

Berlin CBI / BDI Trust in Business Workshop, BDI Headquarters, Berlin - 16 December 2016 – Prof David Grayson CBE – Doughty Centre for Corporate Responsibility, Cranfield University School of Management, UK

Holly, thank you very much and good morning ladies and gentlemen.

I think that this initiative from the CBI and BDI is very timely. Indeed I think it is something that business representative organisations around Europe should be taking much more seriously. Whether that means any of your organisations should be running directly, pro-business campaigns in the way, (as you will hear after lunch) the CBI has been doing in terms of their “Great Business Debate,” I am not sure, but I do feel it is important that you are taking these issues seriously in thinking about how best do we encourage more businesses to take these issues of their place in society more seriously.

PERSONAL AND HISTORICAL PERSPECTIVE

I start from the proposition that I am pro-business, I am pro-markets – I believe that markets are the default mechanism of human behaviour; so understand where I am coming from before I start to scare you! I was interested that Marcus began with the historical context because I felt that was very helpful for us. I have on my bookshelves in London a book from the end of the 1960s; it is a French book called “Le Défi Américain”, The American Challenge written in 1967 by a very well known French radical, Jean-Jacques Servan-Schreiber, who wrote about the challenge; the threat to French society and Europe that he believed was coming from the American transnational corporations (not even in those days multinational corporations), who were starting to come into Europe to sell their ‘Big Macs’ and fizzy carbonated drinks and so on. I am sufficiently old, that when I was in my undergraduate course doing law in Cambridge between 1974 and 1977, one of our major British companies at that time Tate & Lyle (then in sugar refining; they have since transformed themselves) but that company along with others was sponsoring a campaign amongst undergraduates and others about the importance of free enterprise and the importance of keeping some businesses in the private sector because there was a presumption on the part of some influential business leaders in my country in the 1970s that the political pendulum was going so much in favour of state enterprise – so I give you that to provide a little historical perspective and context that illustrates that questions about the legitimacy, the role of business in society, are not at all new in Europe.

On the other hand, I think as Marcus rightly said, there have been some fundamental shifts in the last few years and I would, in particular, take the development post the Berlin Wall coming down (because we are here in Berlin Mitte); I would take the drive for privatization, for globalization and liberalization, that of course was already underway but was massively accelerated by the fall of the Soviet Union and the shift to open economies of Eastern and Central Europe but also, of course, the reforms of Deng Xiaoping’s in China, the changes in Central and Southern America, the ending of the Indian license-economy and so on; but that very process of globalisation and privatisation and liberalisation combined has led to the growth, as we all know, not just of the multinational enterprises but now what are known as the global integrated enterprises; and I think one of the crucial things when we are looking at a lot of the data, whether it is from Edelman or Eurobarometer and so on, is to look at the distinction between confidence and levels of trust in smaller businesses, the businesses where we might get our hair cut (if we still had some hair), or the restaurant or the pub etc.,

the family businesses that have been there around the corner versus the national companies and versus again the big international companies, and I think we have to recognise that a lot of the debate when we talk about what are the levels of trust in business, are about the levels of trust in big business.

Now I have a huge amount of respect for Edelman; Richard actually gave me permission to quote from the original Edelman Trust Barometer in my very first book in 2001, 'Everybody's Business', and I think that the data that they have developed longitudinally since the millennium is really valuable data for us, but I look at the data that Suzanne presented us with and I think actually I would not take as optimistic an interpretation of the data as I think at the end Suzanne was saying in her summary. I agree very much with her second and third take-a-ways about the fact that expectations on business to help to solve problems are now much higher and I think part of the challenge is because now in addition to globalisation and liberalisation and privatisation with its consequences, as we have heard from Suzanne, we are now in this era of where ultimately everything is for the record.

