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CONTINUITY OR CHANGE IN BUSINESS REPRESENTATION IN BRITAIN? AN ASSESSMENT OF THE HESELTINE INITIATIVES OF THE 1990'S

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Abstract

Britain has a fragmented, overlapping and under-resourced system of business representation. Attempts at reform, however, have proved difficult and largely unsuccessful. A coherent and logical system is relevant, both in terms of an effective dialogue between government and business, and the promotion of competitiveness and productivity. This article, through interviews and archival evidence, looks at how government has attempted to reform business associations. The main focus is the Heseltine initiatives of the 1990's: it outlines the various initiatives taken, brings out the extent to which policy represented continuity or change, and considers whether the initiatives were effective. The article shows that they had a degree of success but would have made greater impact if sustained over a longer period of time. A consideration of the historical context, moreover, suggests there may be limits to the role of government intervention in business association reform.

Introduction

A substantial body of literature, including the Report of the Devlin Commission on Industrial and Commercial Representation (1972), has identified fundamental problems, such as fragmentation, overlap and limited resources, with the structure of business representation in Britain. This has implications for the conduct of business-government relations and also issues of productivity and competitiveness. The Devlin Commission, for example, noted the contrast between the 'duplication and confusion' in many areas of industrial representation with the 'orderly and logical pattern' prevailing in other European countries (Devlin, 1972, p. 7). Government, moreover, has long been aware of the inherent problems in British business representation bodies, where, in Bennett's words, 'smallness, fragmentation and individualism have been endemic and historically long developed' (Bennett, 1995, p. 275).

The UK has a long tradition of discussing, legitimising and implementing policy in conjunction with recognised interests (see Beer, 1965). This tradition has been reinforced and formalised by the adoption of a code for consultation with stakeholders by New Labour (Cabinet Office, 2004). This article considers, therefore, the ways in which reform matters and for whom. Secondly, it looks at the theoretical context: the debate surrounding our voluntary system of business representation and the logics of membership and influence. This is followed by an assessment of the ways in which government has intervened to promote business associations, most noticeably the Heseltine initiatives of the 1990's. The article considers the importance Heseltine attached to business associations, and provides an overview of the approach he took towards sponsorship, lead associations and chambers of commerce. It assesses his initiatives and considers to what extent government support and intervention can promote effective associations. Whilst government has a role to play, it is shown that the lack of a 'developmental state' limits the extent to which it can successfully intervene.

The discussion makes use of interviews conducted with Michael Heseltine/Alan Kemp, Alastair Macdonald and Mark Boleat.[1], along with recently released government records from the National Archives at Kew and the Modern Records Centre at Warwick. The author has also been given access to a sensitive (and previously unused) interview with Tom Fraser, the Director of the Devlin Commission, carried out by Wyn Grant in February 1981. The term 'business association' is used broadly throughout to article to refer to chambers of commerce, trade associations (TAs) and employers associations.

Why Does Reform Matter?

The question to ask is why reform is so important, and for whom. Ineffective representation is not in the interests of industry, the state or association officials. Civil servants and many firms become frustrated by a situation in which there is more than one broadly based association which can be seen as a spokesman for the whole industry. Overlaps and duplication between associations, moreover, makes the task of association staff more difficult and, in the long run, discourages the attraction and retention of staff of a high calibre. In terms of dialogue, it will be easier for government if they are know who associations represent, if business is talking with 'one voice', and if the representations they receive are of a high quality (adequately resourced associations with good quality staff being particularly important here). [2] To put it another way, governments will prefer to talk to bodies which are capable of developing a considered view on behalf of the sector they claim to represent.

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[1] Macdonald was Director-General for Industry at the Department of Trade and Industry under Heseltine and Secretary of the Devlin Commission in the early 1970's (see below). Boleat is an expert on trade associations and has written a great deal on the subject. His website can be found at http://www.boleat.com. Alan Kemp was special advisor to Heseltine between 1991 and 1996, becoming full-time in 1995. He is now on the Board of Directors of Haymarket publishing where Heseltine is Chairman. For the interview with Heseltine and Kemp, the author was accompanied by Wyn Grant.

[2] To cite the Devlin Commission (Devlin, 1972), we are not arguing that every time that there are two (or more) voices there is necessarily confusion. This depends on whether the source of each voice can be separately identified. For example, if the Birmingham Chamber says something different to the Glasgow Chamber, the source of each opinion can be clearly identified, one being from one locality and the other from another. If, however, a regional Chamber a different view to its corresponding CBI Regional Council, there is no identifiable source: there is only confusion and representation to be effective must be clear.

Effective dialogue will, therefore, contribute towards good government and, moreover, further the public interest. Business, for example, can give government advice on the practical consequences of a particular policy, thereby helping it to avoid policies that are ineffective or have undesirable and unintended side effects (Grant, 2000). Boleat has argued that TAs in particular have two important roles in contributing to good government (2000):

- They legitimately represent the interests of sectors of industry and commerce whose views must properly be taken into account in the policy making process. The better they can perform this function the better-informed government will be

- They study the detail of government proposals (in a way unlike many other interest groups) and therefore can help make sure legislation and regulations achieve their intended purpose. In a sense, therefore, trade associations provide a useful supplement to the scarce resources of the Civil Service. The more effective trade associations can be in this task, the better the quality of legislation.

Better organised and resourced associations could also have a role to play in promoting competitiveness and productivity. Boleat argues that programmes designed to promote exports or improve productivity can be controversial with some members. A member will not want to see the association help other members gain a presence in a market where they have a strong market share. Similarly, the most productive in a sector will not want to see its membership subscription used to help other companies become more productive (see Boleat, 2003). Nevertheless, there is a considerable body of evidence that, despite their recent economic problems, well organised and resourced business associations have made a substantial contribution to the competitiveness of German and Japanese industry (see, Lynn and McKeown, 1988) German TAs provide a wide range of services to their members. They undertake some tasks better than we do in Britain and, in some cases, tasks not done here at all. These include training (skill formation), research and development (including links to Universities), quality management (product quality) and exports. Could British TAs play a role in securing best practice in such areas and promote competitiveness? Private interest

government involves associations discharging tasks which would otherwise be undertaken by the state, thereby reducing the load of decision-making responsibilities which modern governments have to bear. Training policy in the 1980's provides an example of public policy functions being transferred to private interest governments designed to be responsive to business. In accordance with the traditions of British employers associations, however, they were reluctant to exert influence over their member companies (Grant, 1993).

