An Ethical Debate on Finance and Innovation

Purposeful Innovation in Finance
The paramount need for a moral compass

By Helena Morrissey DBE, London 30th November 2018

The finance and 'fintech' industries are brimming with ideas. The digital revolution has catalysed a wave of innovation and the pace of change is accelerating. At the same time, there are many special initiatives, conferences and reports devoted to the concept of 'profit and purpose', the value of diversity and inclusion, and corporate responsibility.

On the face of it, encouraging signs of a coming of age of business ethics.

Yet there is a glaring problem. The concept of 'purpose' is often not matched by a clear moral compass guiding those who work within the finance and technology industries. Adherence to principles is therefore superficial: 'purpose' is typically more of a marketing device than a true mission. There are, of course, individual and corporate exceptions, but the focus generally remains on short term profits, pay and power. We need to address this *before* we can feel confident about achieving 'purposeful innovation in finance'.

I therefore consider the broader context in this paper, as a pre-requisite to a developing a strong and consistent ethical framework for financial innovation. I focus on the need to develop true morality rather than insincere adherence to a set of principles, lived values rather than a meaningless list, and a genuine understanding and prioritisation of the needs of those we serve. I also consider the specific issues around artificial intelligence and business models built on the extraction of personal data.

The views expressed in this paper are personal, drawn from my thirty years in the financial services sector and experience of founding the 30% Club, a campaign to improve diversity of thought in the boardroom through better gender balance.

Third party sources and inputs are referenced but do not signify concurrence with those parties' viewpoints (nor theirs with mine).

1.1 From alienation to belonging: the political and economic background

Increasingly, our nations are divided, both economically and politically. There is growing resentment and mistrust of mainstream business and policy leaders, who are often seen as self-serving or too remote to understand the problems – or worse, to blatantly disregard the will of the people. The establishment's orthodox response to the upheavals - denial, rebuttal and/or suppression - is the exact *opposite* of what is needed to rebuild trust, heal divides and deliver sustainable prosperity. This response is to some extent understandable: it is hard for any of us to suddenly 'be different' and even harder to *think differently*.

Today, even with a sense of impending crisis, leaders – including in the finance industry - are generally making insufficient effort to listen, to seek to really understand the rise of 'populism' and *why* there is such demand for change. Instead, they are 'doubling down', amplifying the scaremongering, clinging on to the status quo for as long as possible and continuing to try to tell people what to think or do.

This approach contains within it the seeds of its own undoing. The democratic elastic has been stretched to breaking point. We live in an era of distrust. Whatever our personal views about the justification of the clamour for change, it should be clear that a radically different approach is needed to avoid further discord, and avert the risks of a spiral from protest to violence. The mandate to operate free markets is weakening, with growing appetite for more public spending, fewer privately operated public services and a radically different financial and economic model.

It's time for a deliberate, conscious and urgent effort to change tack. A solution short of revolution *is* possible: we may not be able to reconcile significant political differences but we *can* unify around the aim of better, stronger and more widely shared economic growth. If capitalism is to be saved from itself, it needs to become genuinely inclusive and more patient, with long-termism and the goal of economic justice hardwired into the new model and the way we innovate. We badly need more wealth creation, but that wealth needs to be shared more equitably. Fairer economies will be stronger economies and will in turn help support more stable political environments – and better innovation.

Our objective – whether we are business people, politicians, religious leaders, educators, entrepreneurs, community organisers or other 'influencers' - must be to *genuinely* further the Common Good. Success demands a widespread belief in that goal. At present, judging by deeds, that is lacking amongst business leaders and policymakers. At the same time, forty years of globalisation, ongoing structural changes around the nature of work and the rise of technology alongside increased immigration have had the cumulative impact of undermining individuals' trust in the system and their own sense of worth and belonging. We are reaching crisis point.

To move forward constructively, we need to develop governance approaches and economic models that foster morality, inclusion, localism, long-termism, belonging and self-worth.

A new style of leadership is required to deliver these ambitions, in sharp contrast to that which we have become accustomed to over many centuries. The right leaders for today and tomorrow will be able to connect with people, not tell them they are misguided or seek to impose their own will irrespective of public opinion. They must inspire, not force.

1.2 Forty years of alienation

Marx suggested that the greatest source of discontent was not inequality but alienation.

Over the past forty years, economic policies, business leaders and mainstream politicians ('the establishment') have – perhaps inadvertently – fuelled alienation through a combination of economic globalisation and centralised, remote command-and-control decision making, with an apparent lack of regard for inclusion and fairness at the top of companies, governments and policy-making authorities.

