Blueprint for Better Business Conference: "Business Success through Serving Society"

24th October 2013, Prince Philip House, London

Keynote speech by the Archbishop of Canterbury

In Matthew chapter 20[1], Jesus tells a story about an employer who behaves in a way that would cause a riot today; it might well have done then. It's a fairly classic situation for its time - and until quite recently normal in many parts of this country - about day labourers. I'm sure the Archbishop (Cardinal Nichols) would remember or have known people who used to have to go and queue down at the docks to see if they got work during the day. And if they got work they were fine, if they didn't get work there wasn't money for food. It was very straightforward.

1 Matthew 20:1-16

And in the 20th chapter of Matthew's Gospel, Jesus describes a vineyard owner who goes down to the marketplace to hire some labourers to help with the harvest during the day. He goes down several times during the day. As the day goes on there's always a few people there, increasingly despairing – and I'll come back to that word – and in each case he takes a few more. Maybe there were more grapes than he expected or maybe he just saw need.

I really enjoyed the session before lunch[2]– and this isn't a criticism in any way – but it's quite striking that, apart from one moment where we talked about putting a company out of business, we did not at any point mention the workforce or those who work in the companies. And I'm not party-political, I'm not taking a sort of left-wing view here, but I am saying that we do have to take a more holistic view than perhaps we're prone to, particularly when we're looking at investment, because one of the most normal features of modern investment theory and practice, and above all technology, is the distancing of the investor from the thing in which they invest. It's a number on a screen.

2 The previous session had been about whether investors are incentivised to serve society.

In the parable, at the end of the day the vineyard owner - who has agreed the rate with the early workers but not with the later ones - when he starts paying out the wages, hands over the money. He pays the ones who've come only for the last two or three hours first, and they get a day's wages. You'll see the first people are thinking 'whoopee, we're on a goody here, 'cause I've done four times as much work, I needn't work for the next three days because I'll get four days' pay'. And the vineyard owner pays everyone the same amount. There's a huge complaint, and the vineyard owner essentially says this: 'It's my money and I can do with it what I like. Why are you grumbling when I am generous?' Now you can imagine what that would do today.

Parable of the Workers in the Vineyard (1769)
Johann Christian Brand
Akademie der bildenden Künste, Vienna

One of the things I do at the moment is to chair an ethical advisory committee for a major City fund manager, and I'm obviously involved incidentally with the Ethical Investment Advisory Group of the Church of England. What we have found is that the funds invested by the Church of England – the Church Commissioners – across the world, under the supervision of the Ethical

Investment Advisory Group, which is a very competent one, and Stewardship funds at F&C, are invested across the world. How do we deal with the fact that there are wildly different cultures, wildly different ways of looking at things, and wildly different sizes of company? We've had these discussions over the years about how you apply investment ethics and business ethics to different cultures and different sorts of places.

As usual, the discussion tends to end up polarising between those who want to be eminently practical and totally relativistic and say we just go with whatever they do locally, and those who want to be eminently pure, and say we stick to our principles – the ones that we have in this country now in the early part of the 21st century.

I should say that the views I am stating are my own, not those of Stewardship. And the issue that you're facing there is both cultural relativity, which is one of the things I think that underlines the difficulty we have in investment ethics at the moment, because so many different influences are coming in a multi-cultural society from so many different places; and also the absence of relationship.

In the UK, the same problems apply when we start applying ethics not to the big well-established firms but to the smaller start-ups, which is where, if there is going to be regeneration of the economy and the recreation of jobs and a serious attack on the appalling poverty that is now three-generational in some parts of our country – if we are going to attack that, it is not going to come from major companies but from smaller operations in local areas of different sorts, both co-operative and also single person companies and start-ups.

Let me give you an example about how badly the situation is working at the moment. I met about 18 months ago, two years ago now, a man in the town in which I lived as Bishop of Durham in the north-east of England. He'd lost his job in the recession in 2008-10, and he'd been laid off. He was a painter-decorator, he wanted to start his own business.