Direct contact with business has often seemed attractive in Britain due to the highly concentrated nature of the economy. Grant suggests that Britain displays many of the characteristics of a 'company state' (see Grant, 1993, p. 14) where the key form of business-state contact is the direct one between company and government. Government prioritises such forms of contact and government relations divisions within large companies handle business/government relations. Even large companies, however, are able to pursue their interests through business associations in a way they could not do working by themselves (see Grant 1993, pp. 87-89). Moreover, most UK companies are not large and even if they wished could not establish direct contacts with government. As Mitchell puts it, 'Below a certain size firms will not have the impact on the community that makes them worthy of government attention and the firms themselves will not be independently capable of projecting a political presence at central government level' (1990, p. 629).

Britain's Voluntary System of Representation

In Britain business associations are voluntary bodies. In other words, there is no public law or privileged status, no significant financial support, no compulsory membership, and usually no coherent government policy when it comes to departments in dealing with associations (Bennett, 1997). The role of business associations in Britain is, as Bennett puts it, fundamentally different to in France, Germany or Japan where they have a more formalised position. In a voluntary system, associations act through *endogenous* action: eg, their own resources of money, staff and membership support (Bennett, 1997). Bennett points to three issues that need to be addressed (1997).

Firstly, he notes the problem of 'path dependency'. In other words, many associations exist simply because they existed in the past, and they tend to 'wither' rather than to die. There may be very high search and bargaining costs associated with change from existing practice. Greater external force or effort is, therefore, required if we wish to change and adapt collective organisations quickly for a new role, either for their members or for Government. There is likely to be 'sub-optimal' provision of services by an association, both from the point of view of Government or as judged by market potential in the associations specific niche.

Secondly, Bennett brings in the role of government. Writers such as Streeck and Schmitter (1985) and van Schendelen (1993) have argued that, in general, the greater government leadership, finance, support and so on, the greater the organisational development of a country's business associations. In other words, government can impose order on the sector in a way in which endogenous solution alone would not achieve. This could be achieved by regulation, finance, 'recognition', excluding non-conforming associations and so on. Of course, this may result in another form of 'sub-optimality', where Government decisions replace business decisions, and associations come too closely to serve the interests of Government as opposed to their own members or markets. However, when Government relies simply upon the endogenous characteristics of a voluntary system, there will be fragmentation, competing interests between associations, and resources will tend to be limited. Furthermore, associations will 'predominantly press the interests of their staff, or those of their members, who are their paymasters, rather than those that are of chief concern to Government. This is not a bad thing for the association, but it will not necessarily deliver Government's needs' (Bennett, 1997).

Thirdly, there is a tension, as Bennett puts it, between truly collective goods which are provided by an association and those which are more selective. Citing the ideas of Olson (1971), Bennett writes that all businesses will benefit equally from collective goods (say, business representation, benchmarking of standards and so on). This is in contrast to selective good which will

benefit only the individual businesses which will consume them (say, specific business support, marketing supports etc). Within a voluntary system of representation there is an incentive for individual businesses to opt out of associations which simply provide collective goods. After all, businesses can often take advantage of the benefits without bearing any of the costs. This results in a 'free-rider' problem. Associations can, therefore, find it difficult to raise adequate resources when acting solely as collective bodies and they may find that their membership is low in proportion to the total number of businesses in the sector. Most associations will seek to overcome this problem by raising revenue through selective as well as collective services (the former are usually charged on a fee basis as they are consumed, in contrast to the 'subscriptions' for the latter). Collective services are, therefore, in danger of becoming a 'by-product'. In other words, they are relegated in priority, resources or staff, so that sufficient resources from selective services can be raised to fund the organisation.

There are, as this article will show, some problems with Bennett's analysis. He is right, however, to stress the importance of government. Business associations have to structure themselves and act so as to offer sufficient incentives to their members to extract from them enough resources to allow their survival, if not growth. However, they must also be organised in a way that allows them to gain access to and exercise adequate influence over public authorities (or conflicting class organisations) and, therefore, extract from this adequate resources (recognition, toleration, concessions, subsidies etc) enabling them to survive and to prosper. These two 'logics' of exchange are referred to as 'the logic of membership' and the 'logic of influence' respectively (Schmitter and Streeck, 1999). As Schmitter and Lazalaco put it (1989), the *logic of membership* refers to members of business associations determining the format and content of associative action; and the *logic of influence* refers to associations being determined by their interlocutors, especially state agencies and trade unions. Logic of influence factors might be expected to pull in the opposite direction than the logic of membership: in other words they should have an integrating rather than a disintegrating effect. One might expect, for example, that governments would prefer to deal with a small number of

associations representing comprehensive domains where interests are aggregated at as high a level as possible (Grant, 1987).

Government Influences on Business Association Reform

Government interventions to stimulate the rationalisation of the system of business associations in Britain have been hesitant, sporadic and often ineffective (Grant, 1993). In the words of Bennett and Payne, 'government attempts to influence the organizations of the sectoral business associations have had very limited impact and the pattern remains highly fragmented and complex' (Bennett and Payne, 2000). British government operates within a largely 'pluralist' paradigm where business associations are seen largely as voluntary associations outside the system of government, therefore preventing a more systematic approach by government.

