

*Creating and sustaining an effective strategic
dialogue with business*

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This slide deck presents the results of recent Institute research on government engagement with business

- The research looks at how government can engage with business in a '**strategic dialogue**'. We define strategic dialogue as an ongoing interaction with organisations based around a set of issues or interests that require co-ordination.
- The research examines the Department for Business, Innovation and Skill's (BIS) experience of sector councils as a 'model' for dialogue. Sector council's were formed as part of the 2010-2015 coalition government's Industrial Strategy to enhance dialogue between industry and government. Eleven sector councils were established, with an additional council for the creative industries formed in 2011.
- By looking at the sector councils we draw out some general lessons about how to create and sustain an effective dialogue regardless of the model.

Why is this research important?

- Institute for Government research has shown that external engagement and dialogue is a critical component of effective policy making.
- Engaging business in policy making can help to ensure that government investment is targeted, and that policy interventions are evidence-based and meet objectives. But government engagement with business can raise concerns about issues such as industry capture, lobbying and collusion.
- The experience of the sector councils highlights a number of factors that can help to mitigate these risks, but at the same time allowing for a flow of information that enables government to better develop and implement policy.

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Executive Summary

Background

Engagement, policymaking and business

- External engagement is crucial to effective policy formulation and implementation. It can help government avoid costly policy mistakes and make better decisions about where public spending would be most productive.
- Engagement with business will be an important part of achieving the current government's plan to raise productivity. As the 2015 report *Fixing the Foundations* notes, a dynamic, open, enterprising economy is the key driver of productivity growth, which needs to be supported by long-term public and private investment.
- It is, of course, essential that the necessary public investment in areas such as science, skills and trade is properly aligned with the needs of the British economy. Long-term private investment in shared challenges is equally important, particularly where business is better placed to make this investment.

Strategic dialogue with business

- This research looks at how government engages with business in a '**strategic dialogue**'. We define strategic dialogue as an ongoing interaction with organisations based around a set of issues or interests that require co-ordination.
- The research examines BIS's experience of the sector councils and what this tells us about how to create and sustain a strategic dialogue.

Creating and sustaining an effective strategic dialogue

Minimising risks, maximising benefits

- Government engagement with business raises a number of concerns, including industry capture and lobbying, incumbency bias and collusion.
- Strategic dialogue needs to be set up and managed in a way that minimises potential risks, while simultaneously encouraging a flow of information that enables government to understand where it can best support productivity and growth.
- The experience of the sector councils highlights a number of factors that are important to creating and sustaining an effective strategic dialogue.

The research identifies **three** key areas that are important for creating and sustaining a strategic dialogue:

1. **Balancing representation** (including group composition, group size and seniority of dialogue participants)
2. **Maintaining a strategic focus** (including clarity of purpose and expectations, role of the industry co-chair, and time and trust)
3. **Effectively harnessing outputs** (including informing policy and investments, sharing intelligence across departments, and linking up different dialogues).

The experience of the sector councils highlights a number of factors that are important to creating and sustaining an effective strategic dialogue...

1. Balancing representation

Composition

- A strategic dialogue needs broad representation, but it is impossible to directly represent all voices and interests within an industry. SMEs and emergent businesses are often not captured despite their importance. The use of trade bodies can extend the 'reach' of the dialogue. But these should be in the minority, to avoid diluting the sharpness from talking to individual businesses.

Size

- The size of the dialogue depends on the nature of the industry. More disaggregated industries will involve larger numbers, but dialogues with 35+ members will struggle to reach decisions and agreement. At the other extreme, smaller sector councils may indicate that they are not representing the full range of sub-sectors within the industry.

Seniority

- Strategic dialogue must engage senior-level representatives. This demonstrates support and facilitates quick decision making. Continuity of membership is important, but in the longer term, membership should be refreshed to bring in new perspectives.

2. Maintaining a strategic focus

Clear communication of purpose and expectations

- Strategic dialogue is not a forum for lobbying or 'fire-fighting' – this must be made clear. Dialogue works best when focused on a small set of issues and industry commits its own resources to tackling shared challenges.

Role of the industry co-chair

- The industry co-chair has an important role in driving the dialogue around a specific set of strategic issues affecting the industry. A good industry co-chair should have strong links and gravitas within the industry; display even-handedness and impartiality; and actively discourage lobbying from individual organisations.

Time and trust

- Strategic dialogue requires a certain level of trust to allow for consensus and co-ordination on industry-wide issues. While it varies from industry to industry, we heard that lead times to get to a point of mutual understanding and trust can take up to 18–24 months.

3. Effectively harnessing outputs

Informing policy and investments

- Strategic dialogue gives officials access to knowledge and expertise, which can be used to design more targeted and effective policies – but this has been used to directly inform policymaking in relatively few instances.

Sharing intelligence on cross-industry issues

- There are a number of common issues across industry dialogues that could benefit from greater co-ordination. But with no formal mechanism to encourage this, the opportunity for such co-ordination is missed.

Linking up different dialogues

- BIS does not hold all the policy levers that are needed to turn strategic discussions into actions. It is vital that the outputs of the dialogues are shared with other departments and teams within BIS. There is a perception among industry council members that information is not effectively shared across government.

The current sector councils could be strengthened in a number of ways to create better forums for strategic dialogue...

1. Balancing representation

Issue

- An effective strategic dialogue relies on government to facilitate links between different sources of information. The experience of the sector councils shows that some parts of industry ecosystems could be better linked.

Options for strengthening

- Promote integration of cross-cutting and regional forums through cross-forum representation and conferences.
- Boost the communications capacity of sector councils to extend the 'reach' of the dialogue.
- Increase the transparency and visibility of dialogue outputs and outcomes.

2. Maintaining a strategic focus

Issue

- The experience of the sector councils highlighted some potential barriers to ensuring that strategic dialogue remains dynamic and responsive to emerging issues and opportunities.

