

"Many people claim to be the voice of business, but few speak as clearly and as forcefully as Digby. This book is a punchy, passionate and powerful defence of the role of enterprise in our society. It's badly needed in this age of unreason."

— George Osborne MP, former Chancellor of the Exchequer 2010–16

DIGBY JONES FIXING BUSINESS

MAKING PROFITABLE BUSINESS
WORK FOR THE GOOD OF ALL

WILEY

FIXING BUSINESS

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**MAKING PROFITABLE
BUSINESS WORK FOR THE
GOOD OF ALL**

LORD DIGBY JONES

WILEY

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This book is dedicated to three special people:

To my Mum, without whom I guess I wouldn't be here! It is a privilege to help look after her at 93 given all those years she looked after me.

To my dear friend Simon Biggs who died too early in October 2016 and left the hole, where fun and laughter should be, that is always created when the bright flame of a life well-lived flickers out.

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CHAPTER 1

SOMETHING IS WRONG – AND IT’S EVERYBODY’S BUSINESS

“As I grow older I pay less attention to what people say. I just watch what they do.”

—Andrew Carnegie

WHAT’S THE PROBLEM?

One of the most important institutions in modern society is facing a shattering crisis.

In fact, the relationship between Business that is creating wealth and generating taxation, employment, products, services and

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innovations; government that is managing, regulating, seeking social progress, setting the rules under which everyone operates and has a mandate to lead, and society – all of us – is broken. That hurts everyone and it's something that should concern us all. Yet while the connection between politics, government and society is often reported and analysed, the crucial relationship between Business and society is much less understood.

We think we know about Business and, for the most part, we don't much like what we *think* we know. One of the biggest things that Business does is ultimately operate as the sole generator of taxation revenue for the country. When a Business makes money there are only three things it can do with the profit: reward the shareholders who took the risk by way of dividend or capital gain on sale, and the shareholder will pay tax on it. Or keep the profit in the Business, and pay tax on it. Or pay employees – who'll pay tax on it! That tax goes in part to pay the wages of people in the public sector – who'll pay tax on it! If it wasn't for the wealth created by Businesses across the land, large and small, there would be no tax, there would be no public sector. It's the same with pensions. No Business, no public-sector pensions because of the tax revenue that pays for them. No Business, no private-sector pensions because of the salaries and wages that pay for them.

This lack of understanding and misrepresentation has some serious consequences. The few headline-grabbing,

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self-fulfilling prophecies endorse our prejudice and allow us to assume that the Business of wealth creation is an entirely selfish activity carried out by untrustworthy rogues, and that anyway Business is just where the money lies; cash is king and nothing else matters. As a result, we are quick to penalise Businesses and executives, and slow to give them any benefit or support.

Business faces a range of difficult problems – many of its own making, some that are not – and it is time that these were addressed. Fundamentally, Business has to recognise that it has a vital role to play in society and it needs to start fulfilling that role better. This book is about Business: what it means, why it matters and, more significantly, the challenges it currently faces and the solutions that it needs to adopt if it is to succeed for the benefit of us all.

A business that makes nothing but money is a poor business.

Henry Ford

We are concerned about a “democratic deficit” – the need for people’s views to be reflected by the politicians that serve them – yet we seem unconcerned about (or perhaps we are simply happy to accept) a “Business deficit”. If Business continues to detach from society, then both Business and society will, in many ways, be much, much poorer.

Fixing Business matters hugely. This book is written from a UK perspective but the points it makes will resonate

wherever you live in the world and many of the examples cited are international. The role of Business in our society and lives is truly global, more than ever before in human history. Gary Clyde Hufbauer of the Peterson Institute for International Economics highlights the fact that virtually all of the “losers” of the 20th century rejected international economic links, either explicitly (in the case of the old Soviet Union) or implicitly (most of Africa). Whereas the “winners” of the 20th century embraced the international economy, for example: Japan, Korea, Taiwan, Spain and Ireland. In virtually all of these cases, the economic development and trade driven by Business contributed to stabilising entire societies, many of whom had previously endured turbulent times. Finally, those countries that have grown and prospered the most in the 21st century have accelerated their embracing of the global economy; Chile, Vietnam, Mexico, China and India spring to mind.

This point will be especially relevant, in 2017 and 2018, in the UK. As we discuss later in this book, it underpins the opportunity provided to the UK by Brexit, the country’s departure from the European Union. The UK wants, among other things, more direct control of its trade and the opportunity to complete trade deals with other parts of the world. Other current members of the European Union may aspire to this too. Clearly Business and trade matter, and they are exerting a remarkable influence on political developments.

