

CSIS MEMORANDUM

FROM: John Hamre

DATE: April 28, 2010 (3 pages)

SUBJECT: **Thoughts about starting up a think tank**

Again, let me thank you for meeting with me and my colleagues when we visited you. You were very generous to give us so much time. You surprised me when you asked my opinion about starting up a think tank. I am often asked this question, but I had not anticipated the subject during our visit. I said at the time that I would send you a brief memo outlining these ideas in a more thoughtful way.

Thinking through your business model

Obviously I don't need to say this to someone in your profession, but I think the most important thing at the outset is to think through the kind of business model you think is most appropriate for your endeavor. Let me describe the CSIS business model. Our primary mission is to change public policy—to update policies where they are obsolete, to recommend new approaches where no policy exists, to end obsolete policies, etc. To accomplish this, the primary elements of our business model are as follows:

- **Project-oriented:** we are a think tank that organizes our work around projects, not scholars. Every project has a lead investigator, but we then attach various scholars to contribute to the project.
- **Bipartisan:** We intentionally recruit both Republicans and Democrats for all our projects, and when we have commissions, we always have a Republican and a Democratic co-chairman
- **Neutral meeting place between the government and private sector:** We actively try to bring together representatives from the government and the private sector when we undertake research projects.
- **Diversified funders;** We have a broadly diversified base of funders. Our funds come from foundations (approximately 34%), corporations (30%), government (15%), individuals (15%).

There are many alternative business models. Some think tanks have an advocacy business model—they are trying to sell a particular approach to public policy (conservative, liberal, etc). Some think tanks organize their work around scholars. Some think tanks have a very broad fundraising base (thousands of small contributors). Other think tanks have a very small base of very generous supporters. Our business model is somewhere in between. We have approximately 300 major donors (foundations,

corporations and individuals), with gifts ranging from \$5,000 up to \$250,000 (with a very few larger than that). Foundation contributions are larger, however, and usually stretch over several years.

So the first question I would pose to you is “what is your business model?” As I recall from our conversation, you plan to raise the funds from a relatively limited number of businesses. This is a “subscriber” business model. I mentioned to you that the Lowey Institute down in Sydney, Australia, is an example of a subscriber-based think tank. You may want to contact them to learn how they organize for this, www.loweyinstitute.org.

With varying degrees of emphasis, most think tanks undertake the following primary functions:

- Research
- General public information promotion
- Advocacy (usually to the government) of specific policy directions
- Networking

Personally I think that you have to have a solid core of research. That becomes the basis for long-term value in a think tank. There is not much you can do for information promotion or advocacy if you don't have original ideas.

Board of Directors

This might be an American thing, but I think the next most important thing is to pick a very strong board of directors for your think tank. In America, the role of the Board of Directors is two fold: first, to bring prestige to the think tank, and second, to give money to the think tank. Think tanks in other countries don't necessarily have the requirement for the later.

As I understand it, you will be financed by subscription payments by corporations. As such, you may need to bring your donors on to the board of directors. That is a common practice. Nonetheless, I encourage you to think of the board as your most important asset for gaining credibility for your new think tank.

Some institutions have scholars as members of the board. This is usually designed to bring policy/academic credibility to the think tank. Again, it depends on your business model. Personally, I would recommend that you have at least two-thirds of your Board be prominent business leaders, and one-third be noted policy experts. Some think tanks get around this by having a board of advisers, made up of policy experts and academics. My bottom line recommendation is that your board of directors is THE most important way people on the outside will evaluate the capability, seriousness and relevance of your think tank. So pick big people.

Avoid the trap of buying a building

At the outset, avoid the temptation to buy a building. Too many think tanks get started around a building. They then try to figure out how to “fill” the building with meaningful content. I would consciously avoid buying a building, at least for the first 10 years. You want the leadership of your new think tank to focus on building staff expertise, not manage a building.

(I should point out that after 45 years, we are now in the process of building a building for CSIS. At some point—and we should have done this years ago—you do need to have the unique identity that comes with having your own building. I didn’t want you to hear through other channels that CSIS is building a home, and think that I was a hypocrite.)

Utilize consultants as a “virtual” staff

Also, as we discussed, you can get a great deal of analytic work by hiring academics as part time consultant. I think this is far more efficient than trying to build a staff. Again, using CSIS as an example, a senior scholar costs approximately \$180,000, a notional salary of \$125,000 and the added fringe benefits (pensions, health care, unemployment insurance, etc) of \$55,000 (usually a percentage of the salary). But you can “buy” a good paper from a first-rate academic for \$3,000-\$4,000. So for the price of one senior scholar, you can get 45 papers written by academics.

But to make this business model work, you need to have a core analytic staff that has sufficient maturity and breadth to orchestrate a wide spectrum of academic/policy experts that serve as consultants to your think tank. This core staff may cost you a little more because here you want to buy strong talent. But if you hire a very strong director of studies, it would be possible to utilize a network of consultants and advisers with much greater output than you could achieve with an organic staff.