Options for strengthening

- Actively bring disruptive voices into the dialogue.
- Experiment with more unstructured approaches to dialogue.
- Establish guidelines around membership refresh.
- Develop government's capacity to challenge industry.

3. Effectively harnessing outputs

Issue

- The sector councils were often seen as a good 'ear', but many of the barriers and opportunities identified require co-ordination from other parts of BIS and Whitehall.

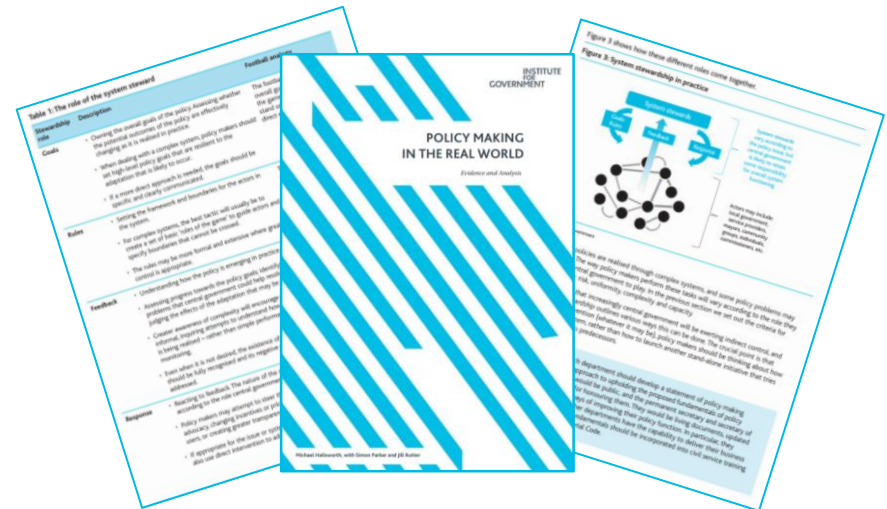
Options for strengthening

- Make greater use of sector councils at various stages of the policymaking process.
- Strengthen formal links between sector councils and other departments.
- Develop a mechanism for councils to co-ordinate on cross-cutting issues such as skills, access to finance and digital.

Background

External engagement is crucial to effective policy formulation and implementation...

- Across its agenda, government needs to work closely with stakeholders when developing and implementing workable policy.
- As part of the Institute's broader work on policymaking, external engagement and dialogue has been a re-occurring theme and is a critical component of effective policymaking.
- Engaging with key external stakeholders provides an opportunity for policy testing, engagement and feedback, helping to avoid costly policy mistakes and to decide where public spending would be most productive.



'There are good reasons to think that policy making is improved by drawing on multiple sources of expertise, and by bringing in outsiders able to challenge departmental thinking.'

(Making Policy Better, Institute for Government, 2011)

'Often opening out the [policymaking] process has provided the initial ideas for a different approach for those in government looking to move on from internal failure... [Policymakers] saw opening out the process of deliberation as a critical way of building support for proposals and ensuring they would survive the transition back into government decision-making.'

(The S Factors, Institute for Government, 2012)

Engagement with business will be an important part of achieving the current government's plan to raise productivity...

The UK has a productivity challenge

- The current government has identified that raising productivity is critical to growing the UK economy.
- The 2015 *Fixing the Foundations* Report outlines the current government's framework for raising productivity. It is based on two pillars:
 - promoting a dynamic economy that encourages innovation and helps resources flow to their most productive use
 - encouraging long-term public and private investment in economic capital, including infrastructure, skills and knowledge.

BIS's policies and investments need to be geared towards raising productivity – engaging with business will be necessary to:

- **co-ordinate public investments** – it is essential that necessary public investments in areas such as science, skills and trade promotion are properly aligned with the needs of the British economy
- **stimulate private investment** – similarly, it is essential that long-term private investment plays its part in areas of common interest, particularly where business is better placed to make this investment (e.g. skills, technology)
- **better understand business and the economy** – active and wide engagement will help to ensure that Whitehall's view of business does not become too narrow; it will also help government to understand its distinct role in the economy and ensure that competition is not undermined.

This slide deck looks at how government engages with business and industry in a 'strategic dialogue'...

BIS engages with industry in many different ways, both bilaterally and through wider networks

- Business and industry are BIS's key stakeholders – as regulator, policymaker and customer, government's actions have an impact on business.
- Some examples of BIS engagement with industry we came across during our research include:
 - ad-hoc, bilateral meetings and public consultations on specific policy or business issues
 - the UKTI Strategy Relations Team, which have bilateral links with top UK exporters and have a co-ordination role across government
 - Catapult centres, which help companies to access the expertise and information needed to develop innovation
 - Knowledge Transfer Networks, which were set up to build better links between science, creativity and business.
- There are, of course, many other formal and informal ways in which BIS engages with industry.

In addition to consultations and ad-hoc meetings, many areas require ongoing interaction with organisations based around a set of issues or interests that require co-ordination

- We refer to this as a 'strategic dialogue'. A strategic dialogue seeks to:
 - engage with a **collective industry view** on issues that are affecting the industry as a whole, rather than individual companies
 - bring together **multiple interlocutors** that represent different interests and sub-sectors of the industry, with government at the centre linking up different dialogues
 - promote **ongoing, long-term co-ordination** around a set of strategic issues and coherent set of priorities for the industry
 - allow government to **dynamically respond to opportunities** for productivity and growth that these dialogues help to identify.
- It is this type of dialogue that is the focus of this slide deck.

And at what the BIS experience with sector councils tells us about how to create and sustain a strategic dialogue...

Sector councils are a key forum for strategic dialogue in the UK

'Broadly, the Government's intervention in each of these sectors involves a high-level forum that brings together industry leaders and relevant senior Government figures to discuss barriers to growth and other issues specific to the sector; a commitment to the development of specific training institutions or initiatives within the sector and some match-funded financial commitments to certain aspects of the sectors.'