After 18 months of unemployment – and unless you've experienced it you can't begin to imagine how long 18 months is when you haven't got a job to go to; and in this case a highly motivated man with a partner and two kids who was desperate to earn enough money not to be rich but just to look after them. After 18 months of unemployment he managed to get a loan for the money he needed to start his own painting and decorating business. He started it, he paid off the loan in three weeks, and he has a full order book, when I last checked, for about seven months.

The loan he needed was £200 – to buy a ladder, some paint brushes and a basic stock of tools for the job he needed to do. What kind of financial services system do we have in this country when someone who needs £200 and is going to work their socks off once they've got it, can't get it for 18 months? What kind of hope does that give across this country, and how does that challenge our investment, our financial services and the use of the monies we have?

Our financial sector today has the largest sum of money it has ever had, both as a proportion of GDP and in absolute terms in cash holdings. Unless financial services and investment begins to look at a whole view of this country, and more globally across Europe, and to challenge the inability of the economy to care for those on the edge, there is not a good future: London cannot exist. We moved here in February; it was moving to a different country. And we're both Londoners – we almost needed a passport. It is so different in terms of wealth than when we went away, so different from so many parts of the UK and many equivalent parts of Europe and the Global North, that it's hard to describe the sensation you have.

In the equivalent speech last year, Archbishop Vincent Nichols gave a masterly overview, based on Plato and the general structure of Catholic Social Teaching, applying it to companies. But the trouble is that, like individuals, companies are not all the same. I want to propose four or five possible perspectives that I suggest should be at the heart of our ethics if we are going to begin to think about, let alone tackle, the issues of regeneration. It's the only way, it seems to me, we have a future in this area – because everything else has failed.

Archbishop Vincent Nichols

In May 2008, Liverpool One, one of the largest shopping centres in Europe, opened. £1.2bn in investment. It was working on the doughnut principle for regeneration: you inject jam in the middle and it seeps through to the edges. For the next four years I lived 15 minutes walk from Liverpool One. The impact 15 minutes away from Liverpool One was negligible to nil. The doughnut effect does not work. It was done with huge vision, courage, and that centre is working superbly. But it has not cracked the issue of regeneration. Any society that wants to call itself ethical in its finances has to find a way in which it values human beings and cares for them right across the board in every part of the society, and not just within the M25.

Let's go back to the vineyard owner. His generosity started with his concern for the people who had waited all day and found no work. In other words, he started with seeing them as human beings and entering into relationship with them. At the heart of business ethics and of Catholic Social Teaching is human dignity – Vincent Nichols said this last year. We need to keep coming back to that.

If we are going to have entrepreneurs like my painter-decorator friend – and actually he's now employing three people, which means he's tripled his workforce in 18 months; no big company ever does that as far as I know – we have to have a financial services system that recognises the dignity of that human being, his integrity, and enables him to take risks, to succeed, and to fail.

I have to ask the question of how Catholic Social Teaching deals with failure. None of our ethical systems begin to cope with what happens when people don't succeed. We tend to have a very adversarial relationship between lenders and borrowers, between investors and stakeholders. The result of that is that when things go wrong it ends up with punishment rather than learning and redevelopment.

Liverpool One Shopping Centre

"....develop a relationship with those in whom you invest..."

One of the things we had to do in the Ethical Investment Advisory Group was develop over many, many years – and this is one of the key aspects of the Church of England's investment policy – was to develop a relationship with those in whom you invest. It's very difficult to do that with small companies and therefore we need to look again at our structures and see how we can be diversified enough and have enough subsidiarity to be able to relate to different areas, and not do everything wholesale from one place far away from those who need it. I know that sounds idealistic, but I also understand from 20 years of working mainly in areas of depravation that it doesn't work when you're a long way away. And we have to ask ourselves: what is the social purpose of business? What kind of society do we want to be in and want our children to inherit? And if our financial services system is not delivering that kind of investment then we have to think again.

