system is supervised by the Premier, we do not have it in Croatia'.

- 'HIT and BICRO were supposed to continue working, their merging has stopped it, now there is no synergy, or one body to conduct policies'.

- 'Policy-making is now within the ministry, but they do not have know-how, know-how is in agencies'.

The concept of innovation system represents a big challenge to policy-makers: what is the system and what is the government's role. It is evident that policy-makers are struggling with the concept and that as the solution see that only the highest level of state authority should be in charge. But, also they express their doubts that this is feasible due to particular interest of policy actors involved. A certain level of discontent in responses is evident from actors who were involved in the previous phase of the innovation policy in Croatia, before the European phase, who still complaint about the shutting down, the "ruining" of the old system. This discontent best grasps the idea of the "fantasmatic logic".

c) Conflict on jurisdiction stemming from the idea of innovation policy seen as a replacement for R&D and technology policy and the dominance of economic discourse

- "there is an evident change in the focus of policy from science to the economy"

- "ministries of science and of economy can hardly agree on anything"

- "Science and the economy are in an upside down system where the economy creates science policies and it should be the other way round."

- "Technology policy has disappeared. Research policy has changed the focus to the economy, so now we have an innovation policy."

- "Since the nation was not shown the importance of science, the economy is more important."

- "The scientific community does not want to participate in applied research considering it to be a bad science... Pure science is not given anything at all."

- "There is no logic for the ministry of the economy to be above science in creating innovation policy."

- "Innovations are related to the economy; therefore the ministry of the economy should be responsible for innovation policy."

- "What the ministry of the economy proposed in the development of the Smart Specialization Strategy was not understood by the ministry of science, so the ministry of regional development and the EU funds had to stand in as facilitator, but this dialogue was getting stuck."

- "Artificial divisions have been created in the implementation of innovation policy in order to achieve institutional "peace", i.e. to enable everybody to perform its narrowly defined tasks that are within their remit."

These answers show that there is high level of disagreement and even conflict between two ministries (science and economy) who fight for competence over innovation policy. The ministry of the economy gained authority for innovation policy, but this is highly disputed with the old authority that does not believe in the sole economic purpose of innovation investment. Again, the notion of replacing, therefore losing a policy that was the "only policy" in the past, with a new one, causes sentimental response from some participants, now fearing of becoming superfluous, explained by the fantasmatic logic.

d) Change of policy due to external influences ó discourse of coercion and enforcement

- "We did not have enough previous analysis, we had to write strategies ad hoc to be able to select priorities to be funded from EU funds."

- "The European Commission has suggested that we, as the Ministry of the Economy become responsible for research, development and innovation, since it is the case in most other countries, and we have accepted it."

- "External influences, development programs such as the EU pre-accession programmes for Croatia, and the World Bank's projects, all imposed some policy measures, primarily intended for enterprises."

- "It is due to the EU that research was meant to be applied in the economy; I think it is a demand deriving from the Europeanization process; this is not something deriving as a need from the policy consideration at home or from stakeholders in the science and research sector."

- "All indicators for the creation of new policy instruments are linked to patents, which are often impossible to accomplish in Croatia, but it is mandatory to do it that way."

- "Most of the measures are copy-pasted, there is no serious reflection on what these external measures or policies mean for us."

- "Of all the strategies only Smart Specialization Strategy has a certain importance and applicability, as it has guaranteed sources of funding from EU funds."

- "Everything we did when developing operational programmes was at the request of the European Commission."

It is evident that the European discourse is built around pressure for playing according to the EU rules (which is in this case the new regime). The words such as *we must*, *we couldn't* or *it was given to us*, suggest that policy-making process is not independent.

e) Financial resources as the main subject and source of power and interests

- "Innovation policy is changing the way of getting funds from the state budget because now it is all from EU funds."

- "EU funds have replaced national funds, and they are not tailored to addressing innovation policy."
- "The ministry of science saw itself as concerned with the public sector. There are "ours" and "theirs" - ours are 100% funded from the state budget, and for these funding measures there is no monitoring or evaluation, while theirs are all those in the private sector, who are in contrasts granted state aid for which they have to compete."
- "It's a budget fight. It is about who will have more budget in its competence, without thinking for what and for whom."
- "Without national budget, one cannot think of promoting innovation."
- "A lot of programmes have disappeared because of the state budget deficit."
- "The science and technology budget has been drastically reduced when the ministry of science and technology merged with the ministry of education."