In contrast to pluralism, 'the concept of corporatism is most usefully used in a restricted sense to refer to a distinctive style of interest intermediation' (Cow, Lowe and Winter, 1990, p. 191). Intermediation refers to a particular type of relationship where organised interests do not simply negotiate agreements with the state, they try and ensure that their members comply with the terms of those agreements. As Cawson puts it, 'nowhere in the literature on pressure groups written from a pluralist perspective is stressed the reciprocity of the relationship between interest groups and the state' (1985, p. 9). Jordan writes that although there had been talk of the corporatist state in the late 1970's, few corporatist writers were claiming to have found it in operation (Jordan, 1981, p. 121). Whatever terminology one uses there is a clear distinction between the governing style of the 1960's and 1970's, and that what has occurred since. Government no longer co-operates as closely with the Confederation of British Industry (CBI) and the TUC (Trades Union Congress), and the language is now of the free market and enterprise. From the 1980's and beyond the importance of associations declined, even as pluralist partners with government, due to the government's increasing focus on direct state-business relations (Grant, 1991, p. 44).

Support was given to the CBI's eventually unsuccessful attempts to reform mechanical engineering's representational arrangements through the creation of the British Mechanical Engineering Confederation (see Parker, 1984). The Offshore Supplies Office tried unsuccessfully to establish a unified TA for the offshore supplies industry (Jenkin, 1981). The National Economic Development Council sometimes showed an interest in the rationalisation of business associations and helped to promote the formation of new associations in the retail trade in the 1960s and in the clothing industry in the 1980s. The Department of Trade and Industry (DTI) seconded a civil servant (Alastair Macdonald) to act as secretary of the Devlin Commission in the early 1970's. This was set up by the CBI and the Association of British Chambers of Commerce (ABCC). Its proposals proved controversial in business circles, however, and few of its recommendations were implemented. It proposed that a Confederation of British Business (CBB) be 'formed as soon as practicable'. This involved a 'merger' or 'fusion' of the CBI and ABCC (whilst also bringing in other groups such as The Chamber of Shipping and The Retail Consortium). It also recommended a reduction of company or 'direct' membership of the CBI (for example, by restricting it to companies who were members of their appropriate Employers Organisation and TA)). Devlin also recommended that associations which did not meet the Commission's 'broad criteria' of effectiveness (which involved, in large part, a minimum income of around £70.000) should consider 'some form of unification with other associations within their industry or sphere of common interest'. This would have resulted in around 100 effective associations which Devlin felt was still too large a number. His long term aim was for around 40 associations feeding into a 'Heads of Sector Council' of the CBI.

Government had no role in encouraging the Devlin Commission to be set up; it was entirely down to the CBI and ABCC (*Macdonald interview, 22nd Sept 2004*). Macdonald, recalls how there had recently been a merger of Departments (eg: the Board of Trade and the Ministry of Technology) and that there were too many civil servants of his level. His personnel side had made it 'absolutely clear' how relieved they were to receive a letter asking if the Department could second someone to work for the Commission. In other words, it took the problem of too many staff away for a couple of years (*Macdonald interview*, 22nd Sept 2004). Whilst a piece of work the DTI considered worthwhile,

we should not, therefore, read too much into the secondment of Macdonald. Grant and Marsh note that Government did little to actively encourage the implementation of the Report, a point echoed by Macdonald (*Macdonald interview,* 22nd Sept 2004). Macdonald adds that at the time of Devlin, the government had a "pretty disengaged view towards industry". The government was looking to the private sector *to sort itself out* (*Macdonald interview*, 22nd Sept 2004). The mood of the times was similar to the current Labour Government's approach to trade associations (*Macdonald interview,* 22nd Sept 2004).

It is interesting to look at evidence given to the Devlin Commission by John Davies, the then Trade and Industry Secretary (Modern Records Centre, MSS 230/1/F) [3] Davies felt that according official recognition to TAs or the establishment of a register would not be practical. The criteria would be too difficult to establish and Government in principle could not deny access at one level or another to those who used to make representations to it. Documents at the National Archives are also illuminating, and clearly bring out the 'pluralist paradigm' of associations being seen as voluntary bodies. A memorandum by the Deputy Secretary of the DTI in April 1971, for example, suggests that their paper to the Devlin Commission needed to be 'a little cagey' on whether 'we should do anything positive to encourage rationalisation or structural change. He suggests it would be 'safer to take the line that, while we would naturally welcome rationalisation if this is what industry wants, it is not for HMG (*Her Majesty's Government)* to take a too actively interventionist line in a matter of this kind' (National Archives, FU 62/48). Judging by the evidence of discussions with the Ministry of Agriculture and the Department of Environment, Department's saw no reason why they should take a lead. 'Fragmented representation may be ineffective but the loss is that of the industry, not of the Department' (Modern Records Centre, MSS 230/1/G33). As a DTI civil servant put it, meanwhile, following a call among his colleagues for comments on the Devlin Report, 'there seems to be a muted welcome for a non event' (National Archives, LAB 10/3737).

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[3] Davies was also a former Director General of the DTI. The meeting with the Commission was held in March 1972.

The Heseltine Initiatives

Michael Heseltine, as President of the Board of Trade (1992-5) and Deputy Prime Minister (1995-7), made a more sustained and systematic attempt to rationalise the system of TAs. The Government suggested that it would only be willing to have a dialogue with one association from each sector (Grant, 2001, p. 341). Heseltine made speeches in 1993 and 1995 which were critical of the performance of TAs. His 1993 speech, for example, set out three objectives (1993, pp. 6-8): (i) for TAs to develop their resources and expertise to allow them 'to be in a position to influence Government policies', (ii) for TAs to play a larger role in promoting the international competitiveness of their members, and (iii) for TAs to be more influential 'in contributing to new Government initiatives' and 'helping Government serve industry better'. His 1995 speech spoke of how mergers, where appropriate, would lead to more powerful and effective TAs (Boleat, 2003).

