

# **a blueprint for better business?**

Uniting corporate purpose and personal values to serve society

**Launch Conference – September 2012**

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## INTRODUCTION

### KEYNOTE ADDRESS: THE BUSINESS NEED FOR CHANGE

### IS THERE AN INEVITABLE CONFLICT BETWEEN PROFIT MAXIMISATION AND DEVELOPING COMMON GOOD?

### WHAT IS THE DISTINCTIVE PRACTICAL CONTRIBUTION OF A FAITH BASED ETHICAL FRAMEWORK TO PERSONAL & CORPORATE RESPONSIBILITY?

### RESPONSES FROM BUSINESS LEADERS: THE PRACTICALITIES OF MAKING A DIFFERENCE

Following the success of our Conference in 2012, launching the Blueprint for a Better Business initiative, we are pleased to be planning another conference in October 2013.

The 2012 conference was in response to a request by business leaders to the Archbishop of Westminster to convene a gathering of business leaders to debate what the keynote speaker Dominic Barton called " .. "A period of huge change that comes around just once every 200-300 years..." The call came to the Archbishop as a result of previous work convening financial sector leaders which culminated in a public call to action from those leaders in a letter to the FT which posed a central question

*" if the only question is, 'Is it legal and profitable?', then all that matters is that what is done complies with the regulations in force and makes a profit for the seller and the institution they represent. At its most extreme this philosophy... legitimates exploitation and in the end subverts the very basis of trust in the market on which all profitable activity depends."*

To address and engage the audience of some 200 business people he brought together to the podium outstanding spokespeople from business, including Dominic Barton Global MD of McKinsey, Paul Polman CEO of Unilever and Vittorio Colao CEO of Vodafone. There was a panel of experts to explore the spectrum of influencers of change – the investor community, the workforce, the CFO community, and a corporate law expert. The Archbishop proposed for debate and challenge a practical way forward that the business people were invited to challenge, with a specific challenge invited from Lord Glasman economist, academic and politician. It was also supported by a pre-conference survey completed by over 100 respondents that Dominic Barton referenced in his opening address.

The intention of this summary booklet is to give you an essence of what was discussed at this conference and to provide an introduction to the further exploration of these themes in the next Conference. This will be held on 24 October 2013 at Prince Philip House in London, and will tackle current issues and developments on the journey for better business for better society.

For more information on the Blueprint for Better Business initiative and on the content of the Conference, including podcasts of some of the speeches, visit <http://blueprintforbusiness.org/>

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CONFLICT BETWEEN PROFIT  
MAXIMISATION AND  
DEVELOPING COMMON  
GOOD?

WHAT IS THE DISTINCTIVE  
PRACTICAL CONTRIBUTION OF  
A FAITH BASED ETHICAL  
FRAMEWORK TO PERSONAL &  
CORPORATE RESPONSIBILITY?

RESPONSES FROM BUSINESS  
LEADERS: THE PRACTICALITIES  
OF MAKING A DIFFERENCE

## KEYNOTE ADDRESS: WHAT IS THE BUSINESS NEED FOR CHANGE?



**Dominic Barton**  
Global MD,  
McKinsey and  
Company

*"..without trust our global economic system – which has lifted hundreds of millions out of poverty, improved well-being through rapid advances in healthcare and education, and made our everyday quality of life richer through innovation – would come to a grinding halt."*

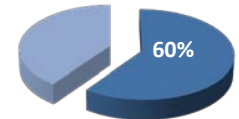
Dominic Barton began by saying that he and many of his colleagues believed "this may be one of the most critical issues businesses face over the next few decades". He defined the central problem thus "We think that the business communities in developed economies such as the UK and the US have become too focused on a narrow set of objectives and meeting short-term performance expectations at the expense of long-term value creation. This approach is eroding the interconnectedness between business and society that the father of capitalism, Adam Smith, believed was so critical to the health of both."

