

Govt Head
Sep 82

Prime Minister (2)

MUS 4/3



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

JU154
Secretary of State for Industry

4 March 1983

Michael Scholar Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Handwritten mark resembling a stylized 'M' or 'W'.

Dear Michael,

AIMS OF INDUSTRIAL POLICY

with
PM

1 You may recall that in the 'five year forward look' that my Secretary of State forwarded to the Prime Minister on 22 December, he outlined the broad aims of the Department of Industry. Recently he has been explaining these to various audiences outside Government, notably the CBI and the National Economic Development Council. The reaction so far to the aims has been favourable. The CBI expressed considerable enthusiasm, offering to help in publicising our aims and in contributing to their development. They have pointed out the Department's approach is similar to the management procedures which large private sector corporations find necessary to work effectively.

2 At NEDC, the reaction was also positive although, of course, the TUC could not support our privatisation aims for the state-owned companies.

3 These presentations have also generated a good deal of favourable publicity, notably in the Financial Times and some specialist journals. My Secretary of State thought that this might lead to a question in the House, and that the Prime Minister might therefore like to have a background note setting out the approach that he has been adopting. The attached note outlines the rationale for the aims themselves and the management system that is being developed to translate the aims into action. We can supply further details on any aspect of the system if required.

Yours sincerely,
Jonathan Spencer

J P SPENCER
Private Secretary

Govt Mach:

Forward Look

9/82



AIMS OF INDUSTRIAL POLICY

Background

1 Soon after arriving at the Department of Industry, the Secretary of State decided that its purposes needed much clearer definition. Some policies were trying to speed up industrial change and adaptation, while others inhibited these processes. The first step towards a more effective industrial policy was to clarify what the Department was trying to do.

2 A well run organisation needs to be clear about its objectives at each level of management. Ministers need to be able to see what resources are being allocated to the pursuit of different aims. Managers at each level need to be able to relate their work to them. There should be a constant search for ways of improving the balance of effort in order to achieve the Department's central purpose. In companies, profit provides a common yardstick for control. Government aims are more complex and the need for clarity is correspondingly greater.

Departmental Aims

3 The central purpose of the Department of Industry is to help the productive sector in the UK to become profitable, competitive and adaptable. This is primarily a task for private sector management working within a framework of market disciplines. But Government exerts a good deal of influence on the climate within which industry operates. It can also act in various ways to promote innovation and improved efficiency.

4 The Department's broad or 'strategic' aims are set out at Annex A. The aims are divided into three broad headings: climate, innovation and efficiency. Each is expressed in terms of an international comparison; we cannot afford to aim at anything less than full international competitiveness. These are sub-divided into fourteen main aims. All the Department's activities are being reviewed in the light of the aims to identify gaps, imbalances and to expose any contradictions.

Management of the Department

5 This chart is used as the framework for the management system now operating at the Department. Every Division is required to think hard about its own purposes and produce a series of specific objectives for itself. The Secretary of State hopes to publish most of these Divisional objectives before long. Public debate can help to secure acceptance outside the Department and commitment within it.

Divisional Targets

6 Although there are some categories of work which are essentially responsive to outside demands, it should be possible to produce targets of some kind for nearly all of the work undertaken by the Department. In some cases it is possible to express the target in terms of a change in the industrial world - eg raising the level of micro electronics usage in industry from 30% of all companies to 60%. Other targets relate to improved productivity within the Department: eg improving casework processing time. Fixing targets for as much of the Department's work as possible helps to orientate staff at all levels towards achievement. It also provides a basis for review at senior levels, to ensure the targets are the right ones, to check the balance of effort among them, and to provide the basis for a review of performance at the end of the year. Already there are over a thousand short-term targets. Some subjects are better suited to a five year time-scale. There are fifty such targets contained in the Department of Industry's Five Year Forward Look.

ACT

7 The system by which all Divisions are required to specify their objectives and targets is called the ACT - Activities, Cost and Targets - Management System. (This is described more fully in the Department's Development Plan, in response to the FMI.) After some experimentation last year, the Department is operating the system in full for the first time in 1983. Besides setting out their objectives, targets and costs, Divisions are required to show the effect of a reduction in staff and how extra staff could be used. This is one source

of information about priorities as seen at Divisional level. ACT plans are reviewed first at senior official level, then by Ministers.

8 An example of how Departmental aims are reflected in Divisional objectives and translated into targets for 1983 is shown below:

Aim 3.3: Awareness and rapid adoption of key technologies to maintain competitiveness

Objective: To promote advanced production engineering technologies in supplier and user industries

Target: Extend the Computer Aided Design and Computer Aided Manufacture programme to include Production Management; take the programme to a further 1,500 companies by March 1984. (This target represents a large increase on achievements so far; it poses a real challenge for the Division in the timescale.)