While multinational corporations have improved the availability of mass-produced consumer goods and services, for example, they have largely achieved this through a combination of 'offshoring' cheap labour to India and China, incentivising their executives to focus on the short term, and paying scant regard to the morality of paying as little tax as possible. Profit growth fuelled by this approach has been shared by a smaller group than in previous cycles. The Bank of England calculates that in the mid-1970s, the labour share of national income was almost 70%; today it is only 55%[1]. A rising share of income has gone to the owners of capital, including short-term owners who naturally have little interest in the long-term health of a company and its culture.

The other side of the pincer has been the ascendancy of supranational bodies with a tendency to take a one-size-fits-all, remote approach to decision-making. A narrow elite, sometimes colloquially referred to as 'Davos man' (and more rarely, 'Davos woman'), has been perceived to be in charge, while being very distant from those whose lives may be impacted by their decisions. The musical chairs at the top of policy-making and business circles has created at least the *appearance* of crony capitalism. Those at the top are typically very highly educated and experienced, individually talented and well-qualified, but together they cannot possibly be the optimal team. Singularly homogenous, decision-making bodies are inevitably prone to groupthink – not just the tendency to agree with one another but the more pernicious state of shutting out dissenting voices while believing the group is right and good. It is hard for this 'inner circle' to form an accurate understanding of the alienation arising from the decades of globalisation. Consequently, the establishment continues to be surprised – and exasperated - by developments and we have reached an impasse, where positions have become hardened and there is little constructive debate or willingness to hear other opinions. The antagonism over Brexit – before, during and after the referendum – demonstrates this all too clearly and shows no signs of abating.

1.3 The financial crisis; a fork in the road not taken

The shock of the cataclysmic global financial crisis a decade ago *should have* created a fork in the road by exposing the very real dangers and costs of groupthink. An initial phase of retrospection and moment of humility quickly passed, however, and as things settled back to 'business as usual', it became clear that any changes had only been made around the edges. There was no new economic or financial model, no fundamental re-think of the rules of engagement between big business and the rest of society. Furthermore, it was perceived by many that those who caused the financial crisis had not just 'got away with it', but actually became richer as a result of the actions taken to shore up the financial system, at considerable cost to the taxpayer.

Despite a plethora of well-intentioned separate initiatives, there has been no consistent, concerted and lasting effort to ensure the financial industry better represents and serves its customers. In short, while the oversight and regulation of banks and other actors within the financial system have been tightened, the basic approach to doing business is little changed. Short-termism is still rife and attempts to overhaul executive remuneration have failed to eliminate egregious cases, although these are becoming less numerous, with shareholders stepping up their activism[2]. More fundamentally, diversity of thought remains elusive, with

[1] Source: Haldane A (2015) 'Labour's Share, speech to the TUC, 12 November https://bit.ly/2L5WfIU

[2] My own firm, Legal and General Investment Management, which manages almost £1trillion, opposed 215 remuneration resolutions in the UK in 2017. This was a 40% increase in our votes against such resolutions compared with 2016 and occurred alongside with a 52% year-on-year increase in the number of US company pay resolutions we opposed.

little evidence of real licence to disagree or challenge orthodoxy within businesses. The financial crisis (and many other setbacks) should have taught us that the consensus can be completely mistaken and that challenge should be encouraged: in practice, groupthink is very hard to disrupt. It is, however, widely acknowledged that the problems we face today are highly complex, which should encourage more open debate and creativity. There is an inherent contradiction between theory and practice. This is consistent with other episodes of great change – there will be early adopters, but the path to progress is convoluted and difficult. The question remains, will the change happen quickly enough to prevent a real breakdown in the social, political and economic order?

1.4 The damaging impact of post-crisis economic policy

For many 'ordinary citizens', the widening of economic inequality in the decade following the financial crisis is particularly provocative. Very few of those who caused the crisis appear to have been censured. Policy decisions - needed as emergency measures to shore up the global financial system but then maintained for a decade – appear to have rewarded rather than punished the financiers. While both economic and wage growth have been much weaker than the average seen following previous recessions since the 1950s, equity market gains have – until very recently – been much stronger. Vast – and unprecedented - quantitative easing has fuelled this asset price inflation, widening wealth disparities between the 'haves' and the 'have-nots'. This has created a tinderbox.

A recent report, 'Prosperity and Justice: A Plan for the New Economy' published by IPPR Commission on Economic Justice considers how we might devise a new model. The report's analysis and recommendations focus on the UK, but the problems and possible solutions are relevant to many other countries. While the IPPR is regarded as a left-wing think tank, the Commissioners were very diverse in every respect. Our group comprised eleven men and eleven women, ranging from the Archbishop of Canterbury to the co-founder of artificial intelligence company DeepMind, from a community organiser of Tyne & Ware Citizens to the chairman of the City of London Corporation, from myself – a so-called City 'veteran' – to a young tech entrepreneur half my age. Intellectually, politically, socially, economically and by 'identity' (gender, race, age), we covered a very broad spectrum. That diversity led to rich and often robust debate. While our individual views differed, we were unified around the pressing need to devise a blueprint for a fairer and stronger economy. We also acknowledged the challenges involved in this; deep inequalities are exhibited not only by wealth and income distribution across countries but also by region, sector and company. McKinsey Global Institute's October 2019 paper *'Superstars': The dynamics of firms, sectors and cities leading the global economy* confirms, for example, that the top 10% of firms capture 80 per cent of economic profit among large companies[3].

