Our Competitive Future
building the knowledge driven economy

Presented to Parliament by the Secretary of State for Trade and Industry
by Command of Her Majesty
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The modern world is swept by change. New technologies emerge constantly, new markets are opening up. There are new competitors but also great new opportunities.

Our success depends on how well we exploit our most valuable assets: our knowledge, skills, and creativity. These are the key to designing high-value goods and services and advanced business practices. They are at the heart of a modern, knowledge driven economy.

This new world challenges business to be innovative and creative, to improve performance continuously, to build new alliances and ventures. But it also challenges Government: to create and execute a new approach to industrial policy.

That is the purpose of this White Paper. Old-fashioned state intervention did not and cannot work. But neither does naive reliance on markets.

The Government must promote competition, stimulating enterprise, flexibility and innovation by opening markets. But we must also invest in British capabilities when companies alone cannot: in education, in science and in the creation of a culture of enterprise. And we must promote creative partnerships which help companies: to collaborate for competitive advantage; to promote a long term vision in a world of short term pressures; to benchmark their performance against the best in the world; and to forge alliances with other businesses and with employees. All this is the DTI’s role.

We will not meet our objectives overnight. The White Paper creates a policy framework for the next ten years. We must compete more effectively in today’s tough markets if we are to prosper in the markets of tomorrow.

In Government, in business, in our universities and throughout society we must do much more to foster a new entrepreneurial spirit: equipping ourselves for the long term, prepared to seize opportunities, committed to constant innovation and enhanced performance. That is the route to commercial success and prosperity for all. We must put the future on Britain’s side.

The Rt Hon Tony Blair MP, Prime Minister
The goal

Britain’s goal must be to reverse a century of relative economic decline by raising the sustainable rate of growth. To achieve this, more British businesses have to match the best in the world. The Government’s aim is for British business to close the performance gap with its competitors, in terms both of productivity and of its ability to produce innovative new products and create high-value services. The proposals set out in this White Paper complement the measures in the Chancellor’s Pre-Budget Report: together they represent a co-ordinated and coherent programme of action. The Government is determined the UK will be a competitive and profitable base for business.

Government’s compact with business

Business must lead this process of modernisation by responding to the spur of competition and by exploiting market opportunities. In addition to establishing macro-economic stability and improving educational standards, the Government has a key role in acting as a catalyst, investor and regulator to strengthen the supply-side of the economy. Three forces will drive growth and innovation in the British economy.

Capabilities

Capabilities are the bedrock of our competitiveness: our economy is only as strong as our capabilities and skills, from science and technology to marketing and manufacturing. Strong businesses and economies draw on deep reservoirs of know-how and expertise.

To make the most of its capabilities, British business needs to combine its know-how with finance for investment and a flexible skilled workforce, with a guarantee of a modern infrastructure and macro-economic stability – all this in a world of ever greater pressure on material resources and the environment.

To strengthen the UK’s capability to compete in the modern economy the Government will:

- invest an additional £1.4 billion over the next three years in partnership with the Wellcome Trust to modernise the British science and engineering base
- vigorously promote the commercialisation of university research – including new incentives for researchers to work with business
drive a new programme to help one million small businesses harness information and communication technologies (ICTs) to compete more effectively in the digital marketplace

launch a new round of the Foresight programme, linking Government, science and business to identify new market opportunities and addressing important themes like education, skills and training, and sustainable development.

We also need entrepreneurial individuals with the vision to turn new ideas into winning products and processes. Entrepreneurship is the lifeblood of the new British economy, in large companies as well as small. To encourage a new generation of entrepreneurs, who will create the businesses on which our future prosperity will depend, the Government will:

create a new Enterprise Fund to support the financing of small businesses with growth potential - including a ground-breaking scheme in which six major financial institutions will provide new venture capital for this type of company

improve the help given to start-ups - providing a new high-quality advice service targeting 10,000 growth start-ups a year in England

change our insolvency laws to give businesses in difficulties a better chance of turning around

look at ways of removing the stigma associated with business failure.

Collaborate to compete

To compete more effectively we have to collaborate more intelligently. Few companies have all the skills to make and market technologically complex products. Successful businesses depend upon strong team work - with suppliers, customers, joint-venture partners, universities and between managers and employees. The Government will act as a catalyst to promote creative collaboration between businesses and within regions. It will:

back proposals to extend to ten further sectors the motor industry’s highly successful programme to drive up performance among suppliers

back the CBI’s nationwide Fit for the Future campaign to encourage a massive increase in the number of companies adopting best practice

set up a public-private action team led by a Minister to promote clusters in biotechnology, where the UK has a strong knowledge base and ambitious companies keen to exploit expanding markets

provide funds for the Regional Development Agencies to promote collaborative strategies building on regional know-how

refocus regional support and financial aid to create higher value-added jobs

examine the planning system to ensure it encourages enterprise and promotes the needs of industrial clusters.
Competition

Competition is the sharpest spur to improve productivity and the best guarantee of reward for talent and innovation. A dynamic economy needs flexible, open markets. To make markets more competitive we will strengthen the Office of Fair Trading, consider the case for reform of merger policy, step up the pressure for economic reform in Europe, press for the removal of barriers to international trade and oppose unnecessarily burdensome regulations from whatever source. The knowledgeable consumer can also help drive the agenda. The Government’s new consumer strategy to be set out in 1999 will ensure that the consumer is centre-stage.

We must modernise our markets as well as making them more open. Markets, like people, have to adapt to new technologies and new ways of working. The Government is determined the UK will have a world-class infrastructure to compete in the digital world. The first step will be an Electronic Commerce Bill, along with further action to liberalise communications markets. The Prime Minister will appoint an e-Envoy to lead a strategy to make the UK a global hub for electronic commerce.

Innovation in Government

The Government must improve its performance by becoming more innovative. With business we will create a set of competitiveness indicators – the Competitiveness Index – to track British performance and guide policy development. Together, this White Paper and the Pre-Budget Report show that productivity, competitiveness and enterprise will be the focus for policy making at the highest levels across the Government. A new Cabinet Committee is being created to achieve this. In addition, the Government will set more exacting standards to conduct more of its own business electronically. It will invite Regional Development Agencies to review business support in their regions. And the organisation of the DTI will be reshaped to deliver the strategy set out in this document.

This Government is committed to the success of British business, manufacturing and services, large and small. This White Paper shows how it will make real that commitment. The Government invites business to match its commitment. Together we can make Britain fit to compete for the future.