The Competitiveness White Papers of 1994/5/6 outlined an increased role for TAs. The 1995 White Paper, for example, stated that 'Trade associations and professional bodies have a vital leadership role ….good trade associations and professional bodies are not only influential promoters of their sectors but are proactive in helping their members become internationally competitive' (HM Government, 1995, p. 52). Richard Page had the idea of producing a check-list of what a good TA should be doing (*interview with Macdonald*, Sept 2004). [4] This led, in February 1996, to the DTI publishing the *Best Practice Guide for the Model Trade Association* which set out the benchmarks which TAs should aspire to. All British government 'sponsoring' departments were committed to discussing the 'model' (as it became popularly known) with relevant representative organisations in their sectors, so as to help compare themselves with it and identify areas for improvement. The Model provided the underlying structure for most of the work which would be undertaken by the Trade Association Forum (TAF), such as benchmarking activities, research projects, seminars/events and training. [5] A series of benchmarking clubs were set up in the autumn of designed to help TAs identify

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[4] Page was Small Firms Minister at the DTI.
[5] The TAF is discussed below.

their strengths and weaknesses and share best practice. The Association of British Insurers (ABI) spearheaded such initiatives and others (such as the 1997 Benchmarking Exercise) with DTI financial support from 1995-1997. There were also 'challenge' initiatives (such as the 1996 'sector challenge' and '1997 'local challenge') which involved business associations competing for government funds to undertake projects promoting the competitiveness of their sectors.

The Importance of Reform to Heseltine

Heseltine appears to have attached a great deal of importance to business associations. Alastair Macdonald met up with him in the summer of 1992 on his return to the DTI and mentioned that he had been seconded to the Devlin Commission.[6] Heseltine's response to this was that 'You and I are going to work very well together' (*Macdonald interview,* 22nd Sept 2004). Some time later Heseltine accepted with alacrity an invitation from Howard Davies, the Director General of the CBI, to address a Conference of the Director Generals of Trade Associations (around 200 people would be in attendance) when the CBI might have expected that a junior Minister would have been asked to take on the invitation. The CBI was left wondering if an invitation to Heseltine to address it on any other subject would have been accepted so speedily.[7] Macdonald, moreover, chaired the 2004 TAF awards and he recalls a category of magazine of the year. Whilst the panel were looking through the shortlists, he noted that one of the magazines (*Periodical Publishers Association*) had an interview with Heseltine. He was talking about publishing but 'smack in the middle of this" was a column and a half of his views on trade associations over the past ten years' (*Macdonald interview,* 22nd Sept 2004). Macdonald suggests, therefore, that Heseltine 'really cared about having good trade associations. This can be shown by the fact he spoke about his work in this area ten years on' (*Macdonald interview*, 22nd Sept 2004).

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[6] This was shortly before Macdonald took up his job at the DTI, having been on secondment to the Ministry of Defence (*interview*, 22nd Sept 2004).
[7] This information comes from both the interview conducted with Macdonald and subsequent clarification by email (17th July, 2006).

It is right to be cautious here. It was perhaps inevitable that Heseltine would talk about associations in a magazine of the nature described. In our interview, Heseltine remarked that his work on TAs had occurred ten years ago and 'one moved on'. It did not seem a topic still of particular interest to him. Arguably, he attached greater significance to chambers than TAs. It is interesting, for example, that neither Heseltine's *Where There is a Will* (1987), nor his autobiography *Life in the Jungle* (2000), refer directly to them It could be that their exclusion from *Life in the Jungle* was simply that they are not a 'juicy enough topic' for public consumption (*Macdonald interview,* 22nd Sept 2004). Both texts, however, referred to chambers of commerce. When asked about the relative importance of the chambers and TAs Heseltine replied that 'they do very different things' (*Heseltine and Kemp interview,* 12th April 2005). It was noticeable, however, in the interview how he returned again and again to the subject of the chambers, and sometimes seemed reluctant to talk about TAs.

Sponsorship and Trade Associations

For much of the post-war period, government had conducted its relationship with industry through 'sponsorship' divisions which were responsible for particular sectors of industry. These acted as representatives of their industries within government, explained government policies to their industries, and were a source of specialised advice and expertise within government (Grant, 1993). In 1988 Lord Young abolished the sponsorship divisions, and denounced trade associations as 'the lowest common denominator, producing mutual dependency among sectors and sponsoring civil servants' (*Financial Times*, 16 January 1988). This led to the DTI receiving complaints from TAs that they didn't know where to go, that there was no one to talk to regularly, and that the department was not listening to industry (Grant, 1993).

Heseltine, however, would re-establish fifteen sectoral divisions reflecting 'the adoption of a sectoral approach to the industries for which the DTI is responsible' and 'assigning to all sectoral divisions, both new and existing, an explicit role to sponsor their industries' (DTI Press Notice, P/92/440).. As the 1995 Competitive White Paper put it, the sponsorship approach by Government

'encourages the development of more effective trade associations and professional bodies…it also encourages the development of well researched and effective trade associations … the more effective trade associations and professional bodies become, the more influence they will exert on government and the greater service they will render to their industries' (HM Government, 1995, p. 52). In our interview Heseltine implied that officials had a better understanding of the interests of TAs than the TAs themselves (*Heseltine and Kemp interview*, 12th April 2005). He proposed, therefore, to bolster the quality of officials in the sponsorship divisions, which until then had been quite a backwater (*Heseltine and Kemp interview*, 12th April 2005). In Heseltine's words, 'Ten trade association staff, ten officials make notes, ministers never see them, a load of baloney. (*Heseltine and Kemp interview*, 12th April 2005). He appears to have seen many meetings with TAs as rather formalistic; they were nervous about telling it like it was in their sectors for fear of upsetting their members. The implication of his argument is that better officials could have a beneficial impact on trade associations. In other words, the logic of membership predominated; Heseltine was trying to boost the logic of influence.