The IPPR report sets out some of these considerable challenges, along with over 70 recommendations for change, many of which are deliberately radical, if not controversial.

More than a fifth of the UK population live on incomes below the poverty line (after housing costs are taken into account), even though the majority of these households are in work. The growth in the phenomenon of the 'working poor' sums up the current flaws. At 4.2%, UK

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[3] Companies with annual revenues greater than US$1billion or equivalent

unemployment is at its lowest level for 40 years.[4] And yet nearly one in three children lives in poverty. The income of the top 20% of households is six times that of the bottom 20%. Wealth inequality is acute: the wealthiest 10 per cent of households own more than 900 times the wealth of the poorest 10 per cent and five times more than the entire bottom half. [5]

These inequalities make Britain the fifth most unequal country in Europe, but the widening trend post financial crisis (especially between the very richest and poorest) is most marked in United States, where the share of wealth enjoyed by the top 10% of households has risen from 73.2% pre-crisis to 79.5% today[6].

In Britain, there are almost 2.7 million more people in employment today than ten years ago, but there has been no general improvement in living standards over this decade. If forecasts from the Resolution Foundation to the end of 2020 are correct, the 2010s will be the weakest decade for average earnings in two centuries[7]. This weakness in wages is coupled with rising job insecurity. The emergence of the 'gig economy', zero hours contracts, increasing automation and waves of immigration have combined to create the sense – and the reality - amongst many hard-working people of being under-valued *and* seeing a ebbing of their communities.

Paul Embery, fire fighter and trade unionist based in east London puts it eloquently, writing in 'Unherd'[8]:

'Take for example the borough in which I grew up, Barking and Dagenham….centred around a sprawling 1930s council estate and with generally healthy levels of employment – the dominant Ford factor being at the heart of local industry… [it] enjoyed its steady constancy….. for those short on money and opportunity the concepts of place, belonging, identity and relationships take on so much more meaning. But then things changed. Over a few very short years, around the turn of the century, there was a sizable influx of migrants…the demographic convulsions meant that stable, settled Barking and Dagenham suddenly found itself in the eye of the storm of the debate over mass immigration…what was genuine bewilderment and disorientation on the part of local citizens was, inexcusably, dismissed as casual racism and bigotry. Yet it wasn't their sense of race that had been violated by the sudden upheaval in their community; it was their sense of order.'

These reactions are rational, real, understandable and *human*. And yet, to this day, they have not really been properly acknowledged, much less considered or thoughtfully addressed.

1.5 The wide-ranging implications of technology and the challenge to innovate purposefully

At the same time, we have seen an exponential increase in global connectivity and great strides in artificial intelligence (AI). In many ways, the digital revolution can enhance our lives, creating new opportunities to connect, to work in a more agile way and make some aspects of

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4 ONS (2018) 'UK labour market: June 2018'

5 ONS and The Final Report of the IPPR Commission on Economic Justice

6 OECD Wealth Distribution database

7 Corlett, Bangham and Finch (2018), The living standards outlook 2018, Resolution Foundation

8 Unherd.com describes itself as a new media platform with a double mission. Its aim is to appeal to people who instinctively refuse to follow the herd and it also wants to investigate 'unheard' ideas, individuals and communities. The site has five big themes: capitalism, technology, flyover country (those areas that are merely 'flown over' by most people), religion and groupthink.

our lives easier. We humans have a habit – a wonderful habit, really - of becoming enthusiasts. Quite fortunately, we quickly embrace ideas and innovations: technology first captured our imagination, but soon become addictive.

Ten years ago, there were 10 billion devices connected to the internet across the globe; in ten years' time that number is expected to be 50 billion. Our initial unfettered enthusiasm and unguarded uploading of personal data to these devices has enabled the platforms that connect us to become virtually omnipotent. At present, 2.5 *quintillion* (2.5 followed by thirty zeros) records of data created every day. The business model of companies like Facebook and Alphabet is based on the extraction and analysis of this data to generate insights that can be sold or used to improve a platform's reach, dominance and revenue-earning capability. This has already played out to such an extent that the combined market value of Apple, Amazon, Alphabet, Microsoft and Facebook was worth over US$4trillion in August 2018, more than the total market value of the bottom 282 companies in the S&P 500. We are now wising up to the dangers of over-sharing our information and the share prices of these giants have taken a knock, with a growing clamour for better scrutiny and regulations around the use of data. We worry about manipulation of elections, of minds in an age where it is almost impossible to distinguish fake news from what's real. We worry about cyber security. We worry about jobs in a world where algorithms will be able to perform so many functions hitherto done by people. And – fortunately - we have started to worry about the in-built bias of machine learning algorithms. Recruitment tools based on AI have been found to be prejudiced against women[9], while researchers from MIT and Stanford University have studied three commercially released facial analysis programmes from major technology companies and found that they demonstrate both racial and gender biases. [10]

