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# POLICY BRIEF

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## From Industrial Policy to Industrial Orchestration

How a dynamic, practice-informed strategy can guide the UK's industrial renewal



### Reimagining industrial strategy for an age of polycrisis

Industrial strategy is back at the centre of British economic debate. After decades in which 'the market' was expected to self-correct and self-direct, the shocks of the pandemic, the energy crisis, Brexit, the climate transition and (trade) wars, have exposed the limits of laissez-faire and the dangers of fragmentation. Both major parties now acknowledge that the state must once again act as strategist, and partner in shaping the UK's economic future.

The government's emerging Modern Industrial Strategy seeks to deliver this new direction—anchored in green growth, digital innovation, resilient supply chains, and regional inclusion. Yet strategy, as scholars like me have long argued, is more than a list of priorities. It is a theory-congruent, practice-informed, and sustainability-fostering framework—a way of organising national capability and purpose. To succeed, the UK's industrial strategy must not merely fund sectors; it must orchestrate systems, align incentives, and build prosperity that reinforces, rather than erodes, long-term social and environmental sustainability.

This essay sets out how a new approach to industrial strategy — one developed through decades of research on industrial organisation, dynamic capabilities, and public entrepreneurship — can inform and complement the UK's current strategy agenda. It argues that Britain's industrial renewal requires a Dynamic Industrial Organisation (DIO) logic, one that integrates markets, the state, and civil society into a coherent system of sustainable value and wealth co-creation.

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Policy Brief

## A new industrial strategy: from control to orchestration

Traditional industrial policy was often seen as a blunt tool — 'picking winners', subsidising declining industries, or correcting specific market failures. This narrow view is both conceptually flawed and practically outdated. My proposed framework for a 'new industrial strategy' reframes the state not as a planner or fixer, but as an orchestrator of value co-creation and value capture.

At its core, this "new industrial strategy" framework rests on three interlinked principles:

1. Theory congruence: policy must align with a realistic understanding of how economies actually evolve. Static models of perfect competition and allocative efficiency miss the point that prosperity is driven by dynamic rivalry, learning, and innovation.
2. Practice-informed design: strategy must learn from empirical success, especially from the developmental trajectories of East Asia and Northern Europe, where state-business partnerships have nurtured capabilities, scale, and innovation.
3. Sustainability fostering growth must be systemic, inclusive, and intergenerational. Strategy must reconcile short-term price competitiveness with the long-term viability of environmental and social systems.

Rather than opposing state and market, I propose a partnership where government reads, interprets, and shapes market signals, co-creating the conditions for innovation. Its guidance of the market would be market-guided. Similarly, rather than a choice between top-down or bottom-up approaches, I advocate coordination — strategic leadership informed by local initiative and feedback.

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This subtle but profound shift — from control to orchestration — echoes a broader transition in strategic thinking: from command-and-control hierarchies to networked, adaptive systems. In this sense, the framework of the "New Industrial Strategy" bridges the theoretical gap between traditional industrial organisation and the real-world complexity of modern organisational market economies.

### Learning from East Asia: dynamic rivalry and cooperation and the role of the state

The framework draws empirical strength from the East Asian experience — Japan, South Korea, Taiwan, Singapore, and later China — where developmental states pursued long-term strategies to build national capabilities. These economies combined strategic targeting, export orientation with fierce domestic rivalry, and learning-based growth. Their success was not accidental; it was grounded in the careful design of institutions that married cooperation with competition.

Japan's post-war Ministry of International Trade and Industry (MITI) exemplified this approach. It did not eliminate market rivalry; it managed and channelled it — fostering 'workable big-



Peter Kyle, Secretary of State for Business and Trade and President of the Board of Trade.

learning. DIO places emphasis on capabilities, complementarities, and co-evolution between firms, institutions, and governments. It recognises that in complex systems, performance depends not only on static efficiency but also on dynamic efficiency through innovation, adaptability, cooperation, and systemic coherence.

### **The UK's current challenge: fragmentation and opportunity**

The UK enters the 2020s with a distinctive mix of assets and weaknesses. It remains a global leader in science, finance, higher education, and cultural industries. Yet productivity has stagnated, regional inequalities have deepened, and the economy remains over-reliant on consumption and financial services. The post-Brexit environment, combined with the net-zero transition, demands a restructuring of production systems.