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The most significant challenges and much of the mistrust facing Business are universal – just look at the rise in recent years of anti-globalisation protests – and the opportunities and remedies that Business leaders need to adopt are largely universal too (although the context may vary). This point about globalisation is complex but it does also serve to highlight the complexity of Business. Business is predominantly a force for good and so too is globalisation. And where there are problems with Business (and globalisation) they need addressing and resolving, not ignoring, pretending they don’t exist or rejecting everything that they have to offer. It is, in part, fear of the effects of globalisation, whether perceived or real, that created the energy that powered Donald Trump to the White House. Millions across the developed world feel, rightly or wrongly (as if there can be an objective “right” or “wrong” about this) that globalisation works for the few not the many. Business had better face up to that reality or the consequences will be dire.

One other vital point is worth highlighting: Business and commerce are not alien or inherently unusual activities, they naturally spring from the human condition. We make things, we provide services, we trade, we compete and we work to improve things, not despite the fact that we are humankind, but because of it. Creating wealth through Business has always been with us and, like it or not, it always will be. The key, therefore, is to make sure that it works better than ever before – and why wouldn’t we? There are few engines of progress and change as potentially

beneficial as Business. This means that Business is here to stay; it is inevitable and a crucial part of who we are and what we do. That may be an uncomfortable truth for some people; one of the biggest drivers for people is the desire to do well. Many of the greatest innovations and successes in human history have been driven by commerce and Business: from the discovery of the New World in the 15th century to the dramatic improvements in healthcare achieved in the 20th and 21st centuries.

Consider these few facts: the global population at the start of the Christian era has been estimated at around 150 million people. It reached its first billion people in 1804, and by 1900 was 1.6 billion. Between 1900 and 2000 the global population nearly quadrupled, from 1.6 billion to 6.1 billion, and between 2000 and 2011 it increased by a further 900 million to 7 billion people. In other words, there was a bigger net increase in global population in the first 12 years of the 21st century (900 million) than the entire growth in global population between AD1 and the year 1804 (850 million).

The extent of the changes in global population that have taken place during our lifetime is astounding. This point is highlighted by the 20th century, which was particularly remarkable. During the last 100 or so years there has been the highest annual population growth rate (2% in 1969) and the shortest time for the global population to double, which it did between the administrations of US presidents Kennedy and Clinton.

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This was combined with unprecedented declines in mortality, changes in healthcare, education and incomes, significant international migration and increased urbanisation, resulting in the emergence of mega-cities. According to the United Nations, in 2007 the global urban population exceeded the global rural population for the first time in human history.

The post-second world war era has seen enormous strides in the improvement of standards of living across the globe. Global average real incomes per head rose 460% between 1950 and 2015. Over the same period, the proportion of the world's population in extreme poverty fell from 72% to 10%. The global average life expectancy at birth was 48 in 1950; by 2015 it had risen to 71. These are some encouraging statistics which often get lost in the din of the doomsayers.

Business is one force, but a significant one, among several that are constantly shaping our world. From the opportunities in the cities to the internet that creates feelings of awareness, aspiration, envy or resentment, Business has been the driver for the greatest economic migration of peoples the world has ever seen.

WHAT HAS BUSINESS EVER DONE FOR US?

So, what precisely are the main benefits of Business? Why are we so certain that it is worth the effort of fixing? Well, let's spell

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it out. Here are just a few of the indispensable things we get from Business. National wealth, distributed throughout society by corporate taxation and used to improve society; employment; communications; improvements in healthcare leading to longer lifespans and better quality of life; pensions; education and training; cheaper food and with greater variety; support for local communities; economic development for poorer parts of society and the wider world; technological innovations – from tablets and smart phones to electric cars, wind turbines, television and air travel; trade, leading to greater understanding and connectedness with other societies; environmental protection; plentiful energy; cultural developments – from sports teams to film, art and entertainment; infrastructure; water; security; personal financing; housing; fashion and clothing, transport and travel. The list goes on.

You may object to some of these but all of them, to a greater or lesser extent, were invented or at least innovatively brought to market by Business drivers, and all of them need Business if they are to work effectively. If you doubt this then consider those examples of societies, such as the 75-year history of the Soviet Union, which believed capitalism and Business to be obsolete ways to deliver anything. As it turns out, they were very badly wrong.