And we worry about mental health and our humanity. Prince Charles has called the onset of a world 'part human, part robot' *'crazy'*; Henry Kissinger has entitled an insightful and unnerving article on the subject: *How the Enlightment Ends: Philosophically, intellectually — in every way—human society is unprepared for the rise of artificial intelligence.*[11] He cautions that *'Information threatens to overwhelm wisdom.'*

None of us – not even the most sophisticated fintech entrepreneur, data scientist or coder – can possibly claim to know where artificial intelligence will take us as a race, or even what might happen over the next few years. But it is healthy that we are now feeling anxious, that our thinking has evolved from the first frisson of excitement about the power, literally at our fingertips, to a dawning realisation about the limitations of what we know – and that there is a price for everything. Our initial unfettered enthusiasm is rightly turning to wariness.

This is an example of where public sentiment can *force* more purposeful responsible innovation – at least temporarily. It makes commercial sense now for the companies driving further technological progress to pay close attention to the new level of concern. The demand for safe-guarding of privacy requires change to remain commercially successful. But this is not the direction of causality we want to see.

I have spoken at a number of conferences on the subject of artificial intelligence, robotics and the role of businesses in innovating more ethically. The titles I have been provided for my talks

[9] 'Amazon scraps its secret AI recruiting tool that showed bias against women', Reuters, 10 October 2018
[10] 'Researchers Combat Gender and Racial Bias in Artificial Intelligence' Bloomberg, 4 December 2017
[11] The Atlantic, Henry A. Kissinger June 2018

confirm that this aspect of innovation is *still* not at the forefront of attention, despite all the media coverage in recent months. I have been asked to talk about 'how AI can add value' and how robotics opens up new commercial possibilities. I have turned those talks into reminders about the need to contribute – individually and within our companies – to creating a different approach from so many times before. In businesses, the temptation – as always and without really realising what we are doing - is to jump on the bandwagon. So fund management companies are, right now, embracing the opportunities afforded by artificial intelligence to reach more customers, more quickly, more cheaply and with the appearance of offering a personalised service. While customers may benefit in some respects, we are – as an industry – tending to focus on the short term commercial gains rather than the longer-term implications. What if the algorithms we are using are flawed? What mechanisms do we have in place in this super-connected world to minimise the risk of cyber-attacks, abuse of our customers' personal data, and to ensure we don't outsource to machines to the point where we understand those customers far less even than we do today? And what about those vulnerable customers who may need to talk to someone, who may not understand quite what they are signing up to?

In my talks, I urge all aspects of the industry to exercise self-control. We need to consciously work to avoid making the usual human errors of not acting until it is too late. We've recently marked the tenth anniversary of the demise of Lehman Brothers: I remember so well a sense throughout the City that if we were to survive, we would never make the same mistakes again. Yet here we are, in another context, enjoying the present and largely ignoring the future. We are looking to exploit something we know little about, haven't fully grasped the implications of, intoxicated by the commercial possibilities.

I have recently proposed the creation of an industry-wide code of conduct and ethics for the use of data and AI. This idea has met with a strong, positive reception and I shall be following up with those who have expressed interest. Of course, we operate in a global technological environment and one obvious question is how we can develop a code with teeth in the absence of a global regulatory and ethical framework. As I set out in 2.1 below, the experience of founding and leading the 30% Club initially in the UK, now an international campaign for more diverse boards, taught me that we don't need all the answers in advance. Think big, start small but start *now*.

Meanwhile there are some existing initiatives that we can both learn from and amplify. Bloomberg's Data for Good Exchange brought members of the US data science community around eighteen months ago to start work on a 'Hippocratic Oath' for data scientists. And a team in the US led by Andrew Nicklin, Director of Data Practices at the Center for Government Excellence at Johns Hopkins University has developed a toolkit designed to help governments find and detect bias in their data-driven initiatives.

But there remain powerful incentives for the commercial sector to disregard these initiatives in favour of 'business as usual', particularly if the current concerns over privacy and data manipulation subside. It is not clear how compliance and accountability could be incentivised, monitored or enforced. I am reminded that the Financial Services Authority's Handbook ran to many hundreds of pages yet did not prevent the financial crisis from happening. We return to the central issue: without a moral and spiritual compass, we will continue to struggle to create a lasting solution to the need for more purposeful, responsible innovations.

