FABIAN POLICY REPORT

Portman Group

IN IT TOGETHER

Labour's new relationship with business,
by Robert Tinker and Ed Wallis

The Portman Group is the social responsibility body for alcohol producers in the UK. Its role is to regulate the promotion and packaging of alcoholic drinks sold or marketed in the UK, to challenge and encourage the industry to market its products responsibly and to show leadership on best practice in alcohol social responsibility through the actions of member companies.

The Portman Group
20 Conduit Street
London
W1S 2XW

020 7290 1460
www.portmangroup.org.uk
Twitter: @portmangroup

ACKNOWLEDGEMENTS

The Fabian Society would like to thank the Portman Group for supporting this project.

The research has involved extensive consultation with a wide group of experts and professionals. In particular we would like to thank the following for their contributions: Ed Ainsworth, Jessica Asato, Andrew Burke, Andrew Carter, John Clarke, Nita Clarke, David Coats, Dan Corry, Ciaran Driver, Rowenna Davis, Fiona Ferguson, Maurice Glasman, Victoria Groulef, Tim Hames, Alastair Harper, Lee Hopley, Will Hutton, Peter Kellner, Peter Kenway, Marc Kidson, Andrew Kuyk, Adam Lent, Mariana Mazzucato, Emran Mian, Rick Muir, Barry Neville, Chi Onwurah, Ben Page, Alistair Reed, Charlie Samuda, Sonia Sodha, Kitty Ussher, Stewart Wood, George Windsor, Giles Wilkes, Janet Williamson, Iain Wright.

Thanks also to the Fabian Society staff for their support during this project, especially Ciara Dunne, Andrew Harrop, Anya Pearson, Marcus Roberts, Richard Speight, Daisy Srblin, Felicity Slater and Cameron Tait.

CONTENTS

FABIAN SOCIETY

FABIAN SOCIETY
61 Petty France
London SW1H 9EU
020 7227 4900 (main)
020 7976 7153 (fax)

info@fabian-society.org.uk
www.fabians.org.uk

Report Authors Robert Tinker and Ed Wallis
Printed by DG3, London E14 9TE

Designed by Soapbox, www.soapbox.co.uk

First published in January 2015

SUMMARY

There are good reasons why a new approach to business – where concerns around economic long-termism, public health, environmental sustainability and strong local communities become integral to a profitable British business model – should appeal to both the political instincts of the left and to the bottom line of businesses.

For business, maintaining a sustainable supply chain, a healthy customer base, a happy work force and a cohesive community to operate in are not just nice things to have but fundamental to profitability in the long term. They are also increasingly important to consumers.

For Labour, it speaks to the two key insights from the party's recent period in opposition. First, there has been a reckoning with the limits of state-led redistribution as a mechanism for achieving social goals, brought on by a stark fiscal reality and the diminishing returns achieved by a technocratic centralised state. Instead, social policy debate in recent years has been focused on moving 'upstream': preventing harms happening in the first place, rather than going through the expensive and cumbersome process of trying to repair the damage after the event. Second, the left has recognised that it too readily seeks to do things 'to' people, rather than attempting to achieve its goals in cooperation and partnership.

These insights have informed a shift in thinking to large swathes of public policy, from anti-poverty strategy to public services, but have yet to be applied to the party's approach to business. A Labour government is going to need all the help it can get to achieve its social mission and so needs business as an ally, not an enemy. Rather than seeing markets as needing regulation to prevent them being socially destructive, the left needs a greater focus on how they can be helped to create social good.

But there are currently two major obstacles to this happening. The first is relationships. Simply put, business doesn't trust Labour. The second obstacle is perverse incentives. Short-termism is entrenched in parts of the British economy and damaging to our competitiveness. But maximising profit in the short term, rather than maximising value for the long term, is often a rational response to the institutional incentives which present themselves to business.

So a Labour government would need to start by making it clear that it will take business to heart, not keep it at arm's length. It then needs to focus its agenda on working with business to make it easier to do the right thing.

It should do this by making, much as David Cameron did to the Liberal Democrats in May 2010, a "big, open and comprehensive offer" to business on taking office that it will seek to govern in coalition with the private sector. This partnership – an invitation to join the government of Britain – would be founded on a clear set of principles of the government's vision for the economy. These would be enshrined in a charter outlining what business could expect of government and what government could expect of business.

This report sets out some ideas to form the basis of this charter, though agreement on the specifics is not what's most important at this stage. What matters most is for Labour to engage business in dialogue and then 'co-produce' a set of solutions that can achieve its vision of a more responsible capitalism. Strong relationships are crucial to the effective delivery of this agenda. Too often, current debate has been a dialogue of the deaf, with each side sceptical of each other's motives or expertise, rather than developing the common ground which exists but is often obscured.