Lead Associations

Heseltine also sought to promote the logic of influence, as stated above, through the notion of 'lead associations' (See Bennett, 1997). There was a recognition that it was difficult for government and its Departments to deal with the large number and fragmented organisation of different associations .It would prefer to deal with a reduced number. Richard Page, the Small Firms Minister, for example, commented that 'In due course, I would like to see a situation where there are no more than, say, 60 Trade Associations or Federations representing industry to Government. Each such body would be recognised as the Lead Association for its Industry' (quoted in Bennett, 1997, p. 6). As Heseltine, meanwhile, put it in Parliament on the 8th February 1995:

> I want to see powerful, well-resourced and effective trade associations which represent the interests of all within their sector. To encourage that process, *I have said that officials should refer to me only proposals or representations from a lead association in a sector* (my italics)

(www.parliament.the-stationery-office.co.uk/pa/cm199495/cmhansrd/1995-02-08/Orals-2.html, accessed 17/12/03).

The DTI appeared to wish to deal with perhaps a dozen or so 'lead associations', each covering a large sector of industry; all of the Department's formal consultations with industry would be channelled through these associations; and, furthermore, the Department would be informing individual TAs where their representations were falling short of the necessary standards (Macdonald, 2001). As Macdonald puts it, Heseltine wanted officials in his Department to be far more outspoken to TAs as to why their representations 'had been put in the dustbin' (*Macdonald interview*, 22nd Sept 2004). The DTI, however, published no list of 'lead associations'. Indeed, 'the Department dealt gently with requests from fairly specialised, and not that impressive, Associations that they be recognised as the "lead association" for their abstruse sector of the economy' (Macdonald, 2001, p. 6). Written representations from small TAs were not returned unread; nor were their letters passed to larger associations for the latter to comment on them; and the efforts of an association usually had to be 'particularly unimpressive' before a civil servant would criticise them to the face of the Association (MacDonald, 2001, p. 6). Mark Boleat argues that his idea of talking to one association per sector came as great news to Heseltine's officials 'who didn't take a blind bit of notice about it'. Most were not even aware that he had said it, or if they were it was quickly forgotten (*Boleat interview,* 16th Sept 2004).

Nevertheless, Macdonald refers to one occasion where a TA complained at the bluntness of a letter sent by one of his staff. The letter was 'strikingly blunt' and explained how hopeless the association's representations had been (*Macdonald interview,* 22nd Sept 2004). Heseltine also got into the habit of telling the Directors of associations when their demands were unrealistic. In other words, explaining 'that they were never going to get this one' (*Macdonald interview,* 22nd Sept 2004). Heseltine recalls that the DTI did not make a point of sending associations report saying 'you've failed in this way or that'. Instead, civil servants were told to concentrate their work on trade associations known to be the best and let it be known that that was what they were doing. There were

various degrees of explicitness about the process, it was not a question of lining up six and saying 'this is the winner' (*Heseltine and Kemp interview,* 12th April, 2005). In a sense, therefore, things were done on a 'nod and a wink'; there was some hesitation about pushing trade associations too hard.

The Challenge Initiatives

The 'Export Challenge' of 1995 invited trade associations to come forward with proposals to promote exports in their sectors. The 'Trade Association Network Challenge' of 1996 sought proposals from trade associations for the use of information technology. The government, however, went further and extended the Challenge concept to a large proportion of the funds it gave for business support. The aim was to move the design and delivery of business support away from government and closer to companies. A 1996 Consultation Document spoke of delegating design and delivery of business support to business-led partnerships at local and sectoral level (HM Government, 1996). Under the 'Sector Challenge' and 'Local Challenge', announced in 1996 and awarded in 1997, sectorally and locally based business organisations, including TAs, were asked to come forward with proposals to improve the competitiveness of their industries. The Sector Challenge Budget (Cabinet Office, 1996) provided around £40 million per year, appearing 'to recognise that rapid and effective development of associations will not occur using endogenous resources alone'. It acknowledged that 'if Government wants associations to do more in relation to its own concerns, it will have to pay some of the costs' (Bennett, 1997, p. 32).

Chambers of Commerce

Background and Context

The range of functions performed by chambers tended to widen in the 1980's. The Thatcher Government gave the chambers formal responsibility for vetting the implementation of public policy programmes, such as the urban aid programme for inner cities. It seemed, however, that the

acquisition of new functions and responsibilities ran ahead of the need for structural reform (Grant, 1993). In the early 1990', therefore, the DTI attempted to revitalise the chambers of commerce movement. Government interest was signalled in a speech by Lord Young, then Trade and Industry Secretary, at the ABCC dinner in 1989 at which he talked of a new era of cooperation between government and the chambers. Young was prepared to encourage the rationalisation of the chambers, perhaps because 'their strengths … in the enterprise culture were the very features that were regarded as their weakness in more corporatist times: their individualistic character, breadth of membership, decentralisation, and a high proportion of smaller companies in membership' (Grant, 1993, p. 120). Such ideas were taken forward by Nick Ridley in the context of improved business support services, and finally implemented by Peter Lilley (Grant, 1993). Once they had been reformed, chambers would be eligible for the delivery of more government schemes, allowing ministers to delegate responsibilities to them (Grant, 1993).

Heseltine's Agenda on Chambers

Heseltine considered the performance of the chambers to be 'enormously patchy' (*Heseltine and Kemp interview,* 12th April, 2005). Kemp agrees, arguing that in comparison with their continental equivalents they fall well short of their capabilities (*Heseltine and Kemp interview*, 12th April 2005). Due to the inefficiency of the chambers of commerce, Heseltine's DTI, as an alternative, decided to boost regional government offices.[8] Moving better people into these offices to work with the chambers had a beneficial impact on them (*Heseltine and Kemp interview*, 12th April 2005). As Heseltine puts it, 'from day one the media hated it, it was so counter cultural to think business and government should be together, instead of getting government off the backs of business' (*Heseltine and Kemp interview,* 12th April 2005).

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[8] Government Offices of the Regions (GOR's) were set up in 1994 as an attempt to coordinate Whitehall activity at regional level.