(*'Industrial policy, 2010 to 2015'*, House of Commons Library, 2014, Standard Note)

Sector councils, where working properly, can be seen as a form of strategic dialogue in that they...

- were established to bring together industry leaders and relevant senior government figures on an ongoing basis
- discuss issues that are long term and strategic in nature
- are geared towards strategic co-ordination between the private sector and the Government, rather than simply securing government action
- are dynamic and ready to respond as new sectors develop and new opportunities emerge.

This work focuses on two questions:

- **What does the experience of the sector councils tell us about how to create and sustain an effective strategic dialogue?**
- **Given what we know about the strengths and weaknesses of the sector councils, how might government strengthen strategic dialogue?**

The approach was qualitative and is not intended to be an evaluation of the sector councils

- The findings are drawn from 32 interviews across four sector councils:
 - automotive ('gold standard')
 - construction (fragmented and diverse industry)
 - life sciences (dual departmental responsibility)
 - creative (dual departmental responsibility)
- The findings also draw on the work of the *Institute for Manufacturing* at the University of Cambridge.

Findings: three key areas for creating and sustaining an effective strategic dialogue

Engagement with industry has risks – strategic dialogue is intended to minimise these risks, but only if it is well designed and managed...

For legitimate reasons, the concept of government engagement with business raises a number of concerns, including:

- **industry capture and lobbying** (dialogue is used to advance special concerns of interest groups that dominate the industry)
- **incumbency bias** (bigger/dominant companies are disproportionately represented in the dialogue or dominate the agenda vis-à-vis emerging/disruptive players)
- **collusion** (dialogue acts as a platform where government becomes an ‘uncritical friend’ of business)
- **deadweight loss** (business persuades government to invest in areas that they would have invested in regardless).

Strategic dialogue seeks to raise the quality of conversation between industry and government, lifting it above lobbying

- Strategic dialogue seeks to engage with a collective industry view on issues that are impacting the industry as a whole, rather than individual companies.
- This focus does not guarantee that government cannot be ‘captured’ – any strategic dialogue needs to be set up in a way that minimises potential risks associated with capture, incumbency and bias, while simultaneously encouraging a flow of information that enables government to understand where it can best support productivity and growth.
- The experience of the sector councils highlights a number of factors that are important to creating and sustaining an effective strategic dialogue.

The research identified three key areas important for creating and sustaining a strategic dialogue...

1: Balancing representation

- Group composition
- Group size
- Seniority of dialogue participants

2: Maintaining a strategic focus

- Clarity of purpose and expectations
- Role of the industry co-chair
- Time and trust

3: Effectively harnessing outputs

- Informing policy and investments
- Sharing intelligence across departments
- Linking up different dialogues

Quotes

- Throughout this slide deck, quotes from the interviews are used to further illustrate the key findings. Quotes have been selected based on their representativeness or interest to the subject.
- We interviewed government and industry representatives of the sector councils, as well as member of the BIS industrial strategy team and business representative groups outside the sector councils.
- The following key is for distinguishing quotes that have come from either government or industry:

Government quotes

Industry quotes

1: Balancing representation

Government will always need to engage a 'sample' of the industry which it is seeking to develop a dialogue with...

Key findings

Strategic dialogue relies on drawing together different sources of information across an industry

- The experience of the sector councils suggests that bringing voices from across the industry together allows officials to join up different dialogues to get a bigger picture of issues facing the industry than would have been gleaned from bilateral meetings with individual companies.

To bring in these different voices, the sector councils have sought to engage with a sample of industry

- Many councils have sought to establish a balanced sample by engaging with a mix of larger companies and SMEs.
- This sample has provided a focal point for government to engage with the industry.

This has made the act of engaging with the sector more efficient

- BIS does not have the resource to develop relationships with large numbers of organisations.

What we heard

They [the sector councils] open up the space to have a proper conversation about where the future of the industry is, what people are worrying about, how government can and can't help.

Some of what we hear from members about the success of sector councils is, because they engage SMEs, it's a way SMEs can engage with government, that they can't do when it's an ad-hoc approach, so they've found that really useful.

I think because of the council you've got this mix of representation and individuals, the quality of conversation generally between government and the industry ... I think the quality of conversation is as good as it has been actually.

It [the sector council] acts as a focal point because you can't interact with three-and-a-half thousand companies, it just wouldn't be intelligible.

From a pure efficiency point of view you can have a good dialogue with a number of people in one meeting as opposed to 20 different calls.

But the size, scale and composition of many industries mean that engaging a 'representative sample' can be problematic...

Key findings

SMEs and emergent businesses are often not adequately captured despite their importance

- Fairly representing SMEs and bringing in disruptive and/or emergent companies and industries was a challenge for all the sector councils we spoke with. We heard that some smaller companies and sub-sectors found it difficult to have their voice heard on the sector councils.
- This was particularly the case for industries that are characterised by low market concentration and/or high levels of sub-sector diversity and where it has been difficult to define the 'industry'.

Representation can also be skewed towards particular sub-sectors and geographies

- We heard from some sector councils that representation can be skewed towards specific (and more dominant) sub-sectors within industry. For example, the Creative Industries Council has strong representation from the larger film, television and technology companies.
- Representation can also be skewed in favour of London-based organisations, with regional players excluded.

What we heard

There is little SME or microbusiness representation. That's particularly significant for creative industries because as a sector it's characterised by lots of freelancers, sole traders, small businesses.

I couldn't honestly tell you who the strong, disruptive, but well-respected voices are in the sector ... who is the person who is in charge of an up-and-coming SME who is respected and considered forward-thinking yet sensible yet challenging to the status quo.

Government tend to talk to large companies because they're much easier to deal with, and a lot of the large companies have got links with these trade bodies.