© Vancouver Biennale Official Press Photos / Flickr

Labour's Charter for Business: Main terms

Our vision:

Profit and social purpose are not only compatible objectives but the conditions of a flourishing economy and a healthy society. Public health, environmental sustainability and strong local communities are integral to long-term business success, and cannot be delivered by government alone but by using partnerships between business and government.

Labour will:

- Re-establish the National Economic Committee to improve government-business coordination.
- Abolish quarterly reporting to encourage a long-term value-based model of growth.
- See regulation as a measure of last resort and if regulation is necessary, commit to engaging with the relevant sector and aim to announce it with the endorsement of the companies affected.
- Adopt a 'no surprises' approach to business policy and seek trusted messengers for engaging with business.
- Point out and praise businesses they wish to champion as doing the right thing, before naming and shaming.
- Set long-term targets which go beyond the electoral cycle to encourage longer-term thinking, create certainty and strengthen accountability.
- Undertake a review into alternative ownership forms which are more long-termist in outlook, including new legal forms of company similar to the 'Benefit Corporation' in America.
- Only provide tax breaks and subsidies to companies who can demonstrate detailed assessment of long-term shared value creation and social and environmental impacts; or where the tax break will stimulate innovation towards the government's social or environmental priorities.

Business will:

- Be less 'transactional' in its relationships with government and revise lobbying practices.
- Be as strong in publically supporting positive government measures as in condemning unwanted intervention.
- Demonstrate commitment to responsible business practices by setting out specific, measurable targets for social and environmental outcomes.
- Take a strong leadership role in local enterprise partnerships (LEPs) to put business at the heart of sustainable communities.

Together we will:

- Establish new sectoral councils along the model of the Automotive Council to facilitate dialogue between government and industry, each council co-chaired by a figure from government and from business.
- Strengthen the role of LEPs as key drivers of the local skills agenda.
- Revisit the Corporate Governance Code to strengthen the position of stakeholders in relation to shareholders.
- Live our values and demonstrate commitment to long-term goals. Government should support and champion companies which meet the highest standards of shared value creation, while business should strengthen their local community employment opportunities and ensure their supply chains are sustainable.

In it Together:

Labour's new relationship with business

By Robert Tinker and Ed Wallis

INTRODUCTION

THE FINANCIAL CRISIS of 2008 provoked an outbreak of soul searching about the way we do business. Six years on from the collapse of Lehman Brothers, the practical outcomes from this reckoning are still far from clear.

On the one hand, there has been plenty of noise, across the political spectrum and within the business community, about making capitalism fairer, better, more responsible. We have seen civil society movements emerge, large corporations change leaderships and strategy, and government taking on a greater role in shaping the direction of the economy.

On the other hand, much of our post-crash reality has strengthened the old rather than unleashed the new. As Britain moves out of recession and into recovery, our economic fundamentals remain essentially unchanged. While intense public anger at the behaviours that precipitated the crash has led to initiatives like Blueprint for Better Business and encouraged many individual companies to act like better corporate citizens, a recent report by the *Financial Times* suggested that the uptick in corporate social responsibility in the early 21st century quickly subsided in the face of financial hardship.[1] As one adviser on responsible business told the *FT*: "When the financial crisis first struck, it seemed like there was a window of opportunity for serious reflection on the wider purpose of business. But that was shortlived, and the typical reaction to recession – to achieve growth at all costs – rather took over."

Much the same process occurred in government. The Conservative party entered office on the slogan "vote Blue, go Green", promising to be "the greenest government ever" who would create "the world's first low carbon economy".[2] However, greening the economy quickly became seen as a hindrance to the real business of securing economic recovery. As the chancellor told Conservative conference in 2011: "We're not going to save the planet by putting our country out of business."[3]

Many analysts now worry as to whether the current economic recovery is broad-based enough, relying as it does on the same mix of financial and service sector success, a housing boom and consumer spending that generated the country's pre-crisis growth. Andy Haldane, chief economist at the Bank of England, has pointed out that the UK economy is "twin-peaked", with the "ecstasy index" – unemployment, inflation and gross domestic product – suggesting sunshine, while the "agony index" – real wage growth, productivity and annual real interest rates – points to gloom.[4] *Harvard Business Review* picked up a similar divergence in the US: large firms and highly skilled individuals are flourishing, while small business and the lower skilled struggle.[5]

So the debate since 2008 may have created more heat than light and despite fertile political ground, the green shoots of a new economic model are failing to flourish. Public attitudes work conducted by YouGov for this project in 2013 found the public sympathetic to calls for change and

© messycupcakes / Flickr

opposed to a return to the old economic order, but wary of ideological excess. People recognised something was wrong with Britain's business model, with 67 per cent agreeing:

> *"Britain's recent problems have exposed fundamental problems with the way our economic system works. The ways in which government, banks and major companies operate will have to change radically before prosperity is likely to return to British families".*

Only 15 per cent thought that "there was nothing fundamentally wrong with Britain's economic system. Once the present period of adjustment is over, we should be able to return to steady growth and low unemployment". But the traditional answers offered by both sides of the political divide received short shrift, with both regulation and government getting out of the way equally unpopular.[6] As YouGov's Peter Kellner concluded, "most people want fundamental change, but not the kind of radical change that people on the left (or, indeed, the right) often demand."