The government's emerging Modern Industrial Strategy — alongside the Green Prosperity Plan and the creation of a National Wealth Fund — marks a renewed recognition that markets alone cannot deliver the transformations required. But policy remains fragmented: separate initiatives on clean

business competition', coordinating technology transfer, and facilitating the creation of entire industrial ecosystems. The result was a form of co-opetition — simultaneous competition and collaboration — that drove innovation and productivity.

For Britain, the East Asian story offers two lessons. First, theory matters: the old dichotomy between free markets and interventionism is sterile. Successful economies combine strategic intent with market discipline. Second, continuity and coordination matter more than ideology. East Asia's success rested on institutional memory and long-term commitment — features often missing in Britain's stop-start policy environment.

By integrating these insights, my 'New Industrial Strategy' proposes a Dynamic Industrial Organisation (DIO) approach, in which competition is not a structure to be 'perfected' but a process of evolutionary

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energy, AI, skills, and regional development risk duplication or incoherence unless integrated within a systemic framework.

This is where these insights are particularly valuable. This framework offers a unifying logic that can bind the UK's sectoral and regional programmes into a coherent whole — linking the micro (firm-level innovation), the meso (industries, regions, clusters and ecosystems), and the macro (national and global competitiveness).

## Five pillars for a modern UK industrial strategy

Drawing on the logic of DIO and the lessons of practice, five interlocking pillars emerge for a UK industrial orchestration strategy.

### 1. *Support for General Purpose Technologies (GPTs) and system-wide innovation*

Transformative technologies — AI, quantum computing, advanced materials, biotechnology — create spillovers that benefit entire systems but require long-term investment and risk-sharing. Left solely to markets, these innovations arrive too late, diffuse too slowly, or cluster narrowly around existing power centres.

The UK's new Industrial Strategy Council should thus adopt a strategic approach to General Purpose Technologies (GPTs): co-investing in research and development, providing patient capital, and creating regulatory sandboxes that accelerate responsible deployment. But crucially, such investment must be embedded in regional business ecosystems and clusters, connecting universities, SMEs, and anchor firms through shared infrastructure and open-team production and innovation networks.

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For example, the AI and Data initiatives could be linked to advanced manufacturing hubs in the Midlands, digital health clusters in Manchester, and quantum computing initiatives around Oxford and Cambridge — turning the “Golden Triangle” from a metaphor into a distributed innovation system.

### 2. *Building ecosystems and clusters: from levelling up to linking up*

Productivity and innovation depend on meso-level structures — the networks, clusters, and local production systems that mediate between firms and the national economy. The UK's regional disparities are, in part, a reflection of weak meso-level coordination.

Rather than viewing ‘levelling up’ as a redistributive exercise, industrial strategy should see it as systemic integration — linking regions through complementary specialisations. An ecosystem- cluster-oriented regional strategy,

rooted in local comparative advantages but connected to global value chains, can transform peripheral areas into active participants in innovation.

The success of Germany's Mittelstand, or Denmark's clean-tech ecosystems, show that small and medium firms thrive when embedded in strong institutional environments. The UK could emulate this through regional partnerships between local authorities, universities, and business groups that coordinate investment, skills, and infrastructure around shared missions.

### ***3. A public-private-polity partnership (PPPP) model***

The traditional “public-private partnership” needs to be extended into a triple alliance that includes civil society and local communities — the ‘polity’. This acknowledges that legitimacy and sustainability depend on inclusion and shared purpose.

A ‘PPPP’ model for the UK would mean co-designing policies and actions with devolved administrations, civic groups, including unions and business. It also implies new institutional forms — regional development agencies 2.0 — resourced and empowered to align national priorities with local implementation. These agencies should act as public entrepreneurs, capable of seeking opportunities, managing risks, and crowding in private investment.

Such an approach can rebuild trust in industrial policy — demonstrating that strategy is something done with people, not to them. This requires smart design, incentive structures and institutional reconfiguration.

### ***4. Workable competition and co-opetition***

The UK's regulatory system has traditionally treated competition as an end in itself, focusing on price and consumer welfare. What is needed is a more dynamic interpretation: competition as a process of innovation rather than a static state. ‘Workable competition’, in this sense, allows non-collusive collaboration, scale, and experimentation, provided they enhance productivity and long-term dynamism.

This has direct implications for the Competition and Markets Authority (CMA) and for digital markets regulation. The aim should not be to punish size per se, but to ensure that big and small firms coexist symbiotically — large firms providing scale and resources: SMEs providing agility and local knowledge. Antitrust policy should focus on preventing exclusionary dominance, not on dismantling potentially productive ecosystems.