Representation I think it's probably fair to say is somewhat imbalanced in favour of certain sectors. There is very much a London focus, which is an issue we've got to tackle.

Some sector councils have actively tried to address representation issues by using representative organisations and sub-groups that sit below the main councils...

Key findings

The sector councils use representative organisations (such as trade bodies) to extend the reach of the dialogue and engage SMEs

- The Automotive Council uses its representative body to communicate and disseminate the work of the sector council.
- For companies that are not represented, making the proceedings of the sector councils transparent – publishing minutes, membership lists and agendas – is important. Practice varies between sector councils: currently just three (of the current 12 sector councils) publish subgroup membership, and six publish minutes.

But overreliance on representative organisations can dilute the sharpness that comes from engaging individual businesses

- The experience of the sector councils suggests that successful dialogue combines the aggregated views from representative organisations and on-the-ground insight from individual companies. Finding the appropriate balance will vary from industry to industry.

The sector councils also use sub-groups to widen representation and engagement

- The sub-groups have an important role in broadening dialogue, particularly to SMEs. For example, there are around 120 people in the Automotive Council's sub-groups.

What we heard

[H]aving the collective is key to any kind of sensible interface, because the SMEs don't have the same brand value as Jaguar Land Rover, so they're not going to get a hearing the same way.

[Society of Motor Manufacturers and Traders] also look after the communication around the Automotive Council. [They] manage the website and chair the communication group.

Although you wouldn't build your whole policy on the view of a cement manufacturer, it gives you that sharpness and laser-like focus that quite often reveals more than someone who's talking 'up here'.

There was a tendency before to have a dialogue that was wholly with representation organisations ... [they] arrived at those meetings briefed to the hilt, to the extent that they were incapable of having an original thought.

... a bit like a swan really, all the action is taking place at sub-group level.

While there is no optimum size, the experience of some sector councils suggests that larger ‘samples’ can hinder strategic dialogue...

Key findings

A strategic dialogue should include key players and yet stay small in order to be decisive

- Holding a strategic dialogue with input from all members can become difficult if membership is large. Several interviewees agreed that it is essential to keep membership small enough to allow adequate time in meetings to not just hear views, but also make decisions and keep the group active.

There was a view that some sector councils were bordering on being ‘too large’

- While having a larger sector council can ameliorate underrepresentation, it can also result in less effective meetings and hinder its operation. The Creative Industries Council, for instance, has 38 members – considered by some interviewees to be too large.

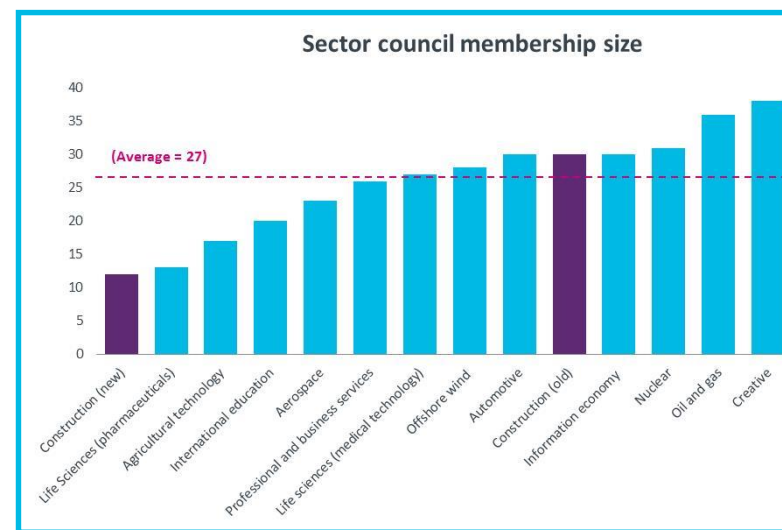
But a smaller council does not necessarily mean a more effective dialogue: smaller councils run the risk of being less representative

- After a period of difficulty in gaining traction on a set of strategic issues, the Construction Leadership Council has resolved to have a smaller council of 12 members. This means that fewer companies – and potentially fewer sub-sectors – will be represented on the main council, although the sub-groups will be structured to engage industry sub-sectors more broadly on industry-specific issues.

What we heard

When I went to the last meeting, there must have been 40 people around the table, and if you expect to have consensus and outcomes, it’s never going to happen. By the time you’ve gone around the room and introduced yourself the meeting’s half over, there’s no time left for any serious dialogue or work.

Some of the councils are possibly too large, which is difficult ... where the actual operation of the council is difficult because of the number of people around the table.



Regardless of size and composition, ministerial attendance is vital and industry representatives should be executive level with the authority to make decisions and commit resources...

Key findings

High-level attendance is crucial to the effectiveness of sector councils as it allows decisions to be taken immediately

- The purpose of strategic dialogue, in part, is to translate the dialogue into action – whether this be action from government or from the industry itself. Having high-level decision makers in the room has allowed sector councils to act decisively.
- Ministerial attendance is also vital. It not only demonstrates strong support for the industry but is also necessary to attract the executive representation from industry that is so important.

In addition to seniority, continuity in membership and attendance is also important

- Continuity is important for relationships and trust to develop among dialogue participants and allows for a sustained effort on issues facing the industry.
- A challenge for the future is that as sector councils continue, the benefits of the continuity of membership must be measured against the need for new perspectives and companies to be represented.

What we heard

So when I've turned round to people and said 'We need 100 grand, can you give me 5 grand each?', they don't have to go away and have six board meetings to decide, they can say 'yes'.

If you send a delegate, this will unravel, because I won't be able to get the CEOs in, because you're sending a message that this is not important to you.

Having two cabinet ministers chairing is a good demonstration of the importance the departments and the value ministers place on it.