THE ERA OF EXTREME TRANSPARENCY & CONNECTIVITY

We are in an era of extreme global connectivity. Malcolm Gladwell, the American best selling writer has praised this Autumn another book, which he says should be the first book the new American President should read - obviously it may well be the first book he has ever read! - but actually Malcolm Gladwell says there is a book which is called the Seventh Sense; it is written by a chap called Joshua Cooper Ramo who was a former foreign editor of Time and is now Vice Chairman and Co-Chief Executive of Kissinger Associates. This book that Malcolm Gladwell says should be the first book the incoming President reads, is about extreme connectivity of the networked world and the implications that that has. There is another North American writer, Don Tapscott (you may have read some of his books about "Going Digital" and so on...) and Don Tapscott wrote a few years ago another best seller called 'The Naked Corporation' and it was interesting that Hector talked about the consequences of going naked being that it made you more exposed in terms of your failings and so on, absolutely, but the arguments of people like Joshua Cooper Ramo in the 'Seventh Sense' and Don Tapscott in 'The Naked Corporation' is that whether you like it or not, this enforced transparency is now a fact of modern life. Think Wiki-leaks, think Edward Snowden, think the exposure of the Clinton campaign emails and so on; and of course, as Don Tapscott says, if business is going to be naked, you had better be buff; and what I'm interested in, is what makes businesses buff.

RESPONSIBLE BUSINESS BEHAVIOUR

I think you as business representative organisations, have a huge amount of data and knowledge and expertise, if not directly at your fingertips as business representative organisations, then you have it very close at hand in terms of many of the corporate responsibility coalitions in your own countries or operating in your own countries. The CBI, for example, has been a very important supporter and backer of an organisation that I was previously very heavily involved with in my country called 'Business in the Community', which is a responsible business coalition; but you have in all the major OECD economies and most of the world's 100 largest economies now today some form of these coalitions about responsible business; and what I think I would be encouraging you to think about is: what is the learning that is emerging about how business can behave responsibly? - things

like the working practice that Hector alluded to. That starts to give you some clues about what will be the things that will help to really start to restore popular confidence in business. I am fascinated by a really interesting book that came out last year by John Browne – you may recognise the name, he was for many years the global CEO of BP – at the time of his leadership it was one of the largest companies in the world (I think it was the third largest briefly when he was in charge). This book is not revolutionary in what it says but I do think it is worth paying attention to because of the role this man played as the CEO for many years of one of the largest companies in the world. He is part of the DAVOS global elite big, big time; he chaired, or co-chaired DAVOS a few years ago and so on – and this book is called *'Connect: How Companies Succeed by Engaging Radically with Society'*, written with a couple of McKinsey guys (Robin Nuttall and Tommy Stadlan); and essentially what John Browne and his co-authors says is there are 4 key things if business seriously wants to reconnect with society – there are 4 key things that business has to do;

It really has to understand the impacts that it has – I sit on the Corporate Responsibility advisory board for one of our biggest banks in the UK and understanding the impacts that a bank has is very different to the impacts that a mining company or a car manufacturer has or a retailer has – so really understanding the significant social, economic and environmental impacts negative and positive is critical.

Secondly Browne says – Business should really define its purpose – and I think purpose is right at the heart of the trust debate and I am fascinated that wherever one goes in business circles it feels like there is now a discussion about what is the purpose of business? I am not a business school academic by background – I went in very late in my career from outside academia to join the world of business education a decade ago and I think actually the sector which I joined 10 years ago has a lot to answer for in terms of perpetuating the false idea that the purpose of business is maximising shareholder value. I think the consequence of a well run business (and we were talking about this last night) is that you can optimise returns to all stakeholders including shareholders over the medium to long term but the idea that the purpose of a business to maximise shareholder value is like saying the purpose of life is to breath – it is an essential requirement but it should not be the purpose – and what John Browne and a lot of other organisations are now arguing is that each organisation for itself has to adopt a broader societal purpose. It doesn't mean we are we are forgetting profits at all - it is a superior route to creating profits for the medium to long term. There is academic evidence, such as from a very bright young professor at Harvard Business School called George Serafeim, who has done some very interesting research around that, which came out a few weeks ago; but understanding what is an organisation's purpose is a really interesting and important discussion and we are seeing that leading companies are now spending serious time in trying to understand their purpose but it has to be authentic and it has to be coherent and consistent.