The overarching problem for most of the policy actors and stakeholders is the availability of state funds for innovation policy. It can be argued that with high deficit and financial crisis, the EU funds were seen as serving as a panacea for all budgetary problems. The political logic explains the importance given to financial means, seen as an instrument of power of individual policy actors in policy transformation. With no money, there is no power, so different ministries fought for bigger share in EU funds overall allocation, without considering actual purpose or appropriateness of the funds for the policy problems and feasibility of its solution.

g) Legitimizing the influence of individual interest groups or individuals in policy-making process

- "We have motivated companies to participate in consultations and in workshops for making smart specialization by linking their participation to obtaining funding; we have clearly stated that who does not participate can be excluded from funding plans."
- "The policy may not be developed on who knows who and who likes who."
- "Scientists under the premises of their right for autonomy sabotage changes in legislative that would direct research in having more applied research and patents."
- "Everyone who was asked for the opinion was pushing something of its own, what they knew and what they had experience with and what was "theirs"."
- "In policy programs all is fragmented because the parts are made of individual, someone's projects."
- "In the ministry of economy are more concerned with individual companies, then the policy"

What the interviews suggested is that policy processes were affected by various external interests; interest stemming from the struggle for power in the form of pushing own agenda in the fight over budgetary resources. Ministry of science is deemed influenced by strong scientific community that has been resisting any kind of change, especially that that would endanger their academic freedom and autonomy, or their scientific career advancement system that is primarily based on publications and not on patents or collaboration with industry. In the private sector, communicative practice goes in other direction: policy actor had to motivate companies to participate in policy-making process and identification of innovation potential, needed to fulfil EC rules in designing policy acts, by conditioning future grants with the participation in consultation process.

h) Creating public policies without constructive discussion of problems among public administration bodies or with the public - discourse of distrust and desire to control

- "There is no dialogue, we are only asked to comment on something they have already prepared".
- "If the EU did not make us sit down at the same table, we would not, we are afraid of one another, and that someone will take over our job".
- "No one talks publicly about innovation, there is no clear message or public debate".
- "The scientific community, as the most educated in society, is not consulted".
- "The strategy development process was run by the ministry of the economy, the only communication they had was with the European Commission and it was a bad one".
- "We have consulted some institutions only later because we saw that we could not do it all alone".
- "Cooperation among organizational units is poor, programming of EU funds and sectors responsible for innovation policy, which are now separate, should be intensified".

The process of policy consultation with other stakeholders is almost non-existent. Policy actors admit that the relations between the two most important ministries: of science and of the economy, were bad to the point of needing an outside facilitator. The results were an artificial demarcation of certain parts of innovation policy instruments so that every side can have its own remit. One of the reasons for this un-trust, is fear of losing control over funds and therefore for the "own" policy instruments, and therefore jobs and positions.

Given from the different answers and ideas on policy problems or functions of innovation policy, on one topic there seems to be a consensus of all participants: it is the lack of funding. With the available resources from the EU funds, started the political dynamics of policy change. This, when combined with the discourse of enforcement and coercion for

implementing rules and directing the policy more towards meeting the European goals, represent a potential window of opportunity for an integrated innovation policy to arrive to the agenda.

Kingdon's model of multiple streams and preconditions for change was in addition used to test and analyse the influence of the Europeanization on the dominant discourse formation.

The availability of the EU funds offered an opportunity to structure the problem and provide the availability of solutions to policy problem. With Croatia having the access to a large amount of investment money from the European cohesion policy, it caused a collective mobilization with the pressure of the need to absorb the money. It would suggest that the political willingness was in sync with the definition of the problem and the feasibility of the solution. Therefore, EU membership formed a "window of opportunity" for innovation policy. The changes in terms of having funds and having policies occurred, however, there is serious doubt of the policy-makers that this opportunity is seized properly. There is a variety of different ideas and discourses present at the same time that demonstrates different origin of knowledge which formed specific attitudes and ideas. This caused innovation policy to be perceived from the lenses of old innovation theories and individual experiences as sector-based policies, separated in their silos ministerial remits, influenced by power struggles in a zero-sum game to be responsible for the "innovation policy".

It can be said that the material factors, interests, provided for a frame to structure the problem, the solution and also the politics (political will, materialized via legislative pressure by the EU). Functional pressure or demand taking the form of the EU rules, influenced the policy making process in a way that the ideas, the real problem were neglected, which can be concluded from the absence of discursive practices and the discourse of pressure to implement given solutions. The EU membership for Croatia did open a window of opportunity, bringing

the incentives, but unfortunately, due to the lack of discursive practices a common, innovation policy discourse was not formed.