"...accept some of the more uncomfortable aspects of risk taking, liquidation, failure and insolvency."

The vineyard owner is a risk taker: he's a risk-taker with his relationships; he's a risk-taker with his money; he's a risk-taker with the way he employs people. He's the kind of person who took on people who wouldn't have had food at the end of the day if he hadn't taken them on. There is in that both the integrity of the human being and a principle of generosity.

Secondly, those of us who observe entrepreneurs and entrepreneurialism in action need to be more flexible in our attitude and more willing to accept some of the more uncomfortable aspects of risk taking, liquidation, failure and insolvency.

The present bankruptcy laws can easily be abused – they changed very dramatically over my lifetime to allow people to escape bankruptcy and have less of a moral condemnation.

But if we are to have a culture that is positive about entrepreneurs in ethical terms, then it has to be one that deals with what happens when people cannot face their obligations.

In places like the North-East and the North-West, in many areas, there are huge numbers of people who have energy and ideas, and the system is simply not giving them the chance to take the risk of failure. How do we develop a financial services system that can do that?

I'm asking lots of questions and I don't have many answers. The reason for that is that I'm yet to find any source which suggests that we know the answers to regeneration across our society. I spent some time recently preparing for a talk and was speaking with some geographers who specialised in urban regeneration. 'Oh', they said. 'Build houses. That regenerates an area.' I said: 'Yes, but what are people going to do who are living in the houses?' 'Ah, we haven't cracked that one yet', they said. Well, I'm not sure that really works. How do we recreate the local kind of formats, the integration with areas that are unfashionable that enables the risk taking that is necessary? What kind of financial services system does that look like?

Thirdly, a static structure of regulation or ethical teaching will not react swiftly enough (and rule-based systems don't react swiftly enough, hence the problem with regulation) to changes in the economy, and one of the great strengths that has been shown by Catholic Social Teaching is that it is not entirely static.

Last year Archbishop Nichols spoke eloquently about solidarity, which is at the heart of what I'm saying at the moment. Solidarity demands not merely a sense of responsibility for others in society, but the exercise of initiative in driving forward wealth-creation in a responsible manner. Take an example: last night at Lambeth Palace we had a reception and I met a gentleman who had been involved in writing Basel 1; it was apparently about 20 pages. Basel III is around about 3000 pages. Are our banks better regulated?

Fourthly, culture. We cannot end up with a business culture that sees ethics as confined to corporate social responsibility. Private and long-term equity is essential for renewal of the economic base. If we are going to have an economy that generates jobs and wealth across the patch, it has to come not merely from publicly-traded equity, but also a significant development of private and joint venture equity that enables smaller and entrepreneurial in unfashionable areas to gain and develop.

And fifthly, this is all essentially coming back to motivation. Is being good in business merely about keeping the rules? If you keep the rules you're okay – that's pure Friedman. I think that's been utterly disproved. One of the things we saw on the Parliamentary Banking Standards Commission most clearly was people were constantly asking what was legal and never asking what was right. And that is the question we have to get back to asking.

"...people were constantly asking what was legal and never asking what was right..."
Parliamentary Banking Standards Commission
(Archbishop Welby is fourth from left)

The vineyard owner had clearly a deep sense of belonging to community. For him, good business was about good relationships. Getting the harvest in, yes, but doing it in a way that was of general benefit, that recognised the human beings with whom he dealt, and within the confines of the economic system allowed the maximum benefit from what he was doing right across society. A society with those sorts of values opens space for the entrepreneurialism, gives room for development and may re-find the importance of the human being with whom we deal. ■

Are our banks better regulated?

The 3000 page Basel III international regulatory framework for banks being hammered out at a Special Summit extraordinary meeting of the Council of the European Economic and Finance Ministers in 2010.