WHICH BUSINESSES DO PEOPLE TRUST

Hector reminded us of the story of how United Airlines broke a passenger's guitar– and it wasn't because they 'broke the guitar' that they got pilloried; it was the way that they responded to the fact that they made a mistake – accidents happen – all human institutions (because all of use are human) will make mistakes – none of us are perfect – trust is so vitally important in terms of the trust in the goodwill bank when things go wrong but actually it important in thinking about how you recover from the mistakes and the problems and linking back to purpose is extremely important. As well as being a great fan of Edelman, I

am also a great fan of another very interesting strategic consultancy that specialises in stakeholder sustainability and intelligence, you may have come across the organisation called 'GlobeScan' (which has been around again since the 1990s), and they too have been doing an interesting global survey about who do publics around the world trust, again around approximately 1000 people per 25 countries, and they see a distinction in terms of the levels of trust in national companies, which tend to be higher as opposed to the levels of trust seen in multi-national companies / globally integrated enterprises – but they have also been looking and asking about, which companies do you believe has a societal purpose, e.g. in Chile or in Germany, Australia or China or India, or USA etc., where they did the field work – can you name a company that you think has a broader purposes, and 55% of the 25,000+ people across the world in the 25 countries that they surveyed could not name a single company that they felt displayed purpose. It was interesting that the companies that of those that were named by region around the world, interestingly Unilever (and I say this as an ex Procter and Gamble brand-man so it slightly sticks in the throat I have to say) is the only global company that actually is mentioned in two different regions of the world as one of the companies that has purpose and Paul Polman (ex P&G!) who now runs Unilever has been spending a lot of time with his board and senior management team on developing purpose and they are now submitting every one of their 16 global brands through a purpose lens, doing the 'understanding our impacts' – a very sophisticated two or three month exercise, global brand by global brand to understand what are the social and environmental and economic impacts of that global brand – the brand imprint impact assessment exercise – and they have found that of the 8 global Unilever brands that already have developed their own definition of what is their societal purpose as well as the overall Unilever purpose, the 8 that have already achieved societal purpose are now out-performing the sales of the 8 global Unilever brands that have not yet developed their societal purpose – you will understand that the 8 brand managers globally who don't yet have a societal purpose for their brand are under some KPI pressure to deliver on that.

Browne and his co-authors also say businesses need to apply world-class management skills and fourthly, their words not mine, then “radically engage” with a wide range of stakeholders.

ROLE OF BUSINESS REPRESENTATIVE ORGANISATIONS IN THE TRUST DEBATE

This is my last point and we talked about it briefly over dinner last night informally – it is a difficult position for you to be in as business representative organisations, because you can't simply represent the leaders who are trying to be more societally aware, more responsible, more inclusive and so on, you have a mass of members; but equally you can't I submit if you want to retain your own credibility and authority, and actually not impoverish your own organisational work, you can't simply defend the indefensible – so I suppose my concluding message is that you have either got to shape events or be shaped by them and so I think it is really worthwhile thinking country by country, and maybe Denmark does not currently have as much need as some other societies, but country by country are we satisfied, with the long term, not just year by year but over the long term, are we satisfied with the levels of trust in big business in particular, and if we think this needs to be addressed who is best placed to do this – it may not be us as the business representative organisation to do it directly – it may be better for us to call on others to do it for us or it may be there is half way house where we can provide some form of framework or platform

as the CBI in the UK has done with their “Great Business Debate” by actually encouraging lots of different voices.

I would strongly encourage you to look at some of the really interesting work going on – we have done a mapping exercise in my centre and identified a whole range of different organisations, initiatives and time limited projects looking at how to renew capitalism – whether it is Lynn Forrester de Rothschild with her ‘inclusive capitalism’ programme or Al Gore and David Blood from ‘Generation Management’ with sustainable capitalism, or whether it is people like Dominic Barton who is the global managing partner at McKinsey & Co and one of the top Canadian pension funds looking at “capitalism for the long term;” whether it’s John Mackey of ‘Wholefoods’ and other business CEOs from the United States looking at conscious capitalism, but go and take a look; Google one evening with a glass of Chardonnay or a glass of Berlin Pilsner and just have a look at some of these renewing capitalism projects – I’ve not mentioned a single far left or even moderately left organisation; all of those initiatives, I have mentioned are mainstream business leaders recognising that trust is an important question and wanting to do something about it.

Thank you and good luck in your deliberations.