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Speech to CBI Annual Conference

‘Trust in business’

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Ladies and gentleman, last week a journalist asked me why I had joined the CBI.

I told him a story of being on a student visit to a tractor factory where the industrial relations were dreadful, and thinking “Heck, there has to be a better way to run a business than this.”

That’s why I joined the CBI.

But that was 30 years ago, when our industrial relations were dragging down our economy. That problem is now, thankfully, sorted.

We have mostly excellent relations between businesses and their employees, because they recognise we really are all in it together, especially in economic times like these.

This helps explain the high regard which so many people have for the businesses they work for, or which their family members work for.

That same can’t be said of business as a whole.

This year’s Ipsos MORI Veracity Index shows only 29 per cent of UK adults “generally trust business leaders to tell the truth.”

The average score since the index began in 1983 is 28 per cent, so we can’t argue we’ve hit new lows.

Edelman's Trust Barometer asks college-educated people what they think. In the UK, 44 per cent say they "trust business to do what's right." That's bad, but could be worse – we're more trusted than politicians.

But they're hardly figures we can be proud of, and in the age of social media and rolling news, there's nowhere to hide from them.

That's the perception. What's the reason?

Somewhere along the line some businesses have become disconnected from wider society. It seems they've not had the same success in talking to people in their communities as they've had in talking to their colleagues.

And yet I have no doubt that we collectively pass the 'What-has-businesses-ever-done-for-you' test. The unequivocal result is 'a lot' – the goods and services we need in our everyday lives, that keep us healthy, entertained and that keep the lights on.

And we do much more than that for charity, for the environment and in the community.

We deliver this through corporate responsibility initiatives that are more ambitious and more systematic than ever before.

And yet there seems to be a gap.

From before the financial crash, and most certainly since; outside St. Paul's; and even more importantly in the sitting rooms of those watching who aren't sure what they think, but have at least some sympathy for the underlying issues.

There is questioning, sometimes frustration, sometimes even anger with what we do – or don't do. At its worst the impression of business is one of greed or selfish indulgence. Some people feel wronged.

Whilst most of the businesses I meet are doing a good job in society, we must, I believe, acknowledge that there is an occasional bad apple in the barrel, whether because of excess or other shortcomings.

Some business commentators have pointed to the failings of the 'shareholder value' model. Even Jack Welch, seen by many as the model's father, recently said: "Shareholder value is a result, not a strategy....your main constituencies are your employees, your customers and your products."

I think it's now accepted that maximising short-term profits can put at risk the relationships that determine longer-term success.

Impressions of corporate excess play a part. Recent reports that FTSE 100 directors' pay had risen 49 per cent this year were misleading – this was an average skewed by outliers.

Basic pay actually rose by around two per cent, roughly in line with average earnings. But factor in the total remuneration package and this rises to 16 per cent – hardly a sign of restraint given the economic climate.

FTSE 100 chief executives now earn 89 times more than their median full-time employees. I accept that we compete in a global market for talent, and I believe absolutely in rewards for success. But it's not hard to see why some people think differently.

It seems to me that we need to demonstrate that our definition of value goes beyond that of the shareholder.

And I believe that the endeavours that generate that value must be fairly and more transparently rewarded, with extra reward for real success, not for doing what we are already paid for – and certainly not reward for failure.

The pay of a premier league player is rarely questioned as long as he gets the ball in the net at regular intervals. Business needs to get better at demonstrating it is putting the ball in the net for the benefit of its staff, its customers and its shareholders.

More than that, we also need to demonstrate that we are part of the solution to the challenges society as a whole is facing.

The CBI has had a lot to say these last few weeks about boosting economic growth. We've urged government to act on business investment, infrastructure and exports.

Just what people would expect us to do.

But we've also produced an urgent plan to get the UK working, and in particular to tackle youth unemployment.

The plan helps schools get people ready for the world of work.

It boosts the chance of a young person getting a job through a ‘Young Britain Credit’.

And it ensures that it pays to find a job through further benefit reform.

This forms a key part of the CBI’s current lobbying agenda. But it would never pass a narrow test of shareholder value.

This is a bigger issue than any other for business. I’m greatly encouraged by the passion you have for doing something about it, even amid today’s economic turbulence.

You’re already helping by working with schools and colleges, providing work experience, placements and apprenticeships. You’re helping through day-to-day work and with special activities like National Grid’s justly famous young offender programme, which has slashed re-offending from 70 per cent to just 6 per cent.

We can and must do more.

We need to tell people what we are doing, and shout about our determination to improve the lives of our people, young and old.

This isn’t just corporate social responsibility. This is business sense.

Above all, I think businesses should show how they do good by doing good business.

I don't need to explain too much what I mean by this, because the companies I asked to join me on the panel today show it every day in what they do.

A4e and Circle Health have achieved their success by radically improving public service outcomes, helping people back into work and back to health, two of the things critical to the fabric of our society.

Apetito has used the intuition of its staff and new food processing methods to improve the diets and lives of its customers, many of them elderly people who want to stay in their homes but couldn't if it weren't for this support.

And John Lewis has honed its unique business model and used it to create the most trusted brand in the UK, never knowingly over-praised for what it does – and how it goes about it.

But none of them would achieve anything if they weren't at heart efficient, well-managed organisations with a plan for the long term.

They're innovative and entrepreneurial organisations as well. These are qualities the public understand and respect. As Sir Roger said this morning, people see the dragons on Dragons' Den as something to aspire to, not something to be slayed.

For me, the words 'doing good by doing good business' sum up what we, here at the CBI, are about – and what we need to do even more of.

Time at our conference is precious. We spend some of it debating the national and international issues of the moment. But we must mix the short-term urgent with the long-term equally important.

Ladies and gentlemen, this debate matters to the long-term health of Britain and to the role and reputation of British business. So I hope you can help the CBI make a difference.

Thank you.

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