There is something around how you balance keeping it fresh and having the flow of new ways of thinking, different companies, with needing to build up trust in the relationship and engagements ... I think there is something about making sure we collectively have this sense that, we all have turnover in chairs and in members, to respond to – not just to reflect the sector, but be well positioned to respond to the challenges and opportunities.

2: Maintaining a strategic focus

In order to create and maintain a strategic dialogue, clarity of purpose must be established from the outset...

Key findings

Strategic dialogue is different from other ways that government engages with individual businesses and industries – this must be made clear to dialogue participants

- Government must be clear that the purpose of strategic dialogue is about helping government to understand how it can best invest, and allow industry to collaborate in areas of joint interest – it is not a forum for lobbying or fire-fighting issues of individual businesses.

Beneath this overarching purpose, the activity of the sector councils needs to be tailored to match the structure and challenges faced by the particular industry

- The activity of the sector councils tended to vary according to the levels of maturity in relationships between government and industry and between industry players.
- For example, the sector councils with less mature relationships tended to focus on identifying and understanding areas of common interest. Sector councils with a more established set of relationships, and clear agreement on issues, were more focused on implementing an agreed set of actions.

What we heard

At the main council we really are talking about longer-term strategic issues, we don't really fire-fight. With level of seniority there we are really talking about long-term strategic issues.

Those [sector councils] that work well don't operate in that way of it just being either industry coming with an ask, or indeed government coming with an ask and expecting industry to deliver on that. I think that setting out a common set of priorities and issues that you agree are key for the sector then pursuing those are quite helpful.

Every single one of them is different, and you have to recognise that. They're different because of the sector-specific issues of the sectors, because of how long they've existed, and their make-up is hugely different.

Managing expectations, the way you manage the conversation points is by being absolutely clear what we're here to do. Because we're quite new, we've been around two years now, that takes a little time...

As well as expectations about what can and can't be addressed through dialogue, and what industry should contribute....

Key findings

The experience of the sector councils suggests that strategic dialogue works best when there is a clear prioritisation of issues

- Addressing a few select issues at a time and seeing them through to completion rather than trying to address too many issues at once was seen as integral to keeping the dialogue focused and productive.

Government should be clear that industry must be willing to commit its own resources into driving change on industry-wide issues, rather than expecting government to be the sole agent

- Industry has committed both human and financial resources to address issues that sector council dialogue has identified as important to the industry as a whole.
- For example, the Automotive Council was able to commit industry resources to fund a project to develop a better set of metrics and data on the state of the industry.
- This commitment of resources from industry participants helps to maintain drive and productivity of the dialogue, as industry wants to see action taken in return for its commitment of resources.

What we heard

There is still an issue around expectations – about what can be delivered and what can't be delivered. For us it's been about let's focus on what we can do, what we can influence in government. Other times I think they've been a bit over-ambitious.

I said let's do a few things really well and follow them through rather than trying to do too much, and find we haven't got the time or the energy to follow them through.

It used to be just organisations just coming to government for money. And I think we've gone away from that now...

[T]he reason why I think it's a good model is because it goes beyond having a dialogue to looking at that co-design and co-investment, and I mean co-investment far beyond the sort of big ticket items that government and industry invested in ... actually making sure that there's an expectation that industry puts something into that as well.

On the sector councils, the Co-Chair has a vital role in communicating the purpose of the dialogue and setting expectations...

Key findings

The industry co-chair was one of the most frequently cited success factors for the sector councils

- The industry co-chair has an important role in driving the membership group to focus on a specific set of long-term strategic issues affecting the industry, discouraging lobbying behaviour, developing trust among participants of the dialogue, and securing commitment of resources from industry.

In the context of the sector councils, a good industry co-chair is one that...

- has **strong links, experience and gravitas within the industry**
- displays **even-handedness and impartiality**, providing constructive challenge to both industry and government alike and ensuring that meetings are not dominated by a few players
- sets a strategic tone and **discourages lobbying from individual organisations**.

What we heard

[H]aving a very strong chairman to bring the different parties together was central to that success.

Strong co-chairmanship from industry was absolutely key.

... somebody who is going to be able to hold some currency within the sector ... not all sectors would be open to someone who couldn't say that they'd been working in that particular sector for 40 years.

He [the co-chair] is very clear with industry – don't just come with your begging bowl. It needs to be proper arguments, properly presented business cases... He would challenge industry and he would challenge government.

Strategic dialogue requires a certain level of trust and openness to allow for consensus and co-ordination on sector-wide issues – this takes time...

Key findings

The sector councils have helped to bring together disparate industries that would not otherwise have developed a coherent set of priorities

- For some industries, the sector councils were the first time that industry representatives had gathered together to discuss common issues. This was the case with the Creative Industries Council when it was set up in 2011.
- The sector councils have built trust between industry representatives and have encouraged companies to put aside individual interests and instead focus on areas of common benefit and collaboration.

The majority of interviewees stressed that trust and mutual understanding are crucial for developing consensus around strategic priorities for the industry

- While it varies between industries, we heard that lead times to get to a point of mutual understanding and trust can take **up to 18–24 months**. This finding related to both industry-to-government relationships as well as industry-to-industry relationships.
- On the latter, the trust that has developed from strategic dialogue has enabled industry to advance direct action on common areas of interest independent of government.

What we heard

It was the first time all of those disparate sectors had been brought together ... and actually that was the first time that they'd looked at thematic barriers to growth across the piece... From that point of view, it was very useful.

[T]hey have managed to get to new levels of trust between the businesses to talk about their issues and they've been more willing to share commercially sensitive information...

[Y]ou can't arrive at a coherent voice and a common point of view, an aligned agenda, unless you've learned how to collaborate and trust each other.

I think there's a significant lead time or run way to these councils becoming effective...

[T]he collaboration which goes on isn't just bipartisan between government and industry, it's also a forum for industry to safely – that is, they won't go to jail for having those conversations – to discuss areas where they're trying to solve the same problems, and it makes more sense to collaborate than to compete.