1.5 Instant communications and social media: power to the people

One of the many ramifications of the technological revolution is that all of us have vast access to instant information, giving us greater insight into what's happening. Technology has also given us new tools to coordinate our response through social media.

These developments have had enormous impact on the nature of power. We have moved decisively and potentially permanently away from the age of deference. In the UK, 17.4million voters - more than had ever elected any British government - shrugged off 'Project Fear' and voted to Leave the European Union in June 2016. The threat of adverse economic consequences meant little to those who had not participated in the growth. Of course, the votes to Leave were cast by individuals with a wide range of personal economic circumstances, who wanted to 'take back control'. This backlash against supranational rule, the desire for more national and local decision-making should not have come as a surprise. Looking across the broader populations in both the UK and other countries, it is rational that people do not want to be governed by those who they do not see as acting in their interest. In the US, it was simply not enough that Hillary Clinton would have been the first female President; she represented a continuation of the status quo in other respects whereas Trump offered a completely different approach. Whatever your views about President Trump, he clearly reached out and connected with a vast group of Americans who had felt ignored by other politicians for very many years.

These 'protest' votes will just keep on coming unless and until there is a radical change in approach; a genuine and broader 'reaching out' to those who feel ignored, disenfranchised or left behind. Swings to the far right in Hungary, Poland, Germany, Austria, the odd alliance of far left and far right parties in Italy, the bitter struggle between the Catalans and Spain are all symptoms of a deep-rooted yet barely (publicly) acknowledged problem. People will not be told what to do by incumbents (or those who offer more of the same) who seem out of touch with their reality. They are not merely protesting against specific recent decisions, they are fighting back against alienation on a grand scale that started forty years ago and has worsened over the past decade. And today, for the first time in history they have to power to mobilise and organise through technology.

The range of options to heal and move forward is limited. It has been seriously suggested[12] that since democracy is not delivering 'good results', a new system of government – *epistocracy*, the rule of the 'knowledgeable' – should be considered. This is a very dangerous route to even contemplate. Instead, we need to stop denying, stop dismissing the views of many. We need a new economic and social model, guided by a strong moral compass.

2.1 Efforts to change that have exceeded results: The Diversity Drive

It can be argued that widespread and sincere efforts have already been made over the past decade specifically around creating more diverse workplaces and restoring trust in business. We need to consider why these have not achieved greater progress and whether they need more time or if they are not sufficiently bold.

I have been involved in a number of these efforts myself, for example through founding the 30% Club in 2010. After years of glacial improvement in the representation of women (and other diverse talent) on boards) the financial crisis did prompt a realisation that things *needed*

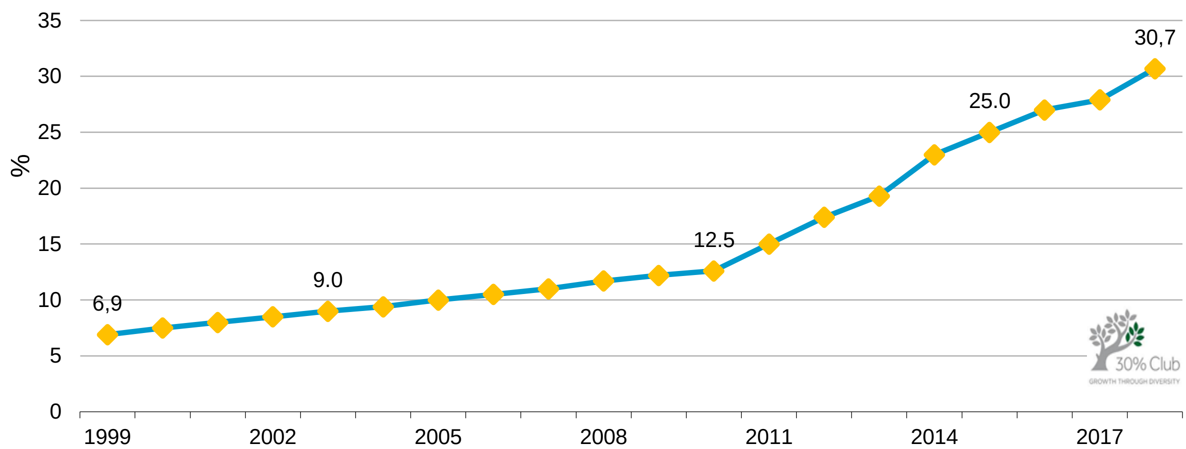
[12] Against Democracy by Jason Brennan

to be different. Groupthink within bank boards was specifically cited by the regulators as a causal factor in the crisis. This provided an opportunity to drive faster change around the composition of those boards.