Encouraging ‘co-opetition’ between universities, startups, and corporates — especially in critical sectors like green hydrogen or advanced manufacturing — could multiply spillovers and accelerate diffusion.

### ***5. Entrepreneurial capability and managerial competence in the public sector***

A recurring weakness in UK policy implementation is capacity. Strategies are announced, funds allocated, but delivery falters. The public sector broadly defined, must cultivate its own entrepreneurial and managerial capabilities — the ability to envision, orchestrate, and adapt.

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This requires a cultural shift. Public managers need training in strategic thinking, risk management, and systems leadership. An 'Industrial Strategy Academy', jointly run by universities and the civil service, could professionalise this function — equipping officials with the tools of corporate strategy and innovation management. Secondments between the public and private sectors should become the norm, building mutual understanding and shared language.

Without this human infrastructure, even the best-designed policies risk dissipating into bureaucratic inertia.

### *From 'picking winners' to 'creating the conditions for winners to emerge'*

A key virtue of this approach is that it transcends the false dichotomies that have long haunted UK industrial policy. Instead of markets versus government, it proposes a division of labour based on comparative capabilities. Instead of horizontal versus vertical policy, it advocates 'horizontal' measures — broad-based yet sensitive to context. Instead of short-term profit versus long-term sustainability, it promotes systemic value creation.

In this sense, Britain's new industrial strategy should not seek to pick winners in the old sense, but to co-create the conditions — through infrastructure, skills, finance, and governance — that allow potential winners to emerge. Policy should aim to crowd investment in, not crowd it out.

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This is especially relevant for the green transition. The UK's net-zero ambition requires massive investment in energy storage, hydrogen, grid modernisation, and electric mobility. Rather than scattershot subsidies, a Dynamic Industrial Organisation (DIO) informed strategy would orchestrate these sectors as a mutually reinforcing system — where innovation in one domain (say, battery technology) stimulates progress in others (renewables, transport, digital grids).

### **Institutional and political challenges**

No strategy can succeed without institutional coherence. Britain's frequent ministerial reshuffles, departmental silos, and short-term fiscal cycles undermine consistency. What is needed instead is a stable, cross-party institutional anchor — an independent 'Industrial Strategy Council' with statutory status, tasked with monitoring performance, ensuring coordination, and maintaining continuity across political cycles.

Moreover, the UK must address the erosion of democratic legitimacy when governments rule with narrow mandates and fragmented consent. For industrial strategy to endure, it must command broad-based legitimacy. This means transparency, consultation, and demonstrable public benefit. The need for continuity and legitimacy highlights the important role of regional leaders and nation-wide public administrators

Finally, the UK must guard against the cosy collusion of big government and big business. Industrial policy can easily slip into corporatism or rent-seeking if not anchored in competition and accountability. Here again, the emphasis must be on pluralism and mutual monitoring: diversity of actors and voices is not a hindrance but a safeguard against capture.

### **Towards a sustainable value co-creation economy**

At its most ambitious, the proposed framework for a new industrial strategy envisions a transformation to an economy of co-creation. Instead of wealth being generated in one place and appropriated elsewhere, value creation becomes distributed and regenerative — spanning firms, sectors, regions, and generations.

For the UK, this could mean embedding sustainability metrics into investment appraisal, promoting circular economy models, and supporting cooperative or hybrid business forms that align private profit with social purpose. It could also mean reframing productivity not as output per worker, but as added value per system — how effectively the whole network of institutions converts knowledge and resources into well-being.

This strategy builds on the UK's own institutional strengths — its universities, creative industries, and civic traditions of mutualism. But it requires courage to think beyond departmental silos and electoral timetables.

Industrial strategy is once again fashionable in Westminster. But as history shows, fashion fades. The real test will be whether the UK can sustain a coherent, adaptive, and inclusive strategy beyond a single Parliament.

This 'New Industrial Strategy' proposal offers not a blueprint but a compass: a way of aligning theory with practice, competition with cooperation, and prosperity with sustainability. It invites policymakers to think of the economy not as a machine to be fine-tuned, but as a living system to be cultivated — a network of interdependent actors whose collective performance depends on trust, learning, and orchestration.

If the UK can embrace this philosophy — combining strategic vision with institutional patience — it can turn the rhetoric of industrial renewal into a genuine national transformation and renewal. The challenge is not whether government should intervene, but how it can orchestrate, enable, and co-create. That, in the end, is the true test of strategic capability — and the promise of a modern, dynamic, and sustainable Britain. Time does not wait, there is little time and chance for further opportunities, the time is now.

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