3: Effectively harnessing outputs

On the government side, the value of strategic dialogue comes from being able to harness the outputs to better inform and target policy...

Key findings

Insights from sector councils can be useful at all stages of the policymaking cycle: to better inform policy, test ideas and gather feedback on existing policy

- Policymakers can test their ideas on sector council members to check for unintended consequences that only those who work closely with industry could spot – e.g. the Automotive Council secured a change in the way research and development (R&D) tax credits were administered to encourage innovations.
- BIS officials told us that they felt more confident in taking funding decisions because of information gathered from the sector councils.
- The Automotive Council has also been able to inform the development of skills policy and help government achieve its objectives.

However, we found only isolated examples of the sector councils having a direct impact on policymaking

- Several interviewees told us that the role of the sector council is to inform the context of policymaking or to influence the government’s thinking, rather than create or challenge policies.

What we heard

[Y]ou don’t understand [the impact of policy interventions] unless you’re really inside the industry, or really close to the industry – you can’t see how the dynamic doesn’t work the way you expected it to work.

It’s [sector council] certainly given us value, because it means that we are able to have a greater level of confidence that where we’re targeting our resources is for the better.

We knew from that that skills was already a key issue ... where industry has been really key has been to help identify where those pinch points really are ... I think that’s been key to helping us nuance our policies a little bit more.

For example, in some of the supply chain reports the recommendations are quite soft – ‘it would be good to this’, ‘we should do some of that’ ... [the influence is] a little softer, which is about encouraging a certain direction of travel.

There is scope to improve mechanisms for collaborating across industry dialogues on cross-cutting issues...

Key findings

Sector councils often deal with similar sets of cross-cutting issues, such as skills and digital. While some knowledge sharing does take place, it is not systematic

- Sharing and learning currently take place in an ad-hoc fashion and are usually driven by individuals.
- A dominant theme across the interviews was the need for greater opportunities and more formalised mechanisms to share good practice and explore shared issues across sector councils – particularly where approaches from specific councils have been effective at driving change.

The overarching Industrial Sector Council (ISC) brings together the co-chairs of each council and could potentially fulfil this knowledge-sharing role

- However, interviewees expressed concern that the ISC (in its current format) lacks clear purpose and is currently underutilised.
- Lack of clarity on the role of the ISC may prevent it from being a useful forum for discussion – BIS itself could play a greater role in drawing together common themes across the sector councils.

What we heard

What's really clear is so much of the stuff is the same. Many of the different sectors were talking about things like the impact of digital ... because government and industry has always kept itself in quite a silo basis. I think they're missing a trick there.

There's no formal mechanism but where we know that there's a shared issue we encourage people to get together and talk about it.

What's [the ISC's] purpose? That's a question I keep raising every time I go. I think it's unclear.

There is a view that [the ISC] has become a talking shop, and that it's lost its effectiveness as a result of that. I think it would be useful to have a re-examination of what the ISC is actually for. It's great to have some captains of industry talking about things, but in terms of the inputs about what they should talk about, I don't think it's clear really.

And build up the linkages between sector council dialogues and other dialogues within BIS and across Whitehall...

Key findings

Industry relies on BIS to be its 'window' into other departments and to join up industry issues with cross-cutting policies in BIS

- Issues facing industry often require co-ordination with other parts of BIS and other Whitehall departments.
- These include cross-cutting issues such as skills, innovation and technology, which affect all industries, although in different ways.

There is a perception among the industry representatives interviewed that BIS's capacity to do this is patchy

- There is an expectation that the sector councils join up industry-specific needs and issues with sections of BIS that deal with these horizontal issues. Industry had a perception that this was not happening.

This perception prevails despite the fact that BIS has the architecture in place to facilitate cross-BIS-cross-government links

- For example, within the industrial strategy team there are 'critical friend' roles to interface between the sector councils and cross-cutting BIS directorates.

What we heard

Other departments have a stake, which can influence the effectiveness of what the council is trying to achieve. That's where you really do depend on having BIS effectively sponsoring the department, being influential and effective.

It's really important that the officials don't just advocate the positions of the industry while industry's in the room, but that they continue to advocate those positions when the industry's not in the room.

I think that's where the councils can be really helpful to government, because government is rubbish in my opinion at working cross-department.

I wouldn't necessarily say industrial strategy has changed the way the organisation looks, but it has gone beyond BIS across government, and got co-ordination, has got different teams and different parts of government talking to each other better and more effectively.

Strengthening strategic dialogue

The current sector councils could be strengthened in a number of ways to create better forums for strategic dialogue...

The sector council experience has highlighted that strategic dialogue takes time to become established and effective

- This is because time is needed for relationships and trust to develop between dialogue participants.
- As these relationships become more established, though, there is potential to use strategic dialogue for more broader purposes and in more novel ways.

There is scope to use strategic dialogue as a platform for joining up other dialogues on cross-cutting issues such as skills, policy and finance

- To achieve this there will be a need to widen the bandwidth of strategic dialogue and ensure that the dialogue remains dynamic and responsive to both current and emerging industry issues.

If you get rid of them [sector councils] ... it will be more disjointed, it will be harder to track progress, and less strategic. They open up the space to have a proper conversation about where the future of the industry is, what people are worrying about, how government can and can't help.

'Have we set up the institutions that engage the bureaucrats in an ongoing conversation with the private sector, and do we have the capacity to respond selectively, but also quickly and using a range of policies, to the economic opportunities that these conversations are helping identify?'

(Rodrik, D. 2008. Normalizing industrial policy. Commission on growth and development working paper ; no. 3. Washington, DC: World Bank)

On balancing representation, the ‘bandwidth’ of strategic dialogue could be widened through better linking up to other dialogues and introducing more transparency...