The 30% Club's campaign to improve the representation of female company directors has never been aimed merely at delivering the appearance of change. The idea was not to substitute men with women who thought the same way; instead the more ambitious goal was to create a new boardroom dynamic and better decision-making. To encourage more inclusive thinking, improve the connections between business and society and eventually, to create more empathetic, gender-balanced workplace cultures. As Simone de Beauvoir, author of 'The Second Sex' put it many years ago, 'The point is not for women simply to take power out of men's hands, since that wouldn't change anything about the world. It's a question precisely of destroying that notion of power.'

The improvement in the numbers looks impressive: the proportion of female FTSE 100 directors has since increased from 12.5% to over 30%, while the improvement in the representation of women on FTSE 250 boards has been even greater, from less than 8% to over 27%. Most dramatically of all, the number of all-male FTSE 350 boards has fallen from over 150 to just five.

Women on FTSE 100 Boards 1999 – 2018: significant progress since the financial crisis



But this progress masks little real change in boardroom thinking – at least to date. There is scant evidence that the women who have joined these big corporate boards have been able to shake up the board's priorities or ways of addressing issues. Women who have joined boards – usually still considerably outnumbered – often tell me that their first task is to ensure that they have a voice. This may suggest that their next act will be to use that voice to change things; with much of the improvement in boardroom gender balance occurring only very recently it may be too soon to judge its impact.

The progress towards more gender-balanced boardrooms has not – yet - been accompanied by increasing number of female executives actually running businesses. Non-executive board directors can be drawn from a wide variety of backgrounds, but more specific skills and experiences are required to fulfil the roles of chief executive or chief financial officer. Today, after many years of effort to encourage women to progress in business, there are still more FTSE 100 CEOs called Stephen or David (seven of each) than women (just six). The numbers of female Chief Financial Officers at FTSE 100 companies has fallen from twelve in 2017 to 10 today. There is no compensating offset in the smaller companies listed in the FTSE 250.

In the UK, companies with over 250 employees are now required by law to publish their gender pay gaps (since April 2018). Nationally, there are small gender pay gaps between younger workers, but a widening gap from age 40, reaching a peak between ages 50-59. The new company-by-company data reveals glaring gaps in certain sectors ‑ most noticeably finance. In my own, investment management, the average (median) salary gap is around 40%, the bonus gap is 80%. The data confirms that the finance industry remains very male-dominated at the more senior, decision-making levels.

This has wide-ranging implications. For example, the vast majority (87%[13]) of key investment decision makers at UK venture capital firms are men, making it particularly hard for female-founded firms to raise capital. This is not just anecdotal or intuitive; in 2017, almost £10bn was raised for all UK start-ups, almost double 2016's total, but funding for female entrepreneurs actually fell slightly to less than £1bn[14].

At retirement, a 65-year-old British woman's pension wealth is, on average, just one-fifth that of her male counterpart's[15], reflecting a combination of the gender pay gap, different working patterns (for example going part time or taking a career break when children are young) and a gender investment gap (only 12% of British women have a stocks and shares Individual Savings Account compared with 19% of men[16]).

It's clear that the results to date are disappointing relative to the considerable efforts being made to improve gender equality. What's more, these efforts may have created the *appearance of change* while much remains the same. Women – who are eight times more likely than men to be the prime carer of children - report that they still face significant barriers; a 'working all hours' company culture, a mismatch between family-friendly official policies and the path to career progression. We may finally be able to resolve this now that more men are reporting a similar conflict, in part reflecting differing priorities compared with previous generations. I chair Business in the Community's gender equality campaign (part of the Prince of Wales' Responsible Business Network); in 2018, we conducted a survey to hear the perspectives of men with careers and caring responsibilities (usually children and/or elderly, ill or disabled relatives). Over 10,000 responses were received. Men said that while their employers had policies in place to theoretically enable them to play a greater role in caring, they believed that taking advantage of them would damage their job security and career prospects. Consequently, many hid their caring duties from their employers, placing them under considerable stress and weakening their company loyalty.[17]

In short, most 'family friendly' initiatives are still seen as 'special interest' rather than core to developing modern business practices. And while ethnic and socio-economic diversity are now on the business agenda, the efforts and results in these areas lag even the limited progress on gender. The 'Google walkouts', where 20,000 workers at the tech giant staged a series of walkouts across the globe in October 2018 in protest at claims of sexual harassment, gender

[13] BVCA Women in UK Venture Capital 2018
[14] Forbes "Funding for female entrepreneurs in the UK takes a tumble' by David Prosser, 20th March 2018
[15] Insuring Women's Futures, Securing the financial future of the next generation, first published January 2018, updated October 2018
[16] Boring Money 'Shout out for women and mums', March 2017
[17] Data and findings from Equal Lives, BITC in partnership with Santander UK, September 2018

inequality and racism, epitomise the frustration many feel around the gap between the walk and the talk.