However, recent attempts to broaden the remit of business from a pure profit motive have tended to fall back on the tried and tested approaches. We seem to think either government needs to step in and prevent harms happening, or we need to try and cajole businesses to tack on good deeds post-hoc which are separate to their current core purposes, affixing a social responsibility sticking plaster to the running sore of corporate short-termism. The problem with both these methods is that they attempt to impose virtue on markets after the point of sale. Instead, our social goals need to be internalised; they need to be how and why we do business, rather than an afterthought we seek to impose for reasons of political conscience or brand positioning. As R.H. Tawney wrote nearly a century ago, it is the function of industry in service of the community that makes it important. Divorced from this purpose, "it possesses no more social significance than the orderly business of ants and bees, the strutting of peacocks, or the struggles of carnivorous animals over carrion."[7]

There are good reasons why a new approach – where concerns around economic long-termism, public health, environmental sustainability and strong local communities become integral to a profitable British business model – should appeal to both the political instincts of the left and to the bottom line of businesses.

Our social goals need to be internalised; they need to be how and why we do business, rather than an afterthought we seek to impose for reasons of political conscience or brand positioning

For business, as Business in the Community puts it, "the prosperity of business and of society are tied together. One cannot succeed without the other." Corporate literature has argued for decades that success is achieved by working to a 'triple bottom line' – profit, people and the planet – rather than the traditional metric of profit and loss.[8] Maintaining a sustainable supply chain, a healthy customer base, a happy work force and a cohesive community to operate in are not just nice things to have but fundamental to profitability in the long term. They are also increasingly important to consumers. When it asked, "What do you think are the two or three most important things to know about a company in order to judge its reputation?", in 2011 Ipsos MORI found the public twice as likely to say 'honesty and integrity' compared to a decade ago.[9]

For Labour, this speaks to the two key insights from the party's recent period in opposition. First, there has been a reckoning with the limits of state-led redistribution as a mechanism for achieving social goals, brought on by a stark fiscal reality and the diminishing returns achieved by a technocratic centralised state. Instead, social policy debate in recent years has been focused on moving 'upstream': preventing harms happening in the first place, rather than going through the expensive and cumbersome process of trying to repair the damage after the event. Second, the left has recognised that it too readily seeks to do things 'to' people, rather than attempting to achieve its goals in cooperation and partnership. As Jon Wilson wrote in the Fabian pamphlet *Letting Go*, "Labour needs to abandon the bossy administrator and management consultant, and become instead a movement about collective decision-making and common action, care not command."[10]

© Simon & His Camera / Flickr

These insights have informed a shift in thinking to large swathes of public policy, from anti-poverty strategy to public services, but have yet to be applied to the party's approach to business. We need to think about how we generate prosperity in the same way, and seek to transform the way we do business so that social and environmental goals become integral. This can only be achieved by government and business working much more closely together – rather than the name calling and stick waving into which current political debate seems to instinctively lapse.

Labour's charter for business

A Labour government is going to need all the help it can get to achieve its social mission and so needs business as an ally, not an enemy. Rather than seeing markets as needing regulation to prevent them being socially destructive, the left needs a greater focus on how they can be helped to create social good.

But there are currently two major obstacles to this happening. The first is relationships. Simply put, business doesn't trust Labour. While certain aspects of Labour's policy agenda are in and of themselves very 'business friendly' and often more appealing than what is on offer from the current government, there is an overriding sense of hostility from business because of a slew of small, seemingly scattergun announcements, couched in strong populist rhetoric. This has fermented a sense of unpredictability and led to general unease from business: what – or who – is next?

The second obstacle is perverse incentives. Short-termism is entrenched in parts of the British economy and damaging to our competitiveness. But maximising profit in the short term, rather than maximising value for the long term, is often a rational response to the institutional incentives which present themselves to business.

So a Labour government would need to start by making it clear that it will take business to heart, not keep it at arm's length. It then needs to focus its agenda on working with business to make it easier to do the right thing.