In *Where There is a Will* he had proposed the development of powerful chambers of commerce, taking on, for example, a more important role in training (Heseltine, 1987). He argued that an attractive model of rationalisation would be the one existing in many Continental countries: namely, public law status on its chambers of commerce (Heseltine, 1987). He summed up the approach as follows:

> Each is required to act on behalf of all enterprises within its locality and all companies are required to join. The collective voice of business is thus regionally and sectorally representative and so the more powerful in its dealing with government. In return for State funding, through a special tax mechanism, the chambers provide a number of facilities for local business, in such matters as apprentice training, aspects of vocational education, technical counselling or legal advice (Heseltine, 1987, p. 122).

In his autobiography *Life in the Jungle* Heseltine outlines how part of his agenda was to enhance support for small and medium sized businesses (Heseltine, 2000). He echoes *Where There's a Will* by saying he had long thought support was best given through the chambers of commerce but this was an 'uphill battle' due to the lack of public law status (Heseltine, 2000, p. 428). No attempt was made by Heseltine in office, however, to legislate for public law status. As he puts it, 'a Tory Government would never introduce public law status' (*Heseline and Kemp interview,* 12th April 2005). Indeed, he believes that there is no prospect of it coming about; culturally it would be seen as interference (*Heseltine and Kemp interview*, 12th April 2005). This is an example of where Heseltine may have been more radical, if not for the constraints of his Parliamentary colleagues.

Heseltine had argued in Cabinet in the early 1980's that the plans for a new training service should be organised through the chambers of commerce. He lost the argument; with ministers believing that the chambers were not up to it (*Heseltine and Kemp interview,* 12th April 2005). Whilst Heseltine accepted this analysis, not least because they did not have much money, he believed that it was a 'chicken and egg' situation. In other words, he had more faith in what it could lead to: indeed, it

could have been another way of achieving the objectives of public law status (*Heseltine and Kemp interview*, 12th April 2005). As an alternative to Heseltine's proposals, a strengthened Manpower Services Commission (MSC) was set up headed by David Young (Heseltine, 2000, p. 428). By the late 1980's, however, when Heseltine was on the backbenches, the MSC was seen as too statist and bureaucratic. The Training and Enterprise Councils (TECs), therefore, were born out of the MSC and brought in private sector support and management. As Heseltine points out (2000, p. 428), once the TECs were in existence there were two local organizations competing for local companies attention, as there was no co-ordination with the chambers. Furthermore, there were a growing network of enterprise agencies, and in many cases local authorities had started to provide advisory services and support for small companies, as had the DTI itself. There were also numerous services funded by European Community programs. Matters were made worse by some of the TECs starting to move into the business of recruiting individual members, thereby intensifying rivalry with the chambers.

Heseltine, therefore, wished to 'create a single, effective support service for British companies' (Heseltine, 2000, p. 429). For this, the TECs and chambers needed to come together to create a one-stop shop for small businesses, and also, the quality of support for businesses had to be 'greatly improved'. A 'properly organized and unified back-up organisation' referred to as 'Business Link' (BL), therefore, came into operation. As Heseltine puts it (2000, p. 249):

> We now had to persuade as many as possible of the local players – the TECs, the chambers, the local authorities and the enterprise councils – to co-locate and provide a centrally managed service. We offered to include certain of the Department's regional and export services through the same network.

BL, therefore, was a network of government-financed local business support organisations, initiated by the DTI in 1993, and developed in England to provide information and advice to small or medium sized enterprises (SME's). In their early phase local 'partners' were invited to bid for the resources to run local advice centres. The partners involved were the TEC's which managed the local

contract for BL. [9] Alongside the TECS as local partners were chambers of commerce, local authorities and local enterprise agencies. As Bennett and Robson put it, 'This partnership process was intended to provide a 'one-stop shop' for business advice at a local level, remove 'turf wars' between local agents, and provide strong support for chambers of commerce as local hosts, which was a concept close to the heart of the then senior minister, Michael Heseltine' (Bennett and Robson, 2004, p. 861). Heseltine saw the key objectives of BL as twofold (Bennett and Payne, 2000, p. 178). Firstly, to bring greater coherence to the provision of local support services. Secondly, to increase the professionalism, customer focus and quality of service advice, to what would be referred to as 'world class services' in the Competitiveness White Papers of 1994 onwards. A high emphasis was placed by the DTI on Business Links in all of the Competitiveness White Papers 'to move service delivery nearer to the customer by asking local, private-sector bodies to define and provide the services needed to meet the Government's competitiveness objectives' (HM Government, 1995, para 5.29).

BL's were transformed in 1999-2000 to become a centrally-branded local franchise system. In other words, from 2001 'the structure of business links has been changed to one that moved away from local partnerships to one based on what is termed local 'franchisees' who contract with government to provide the services' (Bennett and Robson, 2004, p. 862). Bennett and Robson conclude that has been a very wide variability of performance. When it comes to 'impact' and 'satisfaction', however, chambers have performed best on both criteria: the authors arguing that 'a private sector focus through chambers, and in some cases through direct private sector contracts, can provide the best context for positive client evaluation, but even for these organisations more consistency is needed' (Bennett and Robson, 2004, pp. 876/77). This, therefore, offers some grounds for optimism. Bennett and Robson point out, however, that in many areas there are not effective chambers and this has driven the system to work with chambers which are not performing effectively. As they put it, 'This should be a strong warning to individual chambers, and their national

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[9] The TECS were local bodies set up by national Government to allocate finance for business-led training and economic development.

organisations (British Chambers of Commerce) to improve their weakest members' (Bennett and Robson, 2004, p. 77).