It's clear that while many large organisations and their CEOs have publicly acknowledged the benefits of diversity, they have not fundamentally changed the way they manage and develop their talent to reflect this. A comprehensive overhauling of long-established practices is needed to create modern, inclusive ways of working that are relevant in a digital age, where men and women often both have careers and share caring responsibilities. New entrepreneurial companies, unencumbered by old habits, are adopting 'smart working' from the start, giving them an advantage in attracting great talent.

I believe it's rapidly becoming essential for any modern successful company to develop business practices and cultures that work for more 'types' of people and are also kinder, more inclusive and empathetic. This is not 'soft' or undermining of profits; it's becoming a commercial necessity in a world where top talent expects employers whose values align to their own, inclusive environments and smart working. But for now, alongside many other initiatives aimed at improving business culture, there remains a mismatch between fine words and real belief in the need for greater and faster change.

2.2 Efforts to change that have exceeded results: Restoring Trust in Business

Since the financial crisis, there have been many other efforts ‐ both cross- and within individual companies - launched with the aim of improving corporate culture and restoring public trust. I first became involved with the 683rd Lord Mayor of London's 'Trust and Values' programme in 2010, for example, and this work remains ongoing eight Lord Mayors later. The original 2011 report began: *'The perception remains that the City does not serve the wider society. Demonstrating that we are worthy of trust and helping the public understand the role we play in supporting growth are crucial to our success'*. These sentiments remain just as relevant today. The latest annual Edelman Trust Barometer, a survey of public trust levels in business, government, NGOs and media reveals 'a world of seemingly stagnant distrust' according to the authors.

We need less incremental, more sweeping changes to better connect society and business, starting with leadership that understands both workers and customers and is morally committed to the goals. A central plank of the IPPR's Commission's economic blueprint is an emphasis on localism; more regional government, including at city level and less centralised business models. I believe that this is essential if we are to make meaningful positive progress.

Leaders need to have clear lines of sight to those whose lives they will impact by their decisions, and people need to have clear lines of sight back to their leaders before they will trust them. That's extremely difficult if there is great distance between decision makers and those affected by their actions – and even more unlikely if the governing approach is 'one size fits all'. The IPPR report set out a 'new economic constitution', involving more autonomy at national level in the UK and regional levels in England, with the specific aim of addressing the country's geographic economic imbalances. As the report put it, *'Rethinking where and how economic decisions are made is essential to achieving prosperity and justice for the whole country.'*

Diverse challenges – and opportunities – require devolved policy solutions, drawn together through a partnership with national government. The evidence as well as common sense backs this up; for example, Andy Street, the first appointed metro mayor for West Midlands is focused on delivering a regional 'economic powerhouse of Britain in an inclusive way'. His plan for a local renaissance includes, for example, aims around raising women's participation in the labour market. The detailed plans reference religious and cultural issues that need consideration – and would apply quite differently in other parts of the country.

We also need to challenge conventional thinking when it comes to economic policy. For example, a great deal of attention has been paid to the so-called 'productivity puzzle', the lack of recovery in economic productivity since the financial crisis. This problem has been particularly acute in the UK. The conventional view is that companies cannot afford to pay higher wages until productivity is stronger; the IPPR Commission challenged this assumption, arguing that employees are likely to be more productive if they are properly paid. Our diverse group agreed what seemed obvious to us: people will be happier, more engaged and work harder if they feel valued. We recommended an immediate increase in the national minimum wage to the level of the 'real living wage'. The Commission was one of many critics of the low pay policies of Amazon; it was encouraging to see the company significantly raise its minimum wage for both British and American workers within a month of the report's publication. From 1st November 2018, Amazon's 40,000 UK staff (both permanent and temporary) saw their pay increase by 28% within London and 18% across the rest of the country, to levels higher than the real living wage.

Lots of reports are written and many fine words uttered, but deeds are far more important. The experience of the 30% Club taught me that to translate words into action and actions into results is not impossible – even after an impasse has prevailed for many years - but it does take persistence, collaboration *and genuine buy-in from those in power*. There was real hostility to the aims of the 30% Club at the start of the campaign; the turning point came when those with the authority to change things (here, the company chairmen) *believed* it was in their own interests to get involved. There were three key catalysts: i) their daughters experiencing a harder career journey than their sons, turning the theory into reality; ii) a realisation that their membership would signal a modern attitude, being in touch with 'the zeitgeist'; iii) peer pressure; the 'early adopters' of the 30% Club – just a few enlightened and admired chairmen - were highly influential in bringing others on board.

Any great change happens through lurches, steps forward often followed by setbacks – but gradually the group can move towards the goal if they become committed, even if that seems almost impossible at the start.

To solve today's enormous and complex problems, we need the 'in-group' to see that it's actually in their own self-interest to change tack. This seems unlikely when resistance is hardened, but with every shock, the rational person must increasingly question their position.

I am confident that the penny will finally drop; the question is how do we create a faster realisation of the need for a more connected, less imperious approach?