If that was not enough, there are also many intangible, personal and valuable psychological benefits of working in a

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commercial enterprise. I am no psychologist but it seems clear that, for many people – although admittedly not everyone – feelings and needs such as purpose, loyalty, fulfilment, affiliation, pride and competitiveness are all addressed not simply by working, but by working together in a commercial competitive environment. It is worth repeating that Business is here to stay: it is a crucial part of who we are and what we do.

The challenge, therefore, is to get politicians, the media and, crucially, society at large to be more supportive of Business as an activity – wealth creation – that profoundly benefits society. What is needed is a view of Business that is more objective, balanced and fair, and this can only be achieved if Business people are prepared to take the initiative by putting their heads over the parapet and explaining the good stuff they do.

It is worth asking the question: why are Business people so resented and reviled? Populist politicians and the media perpetuate the problem, constantly giving people bad news stories that distort public perceptions of Business. The truth is that Business is a reflection of society and – like every other part of society, for example, the church, politics, police, armed forces, media, the civil service – Business employs a vast majority of decent, diligent, well-intentioned, hard-working people alongside a small minority of rogues and scoundrels. Yet it is those rogues that get all the attention and this even extends into popular culture. For example, every time a “baddie” is needed in a film or

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television soap or drama it is invariably an unscrupulous Business person. This crucial point is often misunderstood: Business is not a nameless, faceless entity; it is entirely made up of people, mostly good, sometimes not. Yet if any other group in society were picked on as thoroughly and relentlessly as Business executives there would, quite reasonably, be concerns expressed about fairness and the potential harm caused by constant vilification. The difference is that Business is an easy target. Its occasional mistakes are amplified and seized upon while its contributions, successes and achievements are ignored, and there are too few people willing to make the case for Business.

This is not a whitewash though: Business clearly has problems and attitudes that need fixing, and they need fixing for the good of Business. One of the main problems (that actually gives rise to many others) is that some Businesses fail to recognise that people do not like to feel controlled, manipulated, abused or simply disregarded, even if it is only their perception. In other words, Businesses needs to get better at doing their job: showing leadership, connecting with people and being accepted in the communities where they operate.

This principle is best highlighted by a personal story. This one is mine but I guess we all have a similar tale we could tell. I feel powerless when dealing with BT, my telephone provider; if the bill is incorrect or something goes wrong with the service then the effort to get it fixed is so enormous that my resentment

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is building before I even start. My thinking is this: why don't you make dealing with me easier? And if that takes more money then put me, the customer, ahead of the profit for the shareholder.

The usual sanction open to me in a commercial world is that unless I get the level of service I expect, I don't pay ... except this is not available to me in my dealings with BT. If I refuse to pay until my problem is sorted, then I will be cut off. If I do what they insist and pay, then I have no leverage (and they have no incentive) to fix anything. The only option available is the nuclear option of leaving them. This creates a feeling of resentment, of being abused, to the point where I think, "What is the point of even looking at the bill?" To make it worth looking will mean I have to enter into a ghastly labyrinthine world of complexity, hanging on, delay and frustration. And therein lies the rub: BT would possibly reply that they have millions of customers and a huge and complex service to deliver. Process and technology are their areas of focus. My point is this: if you can't provide a genuine service, one where you make each individual customer feel better and special, then you have failed. In BT's case, and possibly many others, this might mean that the Business has simply become too big.

I have concluded that a lot of resentment directed at Business and what people think it means to them comes from their experiences with Businesses that deal remotely with them. The

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individual feels powerless and abused by the Remote, All-powerful Call Centre. It is often based overseas and (it might be politically incorrect to say so but it is the reality) the consumer often cannot understand what the person is saying, is already fed up by the patronisingly insincere, “How are you today?” and thinks, “I’m paying for this!” Mobile phone companies, energy Businesses, banks ... all find themselves regularly at the top of the “I hate Business” list and all charge for the delivery of ... er ... apparently anonymous, omnipotent poor service. These companies claim that they must keep costs down and that the consumer is unwilling to pay for a more personalised, less automated service. How about trying them? And what if the additional costs were not passed on to the customer but ate into the profits instead? Isn’t it a price worth paying by shareholders for a better general view of capitalism and thus the greater chance of survival of the system which gives shareholder returns in the first place? Of course, a reduction in the big pay cheque for the boss would also help in the perception war as well, if not in reality when spread across the entire cost base.

HARNESSING A POWERFUL FORCE FOR GOOD

Businesses exist to make money, that’s the way it works and it is a positive force that drives Business. It’s positive because making money requires Business to understand that the customer comes first, second and third. Making money relies on the customer and that is the essential driver of productivity, efficiency