Resource Management Group

9 A new Resource Management Group has been established, under the chairmanship of the Permanent Secretary. Its task is to keep under review the deployment of the Department's money and manpower, to ensure maximum contribution to the Department's aims.

Management Information System

10 As the FMI recognises, better management systems need the right information to support them. A team of consultants has recently examined the Department's information systems. A comprehensive plan has been produced. Some improvements will take effect quickly; others will require development over several years.

Conclusion

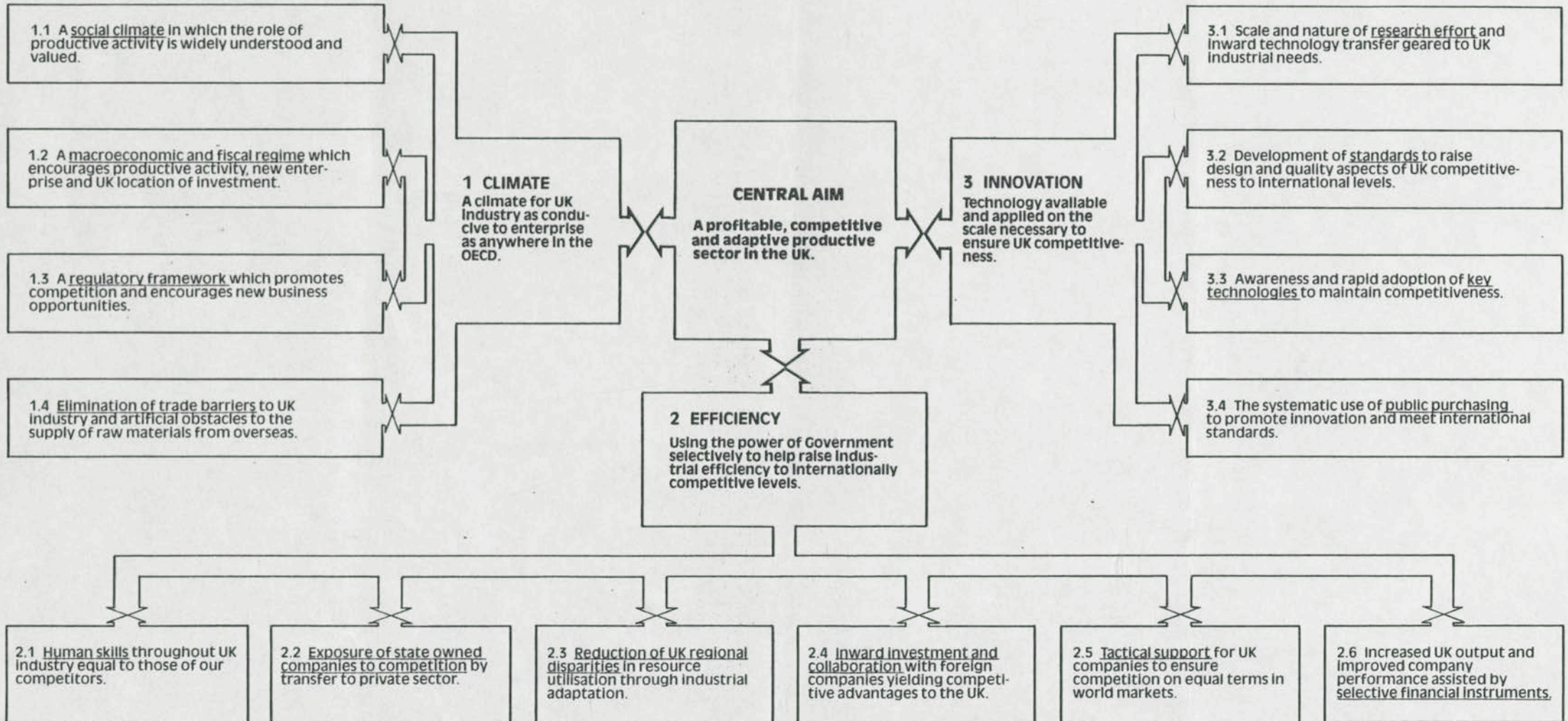
11 This system should help the Department to bring the pattern of its activities and spending more closely into line with the central aim. Priorities will change and need to be kept under constant review. At the moment top priorities are seen as:

- improving the climate for enterprise, especially new businesses
- harnessing the national research effort to commercial purposes
- speeding up the application of key technologies to new and established industries alike
- helping to develop UK management skills, especially marketing and design in a variety of ways.

12 Hand in hand with expansion in these areas must go a reduction in spending on the casualties of the past. The Department's aims and the new management system provide a framework within which the switch can be made.

DOI STRATEGIC AIMS

ANNEX A



24 MAR 1987