3.1 'We can't solve problems with the same kind of thinking we used when we created them.' Albert Einstein

At present, too much of the ‘same kind of thinking’ is being applied but I see increasing evidence in discussions (usually ‘behind the scenes’) of a growing realisation that this is flawed. A couple of days ago, I heard a former British Prime Minister emphasise the importance of restoring economic growth and greater participation in that growth ‘beyond the 1%’ if politicians are to ‘be given the benefit of the doubt’. At a separate event the following day, a senior economist at an American investment bank acknowledged the societal damage of the post-crisis increase in wealth inequality and the connection to the present-day upheavals.

We have to act now. It takes moral courage for those in positions of authority, comfortable positions in many respects, to challenge the status quo, especially publicly. The easy road – albeit one that risks coming to an abrupt end – is to continue as before. We are at a crossroads.

I have found through many conversations that – as with the easier 30% Club challenge – we already have two possible catalysts for more meaningful commitment to change.

First, many leaders today have personal experience of the economic difficulties facing the next generation. Their own children face enormous competition for poorly paid jobs, unaffordable housing and a rental market that is not designed for the long term. This generation does not expect to be better off than their parents. Second, they often agree with the idea that we need more localised power – this is something that both appeals on a human level and offers the prospect of solutions to long-running economic problems. Even those who are insistent that Britain should stay within the EU, for example, will acknowledge – even embrace - the idea of regional economic plans, governed locally. This may be an inherent contradiction, but should give us hope and determination to develop this point of agreement.

The third catalyst is strong, vocal leadership – from within the mainstream, not just the challengers. This is much less in evidence but will, I believe, come about as the zeitgeist demands it. Leaders can often see the way things are moving, tend to be experts at self-preservation and may privately at least acknowledge the risks of the current stand-off (though this is far from universal). Their engagement with a real solution may come about through a crisis but I hope it can be prompted by developing our common ground, and that the points I have raised in this paper can help encourage that. There is too little forgiveness in the world, and as our arguments become ever more intense, the critical role of forgiveness needs to be greatly emphasised, not least that we can concentrate on building rather than destroying, on supporting rather than undermining, on the greater good rather than self-interest.

4.1 The Role of the Church and its Teachings

Given the religious context for this paper, I’ve left my most important point to the end.

The Church is here to spread the Good News of salvation through Jesus Christ. That is its sacred purpose. And that needs to be the lodestone for any and all engagement with the world. The purpose of the Church is not primarily to make our world a better, wealthier or safer place. Rather it is to proclaim to people everywhere that the gift of salvation is available here and now and that everything good then flows from this. The starting point has to be God and his Kingdom.

There are of course many world views and ideologies that claim answers to the issues we are addressing here today. But it is crucial to keep the focus on our starting point and end point, and for the Church, of course that is with God. The Alpha and the Omega.

I am delighted to have been asked to contribute this paper; it is all too easy to compartmentalise our spiritual and working lives. Many Christian bodies do look to fully engage but it is all-too-easy to align closely with the mores of contemporary culture to try to seem ‘relevant’ in secular society, to downplay the spiritual, and so losing sight of the purpose of the Church on earth.

The world I work in is innovative, exciting and full of talented people. But it is also prone to corruption through idolatry, greed and selfishness – and the dominance of a few leaders who set the cultural tone. But we don’t have to succumb to fatalism. Change can and does happen. As I have outlined, and as you know, it requires work and engagement – and it does require access to power or a position of power. This is where the tension lies. If we remain ‘outside the tent’ amongst the many voices clamouring for attention, our power to change things may seem very restricted. So, one final suggestion I have is to encourage churches to work to train and mentor people of faith in how to manage businesses and provide leadership with integrity and honesty. The 30% Club runs a mentoring scheme, now in its sixth year, and the current cohort involves nearly 2,500 people from over 100 organisations. We are creating change not so much from the top down as from the bottom up, and the inside out. Through the mentoring scheme, men (who comprise over half the mentors each year) hear first-hand about the cultural barriers women face (and which they might not share with their own managers), and I believe these men learn at least as much from the experience as their female mentees. The Church might consider a similar approach.

We need to have Christians active in places of influence and power beyond the Church. Christians who are willing to speak up – and who are encouraged to do so - about why the saving grace of Christ can transform business and the world for good. But not by compromising, or adopting the false gospel of tolerance (in the sense of ‘anything goes’). I urge you to go to the seats of power in our troubled world and tell them about God and how He can transform lives. To make the case for Jesus, to help to heal and to offer a lasting and true way forward.

Finally, I have learned that whatever our circumstances, each of us can do something. I have found courage and inspiration in the words of American author, historian and Unitarian minister, Edward Everett Hale:

‘I am only one, but I am one. I cannot do everything but I can do something. And I will not let what I cannot do interfere with what I can do.’

Individually, we can do something. Together we can do so much more.