He addressed the pressures of short termism and the "disconnect that business leaders and their employees sometimes experience between how they feel they should act on the job versus their 'real self' off the job" - the concept of the *divided life* which he felt was corrosive.

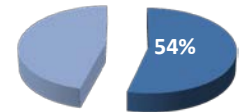
For Barton, the one crucial factor undermining business in the modern world was the lack of trust - between people in business, and between business and society. He called for "deep reform" led by business to shift it from what he called "*narrow* capitalism to *broader* capitalism".

He ended by outlining what he thought these shifts would look like in practice – "a change of mindset rooted in a return to the core principles of capitalism". He felt business leaders must be stewards of long term value creation but also that all individuals in a company need to shift their thinking. "A company is more likely to get it right if employees at every level are thinking about how to build value-creating relationships with stakeholders – including customers, suppliers, creditors, regulators and communities"

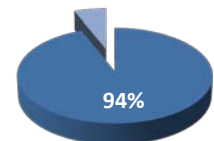
**BELIEVE THAT BUSINESSES  
CAUSE OR WORSEN SOCIETAL  
ISSUES BY PRIORITISING  
THEIR OWN INTERESTS**



**BELIEVE BUSINESSES ONLY  
CONSIDER WHAT IS LEGAL &  
PROFITABLE WHEN DECIDING  
ACCEPTABLE PRACTICES &  
ACTIONS**



**BELIEVE SUCCESSFUL &  
TRUSTED ORGANISATIONS  
CREATE & SUSTAIN BUSINESS  
MODELS THAT COMBINE  
FINANCIAL SUCCESS AND  
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*The charts above illustrate the results of a pre-conference survey completed by over 100 respondents*

## INTRODUCTION

## KEYNOTE ADDRESS: THE BUSINESS NEED FOR CHANGE

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## WHAT IS THE DISTINCTIVE PRACTICAL CONTRIBUTION OF A FAITH BASED ETHICAL FRAMEWORK TO PERSONAL & CORPORATE RESPONSIBILITY?

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## PANEL DISCUSSION: IS THERE AN INEVITABLE CONFLICT BETWEEN PROFIT MAXIMISATION AND DEVELOPING COMMON GOOD?



**Naguib Kheraj**  
*Barclays & Aga  
Khan Foundation*

There was general agreement that it was possible to bring your personal values to work and that any conflict between profit maximisation and the common good was in the main as a result of a focus on the short term.

Naguib Kheraj made a short presentation on Islamic teaching on business and explained his belief that there is a huge degree of commonality and overlap in the views of all world religions about conduct in life. He said that honesty, not cheating and not stealing were universal values that people with no particular religious convictions would also recognise as being core to ethical behaviour in civil society.

He explained that the Muslim faith recognised wealth creation as legitimate and acceptable endeavour in life but laid great importance on how wealth was created and used with particular reference to charitable giving and community contribution. He also emphasised the need to seek a balance between the spiritual and the material, and explained that the Muslim faith recognised a day of judgement after death when individuals could not be selective about what they are judged on. In closing Naguib said that profit maximisation could lead to greater common good and that a stronger orientation to common good could lead to greater profit.



**Nicola Smith**  
*Head of Economic  
& Social Affairs, TUC*

Nicola Smith felt that there was no necessary conflict between profit maximisation and the common good. She focused on the workforce and skills, pay and governance. Workforces did want to get engaged in a constructive way.

Her emphasis was on the ability of a highly skilled workforce being able to deliver economic benefits for business and employees.

## INTRODUCTION

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## WHAT IS THE DISTINCTIVE PRACTICAL CONTRIBUTION OF A FAITH BASED ETHICAL FRAMEWORK TO PERSONAL & CORPORATE RESPONSIBILITY?

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Colin Melvin said that investors were looking for clarity of purpose and the right behaviours and felt that the disconnect between the ultimate owners of a business and the fund managers should be addressed.

He recognised that some in his industry had a different sense of duty at work than they had in their private lives. He too expressed concern about short termism and wanted the investment industry to look again at fiduciary duty with a view to making it a longer term duty which he thought would lead to better outcomes and growth in the common good.