Conclusion

Innovation policy, seen as a complex policy, deals with unstructured problems where there is no common understanding of what the scope of problem to be solved by this particular policy is. This paper concludes that both ideational and material factors play its role in the discourse formation and its effect on policy processes. However, it is the material factors that influence policy change in the agenda setting phase if there are incentives that increase power position of actors. In the longer run, and especially when dealing with complex policy worlds, this change might be only a symbolic change, meaning that the true policy goals might not be achieved. This could be avoided by taking more seriously the ideational factors, namely by introducing or stressing more the initial phases of policy making process, to stress more the need of a diagnosis for a diagnostic process in defining the policy problems. This exercise would have to answer also if the problem can be solved by a state intervention, if there could be a definition or a meaning of a certain policy that can be acceptable to all, and also accept that is not one authority or maybe not even the state at all that can solve it. Should it be insisted on the old-fashioned way where different authorities play in zero-sum game, the results might always be just partial. In complex policy issues there has to be an ideational consensus on the problems and what and how the government can do. If there is no ideational consensus, the material interest and power - dominate, which can oversimplify the problem leading to not fully grasping the complexity of the issue.

Discourse analysis as an interpretative method can be an effective methodology if the conclusions really matter in the real world and help explain or interpret some aspects that have been thus far under the radar. However, this can only be possible if there is a large

amount of empirical data and deep understanding of the researcher of the observed and research object. The logics of critical explanations offered by Glynos and Howarth (2007) offer a useful framework for setting the research question on the right level and providing the terminology for describing the hidden agendas. Since this research is problem driven, and wanted to answer the question on how policy change happens, additional analytical framework offered by Kingdon's multiple streams model was used to explain the policy change. Application of this model revealed that the simultaneous presence of all three streams affected the transformation of the dominant discourse, but not necessarily the policy itself. It shows that social and political logics accounted for the explanation of this transformation, but also that it is the fantasmatic logic that captures the type of change. Finally, various interpretative methods and model applied show their ability to unveil some less visible but important aspects of policy making process.

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Annex I.

Participants of the preliminary research (those who answered the survey):

- Anonymous higher ranked civil servant, member of working groups for the national innovation strategy development
- Aralica, Zoran. PhD Researcher at the Zagreb Economics Institute
- Karaniki , Petra. PhD, Lecturer on intellectual property management and Head of technology transfer office at the University of Rijeka
- Marijanovi , Dalibor. MSc, CEO of BICRO in 2007.-2012.
- Ra i , Domagoj. MSc, CEO, Consulting company Mrefla znanja Ltd.
- Petrovi , Vlatka. PhD, Centre for Research, Development and Technology Transfer at the University of Zagreb
- TMarc, Jadranka. PhD researcher, The Institute of Social Sciences Ivo Pilar

Annex II.

Participants in the semi-structures interviews, with their functions and incumbent periods working in a particular role:

1. Head of department at ministry of economy, coordinator of innovation strategy development 2012-2014
2. Head of unit for EU funds for R&D, ministry of economy, coordinator of Smart Specialization Strategy development, 2013- present
3. Innovation policy expert at the ministry of entrepreneurship, 2012-present

4. Deputy minister for regional development and EU funds, 2012-2016 and advisor to the Prime Minister in 2016
5. Head of sector for EU funds, ministry of entrepreneurship, 2012-present
6. Senior Expert for EU funds at the ministry of science, 2012-present
7. Advisor for technology projects, ministry of science, 2006-2016
8. Head of unit for technology and innovation policy, ministry of science, 2012-present
9. Head of science and technology directorate at the ministry for science 2007-2012, and CEO of BICRO, 2012-2014
10. CEO of BICRO, 2007-2012
11. CEO of the biggest Croatian research institute, 2009-2012, World Bank's advisor, advisor to the minister of science, 2016
12. Advisor at HIT 2009-2012, Head of sector at BICRO 2013, advisor to the board HAMAG-BICRO 2014-present
13. European Commission, DG Regio, desk manager for Croatia, responsible for Smart Specialization Strategy development, 2013-2016
14. President of the Croatian Software Exporters Association and consultant
15. President of Croatian Innovators Associations, 2013-2017
16. Innovation consultant and initiator of innovation popularisation projects
17. University provost for innovation and technology transfer, 2014-present, technology projects beneficiary 2004, university professor
18. International scientist and researcher, institute for medical research, 2007- present