Issue	Sector council experience	Potential options for strengthening
<p>An effective strategic dialogue involves multiple voices and relies on government to facilitate links between different sources of information.</p> <ul style="list-style-type: none"> • One of the aims of strategic dialogue is to help government to co-ordinate and align related policies across industrial ecosystems. • To do this effectively, government needs to be tapped into the full spectrum of the industry and have the mechanisms to connect up dialogues happening at different levels of the industrial ecosystem. • Both the Automotive and Creative Industries Council have already taken action to engage regional players. <p>The experience of the sector councils shows that some parts of industry ecosystems could be better linked</p> <ul style="list-style-type: none"> • In particular, councils lack representation – from SMEs, new entrants to industry and non-London-based companies. 	<p><i>“[The LEP Forum] brings together a number of the LEPs [local enterprise partnerships] that have key auto interests, whether it be that they are big local employers or whether it be part of their local growth strategy.”</i></p> <p><i>“In creating the strategy, hundreds of people were involved, we ran a series of different workshops up and down the country, and that was important.”</i></p> <p><i>“At the moment we’re engaging with LEPs on a case-by-case basis ... I think we could have stronger links with them to help push that whole regional agenda because I think there will be more focus on it after the election.”</i></p> <p><i>“Another lesson from the review of the councils was that communications across industry were poor, with a lot of criticism of the industry not knowing what was happening at the council”</i></p>	<p>Stronger integration of cross-cutting and regional forums through cross-forum representation and conferences</p> <ul style="list-style-type: none"> • Germany benefits from well-established processes and institutions built over many years that allow eliciting insights from a range of self-identified industrial communities. • Practices such as regional workshops or local industry networks could be expanded to other industries. <p>Dedicated communications hub</p> <ul style="list-style-type: none"> • Some sector councils have a dedicated communication sub-group for disseminating the outputs of the dialogue and linking up with other industry fora. <p>Increased transparency and visibility of dialogues</p> <ul style="list-style-type: none"> • As noted, some sector councils publish minutes and other information, but practice varies. This could be standardised to provide a base level of transparency. • In Germany and the United States, increased transparency of industry dialogues has helped to extend the reach of these conversations and provide a check on representation.

The strategic focus of the dialogue could be improved by experimenting with different approaches and agendas that encourage more openness and challenge...

Issue	Sector council experience	Potential options for strengthening
<p><i>The experience of the sector councils highlighted some potential barriers to sustaining a dynamic and responsive strategic dialogue:</i></p> <ul style="list-style-type: none"> • the agenda being dominated by larger companies or overrepresented sub-sectors • dialogue following rehearsed lines, with no space for discussion of new issues • difficulty in bringing new and/or disruptive companies to encourage challenge to established views • capacity of government to constructively challenge industry perspectives and views on particular issues. 	<p><i>“At the moment it feels like we’ve got the sector councils, the working groups, and then separate lobbying by industry, and it feels like straight lines, not particularly creative or necessarily moving things along at pace.”</i></p> <p><i>“I think it needs to be better at not just being play performances as opposed to good genuine dialogue ... what a waste if we’re all just rehearsing lines we’ve already practised instead of having a proper old brainstorm.”</i></p> <p><i>“[W]here it gets really tricky is the extent to which you start to get more challenge and scrutiny within that room...”</i></p> <p><i>“[O]ne of the drawbacks which is in this space, is the model I think leaves BIS subject to quite a lot of challenge about the extent to which it’s been cosy with big business, and that’s partly why I think it’s something where there’s an opportunity to do more on the challenge front.”</i></p>	<p><i>Actively bringing disruptive voices into the dialogue</i></p> <ul style="list-style-type: none"> • This could be in the format of external speakers or ‘disrupters-in-residence’ invited to join the dialogue on a rotating basis. <p><i>Experimenting with more unstructured approaches to dialogue</i></p> <ul style="list-style-type: none"> • For example, dedicating a small part of the agenda to a more open and unstructured discussion, with the intention of surfacing new issues facing the industry. <p><i>Establishing guidelines around membership refresh</i></p> <ul style="list-style-type: none"> • However, this would need to be tailored to the characteristics of the industry and balanced against the need for membership continuity. <p><i>Developing government’s ability to challenge industry</i></p> <ul style="list-style-type: none"> • Building institutional capacity for understanding business will in turn provide it with a stronger capacity to challenge business.

Finally, outputs may be more effectively harnessed by using the expertise of sector councils to inform policy and promote cross-industry action on shared challenges

Issue	Sector council experience	Potential options for strengthening
<p>Sector councils present BIS officials with access to industry knowledge and expertise, which can be used to inform policymaking</p> <ul style="list-style-type: none"> Examples of the sector councils having direct influence on policymaking are isolated. <p>The sector councils were often seen as a good ‘ear’, but many of the barriers and opportunities identified require co-ordination from other parts of BIS and Whitehall.</p> <ul style="list-style-type: none"> Industry relies on BIS to get important issues facing industry ‘owned’ by other departments and to join up industry issues with cross-cutting policies in BIS. <p>Additionally, many sector councils are often addressing a similar set of issues.</p> <ul style="list-style-type: none"> There is no formal mechanism to share best practice, and links between sector councils are weak. 	<p><i>“However smart they are, and there are a lot of smart people in government, they cannot hope to replicate the depth of knowledge and understanding of the sector that the sector participants have.”</i></p> <p><i>“You know, where you get electronics and life sciences for medical devices, there’s a whole host of opportunities in that sphere.”</i></p> <p><i>“We’d often have sector council co-chairs who would reach out to their counterparts on Aero and Auto with an appetite for what they were doing there ... some of the newer [sector councils] were taking interesting, innovative approaches, and were making progress in particular areas, and there was more that could be done in that space.”</i></p> <p><i>“There’s no formal mechanism but where we know that there’s a shared issue we encourage people to get together and talk about it.”</i></p>	<p>Government making greater use of sector councils at various stages of the policymaking process</p> <ul style="list-style-type: none"> Sector council involvement could take many forms, such as asking industry to commission research (as the Automotive Council has done in the past) or testing the likely consequences of policies among industry members. <p>Strengthening the links between sector councils and other departments so that they are no longer reliant on BIS officials passing on relevant information</p> <ul style="list-style-type: none"> Attendance from government officials from other government departments could help to strengthen cross-departmental working. <p>Developing a mechanism for sector councils to co-operate on cross-cutting issues such as skills, access to finance and digital</p> <ul style="list-style-type: none"> This could be done using the existing Industrial Strategy Council, which currently lacks clarity of purpose but could serve as a forum to identify and discuss cross-cutting issues. Alternatively, BIS itself could bring together clusters of interest around common issues across industries.