*Colin Melvin*  
*Hermes EOS*

Eilis Ferran focused on the need for purpose in business and suggested that more emphasis on purpose could lead to less short termism. She thought it was important for directors to set the tone of a business.

She considered that there was no legal impediment to an approach to business that looked beyond profit maximisation in the short term for shareholders.



*Prof. Eilis Ferran*  
*Professor of  
Commercial Law,  
Cambridge*

## INTRODUCTION

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BUSINESS NEED FOR CHANGE

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MAXIMISATION AND  
DEVELOPING COMMON  
GOOD?

WHAT IS THE DISTINCTIVE  
PRACTICAL CONTRIBUTION OF  
A FAITH BASED ETHICAL  
FRAMEWORK TO PERSONAL &  
CORPORATE RESPONSIBILITY?

RESPONSES FROM BUSINESS  
LEADERS: THE PRACTICALITIES  
OF MAKING A DIFFERENCE

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**Mt. Rev Vincent  
Nichols**  
Archbishop of  
Westminster

*“Those business leaders who invited me to take today’s initiative did so because they felt there was a contribution faith could make.... Our society is looking for a new narrative for the place of business... A fresh examination of the social purpose of business – alongside profitability is fundamental “*

The Archbishop likened a business to a chariot with two horses, drawing on an allegory from Plato, one representing the desire for profit maximisation and the other the desire to provide meaningful work and useful goods or services operating in a principled way. The art of the business leader is to find a route the chariot can take “retaining the competitive edge against other chariots, with both horses at full stretch, yet firmly under control, pulling in the same direction”.

He told the conference: “ the prevailing culture and especially the relentless focus on short term profitability makes this difficult...” How is trust to be regained? The Archbishop felt business leaders could learn from other spheres including the major faith traditions. He quoted the Chief Rabbi, Lord Sacks, as warning that “we are all more likely to bend the rules than we like to think, and we all need regular consistent reminders of what is right and wrong”.

The Catholic contribution came in the form of a framework drawn from the principles of Catholic Social Teaching. Principles that can help us reflect on how to unite corporate purpose and personal values to serve society. This framework includes two foundational ethical principles: the innate dignity and value of every human person, and the principle of the common good. The Archbishop then went on to outline five other principles which together with human dignity and the common good provide a way to make better decisions to build better businesses.

*“The market cannot itself generate the moral values businesses need for their long term survival. Other resources, independent of the market, are needed to give confidence for people in business to drive and defend good behaviour and for outsiders to legitimately challenge poor decisions and outcomes. I believe the ... seven principles I have spoken about today offer ...a sword to lead the fight for better business and ..a shield to defend those who are prepared to stand up for better business in a better society.”*

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KEYNOTE ADDRESS: THE BUSINESS NEED FOR CHANGE

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WHAT IS THE DISTINCTIVE PRACTICAL CONTRIBUTION OF A FAITH BASED ETHICAL FRAMEWORK TO PERSONAL & CORPORATE RESPONSIBILITY?

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*“ Unless there is this conversation between business and faith and labour I don't think our country will be a better place to live“*

**Maurice Glasman**  
Academic &  
Member of the  
House of Lords



The structural and governance issues within a business were taken up by Lord Glasman, who declared himself a Jewish admirer of Catholic Social Thought. "One aspect of this teaching which needs to be emphasised more," he said, "because it is necessary to its beauty, its integrity, its truth and its relevance, is about the balance of interests within corporate governance." That called for a "conversation", a "negotiation" between the different interests in the firm, and he cited the German example as a better model for worker involvement in management decision-making than the British model because workers there were aware of and understood the long term strategic interests of the business.

It was wrong, he said, to think about the creation of value as exclusively happening between management, shareholders and technology, without recognising the role of workers, their expertise and their sense of vocation. They too had interests and these need to be balanced with all the other interests involved, to work out the common good of that firm to which all could be committed. There needed to be a "conversation" between the principles of virtue, vocation and value inside the firm, to encourage the idea of "being able to do things well". That called for leadership and for genuine accountability.