Evaluation of the Heseltine Initiatives

In some ways it is difficult to evaluate the success or otherwise of the Heseltine initiatives. As Heseltine himself puts it, their impact was never measured area by area (Heseltine and Kemp interview, 12th April 2005). It is difficult, in particular, to separate cause and effect. The recession of the early 1990's 'encouraged a new momentum to the scrutiny and review of trade association effectiveness' (Grant, 2000, p. 174). It encouraged business to think again whether they were getting value for money (Grant, 2000, p. 174). Macdonald, for example, has commented on how a great deal of rationalisation in the past few years has been driven by economic factors, and that such pressures did not bite at the time of Devlin. Put simply, there were not enough economic pressures in the past to stimulate reform (*Macdonald interview*, 22nd Sept 2004). In his words, 'It's a dreadful thing to say but we didn't have a sharp enough recession'. There was an oil shock a few years after Devlin but we came through this. It was the early 1990's recession 'which made things begin to happen' (*Macdonald interview*, 22nd Sept 2004). This critical mood, however, was made more significant than earlier waves of concern because it was matched by a revival of interest on the government side when Heseltine was appointed to the DTI. The logic of membership and the logic of influence had converged.

Boleat argues that Heseltine's 'analysis of what was wrong was absolutely right but his prescription for putting it right was absolutely wrong' (*Boleat interview,* 16th Sept 2004). He is particularly critical of the idea of 'lead associations' noting that if you are official trying to get the best outcome you will talk to anyone who can help you. There is also a problem in defining a sector. 'Are brokers, for example, part of the insurance sector? Is life assurance part of the same sector as motor insurance as both have nothing to do with each other? (*Boleat interview,* 16th Sept 2004). There are also difficulties in working through associations in a rapidly changing economy, where sectors are being defined and redefined. Genetic technologies, in particular ICT (Information and

Communications Technology), have re-defined traditional sector boundaries. The boundaries used in standard industry classifications, often reflected in the configuration of associations, no longer necessary provide a relevant basis for organisation.

There is a paradox, however, in that whilst the policy on lead associations was hardly put into practice, it may have had a lasting influence on TA performance (Macdonald, 2001, p. 6). There was a tacit acceptance by industry and Government that a group of about twenty associations formed a natural club of 'lead associations'. Their authority has been enhanced and the smaller one's have began to forsake pretensions of being 'lead associations' (MacDonald, 2001, p. 7). Only the large associations felt that they had a right to see Heseltine quickly, the smaller associations would go to junior ministers or officials: 'it's that sort of informal approach that actually sent a message' (*Macdonald interview*, 22nd Sept 2004). Furthermore, the initiative resulted in many fairly large, established TAs considering whether they were as effective as they imagined - and whether they were likely to receive a similar welcome as before from Whitehall (MacDonald, 2001, p. 7).

Heseltine argues that his agenda did have resonance and that it was the right thing to do (*Heseltine and Kemp interview*, 12th April 2005). Certainly, Heseltine galvanised people and made them think. If not the chief executive, then the chairman would start to ask a few questions (*Boleat interview,* 16th Sept 2004). Heseltine was, therefore, 'a clever politician' who got the debate going in a way nobody else had (*Boleat interview,* 16th Sept 2004). He reinforced the message that in the changing world you needed to think very hard if you did not have the resources 'to get the big bang at the top level' (*Macdonald interview*, 22nd Sept 2004). Heseltine's speeches, in particular, were "powerful catalysts in encouraging change in the trade association sector. A number of TA mergers can be directly attributed to the climate which was created by the Heseltine speeches" (Boleat, 2000a, p. 63). Boleat provides the example of the Quarrying Industry Association (*Boleat interview*, 16th Sept 2004); whilst Macdonald notes that his discussions with the chief executives of TAs have provided several examples of merger or coalition among Associations 'where the Heseltine initiative provided the initial stimulus to change' (MacDonald, 2001, p. 7). Grant, in particular, refers to progress being

made, 'notably in the hitherto politically fragmented construction industry' (Grant, 2001, p. 341).The Model Trade Association, meanwhile, was a 'wild-fire success' and taken very seriously. It is a 'very interesting example of the way that government without actually forcing people together or doing anything involving money can set standards' (*interview with Macdonald,* Sept 2004). It was widely circulated and achieved wide acceptance among trade associations in a fairly short period of time. Many TAs have used it as either a benchmark to measure themselves against or a blueprint for restructuring and reform.

Conclusions

The article has shown how the Heseltine initiatives had some impact in pushing through. Whilst significant problems remained, his speeches and initiatives influenced the 'climate of opinion', and acted as a stimulus. It should be noted, of course, that the Heseltine initiatives covered a period of only four years. It makes sense to argue that a reform agenda must be long-term if it is to yield results. As Heseltine himself put it, 'if one had twenty years progress could have been made' (*Heseltine and Kemp interview,* 12th April 2005). In his words, 'the essence of what (*we*) tried to do was the competitiveness agenda'. He gives the 'analogy of one thousand organ stops, you gain half a per cent here, a quarter per cent there. It accumulates over generations (*Heseltine and Kemp interview,* ibid). Long-term thinking, however, is difficult given the nature of democratic politics where ministers and parties alternate in office. The Labour administration has shown little interest in reforming business associations. Macdonald, for example, has heard Patricia Hewitt and Alan Johnson speak several times about how reform is industry's responsibility (Macdonald interview, 22nd Sept 2004). Grant, meanwhile, recalls a Deputy Secretary from the DTI arguing at the 2004 TAF conference that trade associations were part of the problem, not the solution. [10]

The TAF is a significant development. Set up by the CBI in the summer of 1997, with government assistance, it took over the functions of the ABI and became self-funding in April 1999

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[10] Private conservation

(but continuing to receive support from the CBI and DTI). Located within the offices of the CBI at Centre Point in London, its administration is also provided by the organisation. It attempts to spread the dissemination of best practice among TAs, and encourage their rationalisation through measures such as merger. It carried out further benchmarking exercises in 1999 and 2001 and has undertaken a number of research projects, many with DTI support. *The Business of Representation* (2001) was noteworthy, given that it updated the concept of a Model Trade Association and its author was Alastair Macdonald. The Forum's website (www.taforum.org) remains a useful source of information on trade associations and contains a comprehensive directory of such organisations.