Appendix

Research questions

- What does the experience of the sector councils tell us about how to create and sustain an effective strategic dialogue?
- Given what we know about the strengths and weaknesses of the sector councils, how might we strengthen strategic dialogue?

Research aims

- Define 'strategic dialogue' and what good strategic dialogue looks like.
- Identify how sector councils have been used as a model of strategic dialogue.
- Identify common success factors in creating and sustaining strategic dialogue.
- Identify weaknesses in the sector council model and suggest improvements for further development.

Snapshot of approach

- **32 interviews** across four sector councils (30–60 minutes each)
- Interviews were **semi-structured** based on our interview guide, covering topics such as:
 - how sector councils work
 - their effectiveness
 - how BIS uses sector councils for policymaking
 - alternative forms of engagement.
- **Thematic text analysis** based on the interview transcripts.

'What we heard'

Quotes were selected based on their representativeness or interest to the project

Government quotes

Industry quotes

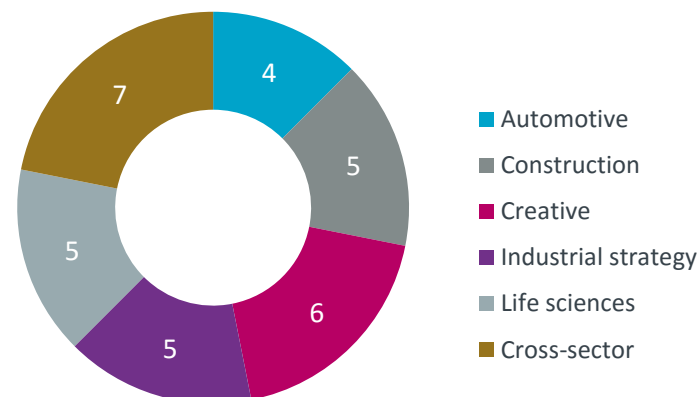
Aims, approach and method (continued)

We focused on **sector councils**.

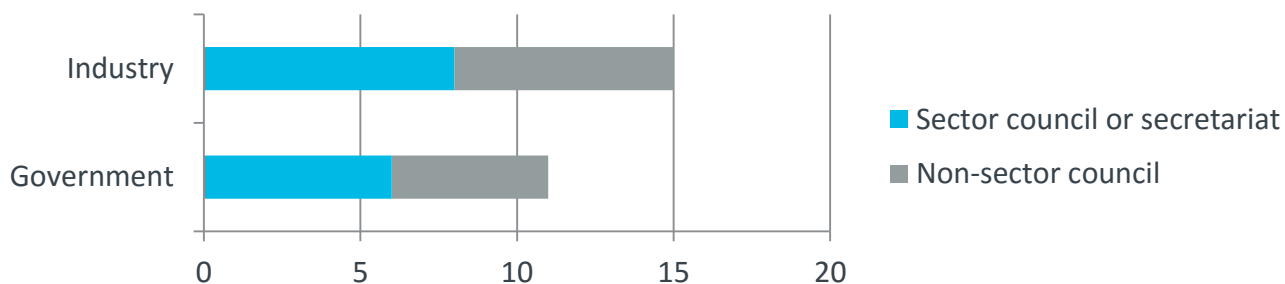
Participants from **government and industry** were chosen to represent **four sectors and their councils**:

- automotive ('gold standard')
- construction (fragmented and diverse industry)
- life sciences (dual departmental responsibility)
- creative (dual departmental responsibility)

Interviews by sector



Interviews with government and industry



- For each sector there was a minimum of one interview with government and two interviews with industry.
- Interviews were also conducted outside sector councils, getting an overview from the **Industrial Strategy Council** (council co-chairs) and an alternative view from **non-council industry players**.

Sector council profiles

- Average number of members = 27
- Meet on average two to three times per year
- Common issues include: supply chain, skills, technology, business environment, access to finance, international (e.g. exports)



Council	Aerospace	Agricultural technology	Automotive	Construction	Information economy	International education	Life sciences	Nuclear	Offshore wind	Oil and gas	Professional and business services	Creative
Established	2010	2013	2009	2013	2013	2013	MISG 2009 MMTSG 2007	2013	2013	2011	2012	2011
Members	23	17	30	30	30	20	MISG 13 MMTSG 27	31	28	36	26	38
Meetings per year	2	4	3	3	3	3–4	2	2–3	3	2–3	3–4	2
Common issues	Supply chain Skills Technology Manufacturing	Supply chain Technology Global markets	Supply chain Technology Business environment Skills LEPs	Skills Access to finance Green construction	Skills Business environment Access to finance Big data Defence Finance	Skills Business environment Exports	MISG NHS–industry partnerships Europe Regulatory environment	Supply chain Skills R&D Public understanding	Supply chain Skills Technology Access to finance Planning Safety	Supply chain Skills Technology Business environment Access to finance Green	Skills Business environment International	Education and skills Access to finance Infrastructure Intellectual property International

Note: MISG = Ministerial Industry Strategy Group; MMTSG = Ministerial Medical Technology Strategy Group

Copies of this report are available alongside other research work at:
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