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KEYNOTE ADDRESS: THE  
BUSINESS NEED FOR CHANGE

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CONFLICT BETWEEN PROFIT  
MAXIMISATION AND  
DEVELOPING COMMON  
GOOD?

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PRACTICAL CONTRIBUTION OF  
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CORPORATE RESPONSIBILITY?

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LEADERS: THE PRACTICALITIES  
OF MAKING A DIFFERENCE

## THE INTERNAL VALUE SYSTEM



**Vittorio Colao**  
CEO, Vodafone Group

*“..it is not just about a code of conduct – we need  
to do practical things “*

Colao asked “Why do we exist, why do we run businesses?” The aim must be to add social value, he said – to produce “goods that are good and services that serve”.

He identified four ways for a company to create social value: by paying salaries and wages, by creating products which are good and which improve the living conditions of customers, to pay taxes, and to pay dividends over the long term, “nothing else than to pay for living conditions for people who are at a different phase of life.”

The latter - essential for example to sustain the pensions of people who had retired - meant much more than the maximisation of profit while remaining within the law. Short-term profit was generally misaligned with the common good. The long term required a wider approach. To continue to earn dividends over the long term required cohesion within the society in which it operated, which he called social “glue”. If a business disregarded it, sooner or later that would rebound against it.

How did a business leader like himself enable the whole company to understand and share his wider ethical aims - this attention to the social glue? His approach was to “send a message” to his employees that would enable them to see its core values in action. Vodafone supported many projects across the world - helping farmers gain information about crops in Turkey, helping fishermen to sell their catches in Kerala, and a medical programme relying on mobile money transfers to combat fistula injuries among women in Tanzania - for which there was no direct business case. But apart from serving the common good, these projects also signalled to Vodafone employees what sort of company they were working for and set them the right example. It was by attention to the glue that held societies together that a business like Vodafone could best ensure its own long-term survival and hence its ability to pay dividends



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### EXTERNAL FORCES OF CHANGE

*"..instead of asking "can I do this'? - you should ask "should I do this?"..."*

*"The crisis of 2008 was not really a financial crisis but a crisis of ethics"*

Paul Polman asked what was the role of business in a world that was becoming more "volatile, uncertain complex and ambiguous"? There was a rapid shift in the world economy towards the east and to some extent the south. In the east, as living standards rose, producers were also becoming consumers. But in this fast changing world there was a "vacuum of leadership". The United States was becoming more inward looking, meanwhile the rapidly increasing middle class in the east - mainly but not wholly in India and China - were becoming dissatisfied with their societies. The "consumer is in charge." For many young people Facebook is the third largest 'nation'. He felt the Arab Spring had shown the trend.

The challenge to business leaders was to step up and fill that moral leadership vacuum. "In today's world a billion people every day go to bed hungry, every six seconds a child dies of hunger... That is unacceptable. It is unacceptable that we live in a world where 2.6 billion people do not have access to hygiene or basic sanitation...and 400 million people are excluded from the workforce..." Business leaders could not look away. "Ultimately any business leader who does not internalise all these challenges will I think be rejected by these consumers." Consumers will only want to deal with responsible businesses.

So business models had to change. In Unilever they had stopped asking how to use the resources of society and the environment to be successful, and asked instead how to use their own resources to make society and the environment successful. The small change of wording had had a huge impact, not least in lifting staff morale. But many businesses had forgotten why they existed. As Victor Frankl pointed out in his book, *Man's Search for Meaning*, "When they built a statue of liberty on the east coast, they forgot to build a statue of responsibility on the west coast."

Polman said the crisis of 2008 was not really a financial crisis but a crisis of ethics, but "probably the best crisis we ever had." because these important discussions about the purpose of business would not be taking place had the crisis not happened. "We certainly need to make use of that to get back to the basics."

**Paul Polman**  
CEO, Unilever