Government policy on business associations historically has been to 'promote' association self-development by encouraging staff improvement, federation or merger to increase the size and lower the number of associations, and improve association links with Government (Bennett, 1997, p.29). For the Conservative Government of 1992-97, self-development remained the main approach. In other words, the interest in TAs revived by Heseltine has to be seen in the context of earlier discussions: there was 'still no suggestion of changing the voluntary nature of Britain's business associations' (Bennett, 1997, p. 11). This needs to be qualified, however, in three ways. Firstly, in addition to the goal of self-development, there was the additional (and new) goal for TAs to play 'a bigger role in promoting the international competitiveness of their member companies' (Heseltine, 1993, p. 7). Secondly, the challenge initiatives represented the first departure from Government's traditional focus on TA self-development (Bennett, 1997*).* As Bennett put it: 'This is an important break with the past, the most important shift in Government approaches going back to at least 1918' (Bennett, 1997, p. 32). Thirdly, the policy of lead associations (whilst not implemented in full) represented a departure from previous thinking (as shown, for example, by the evidence to the Devlin Commission). Having said this, Fraser was acknowledging in 1981 that civil servants paid more attention to some associations than to others, but had to give the appearance of equal treatment (*Fraser interview by Grant,* 11 Feb 1981). Finally (but linked to the second point), the Thatcher government delegated responsibilities to chambers and employers associations. Heseltine, however,

took things much further and whilst acknowledging their problems saw greater potential in TAs than his Thatcherite predecessors.

Bennett argues that the objectives of government can only be met by taking a more direct role (see, for example, 1997). There are two different kinds of argument against this. Firstly, that 'direct' government action is not how we do (or should do) things in Britain. Boleat, for example, rejects any solutions involving compulsion or public law status: 'I don't think it fits with the British way of doing business' (*Boleat interview*, 16th Sept 2004). Indeed, he supports the government line that reform is 'nothing to do with us" and that it is up to business (*Boleat interview,* 16th Sept 2004). Secondly, there is the pragmatic argument that it would not work anyway. Fraser, for example, did not believe that government could do much to stimulate reorganisation (*Fraser interview with Grant,* February 11th 1981). Similarly, Boleat believes that a highly interventionist approach would be counter-productive (Boleat, 2000).

In this context, Bennett exaggerates the flaws of a voluntary system of business representation, in particular relating to the 'free-rider' problem. Dowding, for example, writes that 'selective incentives cannot be the primary incentive for members of an organisation primarily devoted to lobbying' (cited in Grant, 2000, p. 45). In many cases the cost of joining a group is so small relative to an individual's income or a firm's turnover that any decision to join will fall below the rationality threshold. In other words, deciding whether to join could take up more resources in terms of opportunity cost than the actual cost of joining (Grant, 2000). As Grant puts it:

> For some smaller firms, the principal attraction is the selective incentives which are provided in the forms of services. For larger firms, the cost of subscription is such a small proportion of turnover that it is hardly worth the decision costs of considering whether renewal is worthwhile. Costs rise if a firm sends its senior executives to participate in an association's committees, but then so do the benefits (Grant, 1993, p. 110).

It should also be noted that a voluntary system allows the dissatisfaction of individuals and firms to be expressed via resignations and breakaways. In Devlin's words, 'under a voluntary system there are always remedies, albeit drastic ones, for incompetence and inefficiency, and that it is wise to retain a choice between evils' (Devlin, 1972, p. 8).

Furthermore, it is necessary to place associations in an historical context. Industrialisation in Britain took place before the modern state had developed and was largely due to individual entrepreneurs. There was, therefore, a deep rooted preference for a limited state. Countries such as Germany and Japan, however, followed a 'catching up' strategy and had to develop an effective partnership between government and business. This contrasts with Britain where business associations have largely been seen as voluntary bodies whose effectiveness is the concern of their members as opposed to Government. Marquand (1988) summarises such differences through the notion of a 'developmental state' One reason for its absence in Britain is that we lacked the state tradition of the sort which had existed in other European nations. This was partly down to the doctrines and ethos of early nineteenth century market liberalism embedded in our culture. The ethos also restricted the emergence of encompassing producer groups, responsive to wider society as well as their own sectional interests. As Marquand puts it:

> For, like most British institutions, they grew up at a time when the ethos of market liberalism was at its height. Inevitably, they shared the individualistic market-liberal values of the society of which their members were part. Despite appearances to the contrary, they have not been able to shake off that legacy since (Marquand, 1988, p. 163).

Given this historical context, it is unlikely that a large degree of government intervention would necessary result in business associations operating as Bennett expects. Closer government involvement or regulation would run counter to their self-conception as voluntary associations, whose autonomy is valued by their members (Grant, 2000). Business associations see themselves as 'lobbies' rather than representative associations with responsibilities. There would be considerable resistance to reform, therefore limiting the scope for effective change. As the Devlin archives put it, 'No solution is

going to gain acceptance unless it is in accord with what the companies concerned voluntarily feel is in their interests' (MSS 230/1/G). Cultural and historical factors, therefore, *along with* levels of government support determine the structure and effectiveness of business associations. Private interest government often fails in Britain due to the inability of business associations to control their membership. This lack of control is rooted in a market liberal culture, as outlined by Marquand, and the lack of a development state. In other words, the situation is a little more complex than Bennett suggests and shows the difficulty of associations taking on more of a role on matters of competitiveness. The irony is that a market liberal culture reduces the ability of a neo-liberal government to successfully contract out services to associations.

Nevertheless, the history of business links shows a shift by the DTI from a passive contracting role to the active management of franchisees. BL has been a moderately successful way in which government has subsidised and contracted associations to provide services to business and offers something to build on in the future. It is clear that further reform is required and that whilst there are limits to what the state can do, the passive view of government doing little can be rejected. In the words of Grant, 'The representation of business is too important to be left to business itself. This is not corporatism; it is well-informed common sense' (Grant, 1993, p. 124).

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