It should do this by making, much as David Cameron did to the Liberal Democrats in May 2010, a "big, open and comprehensive offer" to business on taking office that it will seek to govern in coalition with the private sector. This partnership – an invitation to join the government of Britain – would be founded on a clear set of principles of the government's vision for the economy. These would be enshrined in a charter outlining what business could expect of government and what government could expect of business.

This report seeks to develop the basis of this charter. Some ideas are set out below, though agreement on the specifics is not what's most important at this stage. What matters most is for Labour to engage business in dialogue and then 'co-produce' a set of solutions that can achieve its vision of a more responsible capitalism. The charter below draws on a series of expert seminars convened by the Fabian Society between politicians, political advisers, policy experts and businesses. The project was based around the guiding principle that rather than simply delivering a set of policy proposals from on high, it would aim to steer a conversation about new forms of partnership and the institutional architecture required to deliver them. In doing so we have sought to build consensus around what the key barriers are to a more constructive relationship by the protagonists on either side of the process. Strong relationships are crucial to the effective delivery of this agenda. Too often, current debate has been a dialogue of the deaf, with each side sceptical of each other's motives or expertise, rather than developing the common ground which exists but is often obscured.

Labour's Charter for Business

WHAT?	
Our Vision: Profit and social purpose are not only compatible objectives but the conditions of a flourishing economy and a healthy society. Public health, environmental sustainability and strong local communities are integral to long-term business success, and cannot be delivered by government alone but by using partnerships between business and government.	**Our Goals:** A series of measurable outcomes for shared prosperity, public health, environmental sustainability and strong local communities. These would create certainty about the government's long-term vision, so no one is left in any doubt what its aims are, and provide a starting point for engaging businesses in how they might be achieved. Here are four examples of the kinds of measures a government could propose:
1. Shared prosperity[11] • Headline outcome: Economic success isn't success if it is not shared by the whole community, which is why the next Labour government's headline economic measure should be rising median household income rather than GDP. • Measure: The objective should be for median household incomes to rise by as much as possible each year, sustainably over decades. The aim should be annual rises similar to GDP per capita (+2 per cent).	*2. Public health*[12] • Headline outcome: Increased healthy life expectancy and reduced differences in healthy life expectancy between communities. • Measure: The government's Public Health Outcomes Framework develops a series of long-term public health indicators which take into account health quality as well as the length of life and seek greater improvements in more disadvantaged communities.

WHAT?	
3. Environmental sustainability[13] • Headline outcome: The greening of our economy through decarbonisation. • Measure: The Climate Change Act introduced a system of carbon budgets in order to meet the overall target of reducing carbon emissions by 80 per cent of 1990 levels by 2050.	*4. Strong local communities*[14] • Headline outcome: Community cohesion and views of the local area. • Measure: Perceptions of community and a wider cluster of ideas around the concept of 'social capital' are notoriously difficult to measure, although data from studies such as the Understanding Society/UK Household Longitudinal Study provides a basis for evaluating the success of government and business in contributing to healthy local communities.

HOW? *1. Establish trusting relationships between government and business.* *This could be helped by two things: 'soft' measures to improve messaging and institutional reform:*	
a) Changes in practice	
Labour should: • Adopt a 'no surprises' approach to business policy. Regulation should be seen as a measure of last resort along a spectrum of intervention. If regulation is necessary, government should commit to engaging with the relevant sector and aim to announce it with the endorsement of the companies affected. If politicians can't secure this endorsement, they should explicitly say why not. • Seek trusted messengers for engaging with business and think through how their messages would be best presented. The Labour leader's office currently has a senior figure as a Trade Union Liaison Manager – it should have a Business Partnerships Manager of comparable stature. • Rather than naming and shaming irresponsible businesses, politicians should first point out and praise businesses they wish to champion as doing the right thing. • Set long-term targets which go beyond the electoral cycle to encourage longer-term thinking, create certainty and strengthen accountability.	*Businesses should:* • Be less 'transactional' in its relationships with government and revise lobbying practices, taking the long view rather than seeking quick wins. • Be as strong in publically supporting positive government measures as in condemning unwanted intervention. • Demonstrate commitment to responsible business practices by setting out specific, measurable targets for social and environmental outcomes. • Take a strong leadership role in local enterprise partnerships (LEPs) to put business at the heart of sustainable communities.
b) Institutional reform	
As well as providing a framework for bringing together the relevant political and business leaders and providing a forum for relationship building, an interlocking three level structure will provide the right mix between clear top-level political leadership, sectoral expertise, and local knowledge. These institutions should be broad in their remit – covering all dimensions of prosperity and good business – creating space for give and take across a wide agenda and a sense of shared endeavour.	

• **Re-establish the National Economic Committee** (NEC) (the 'Economic War Council' founded to drive the government response to the recession in 2008) on a new footing aimed at improving government-business coordination and developing a macro-level national strategy for sustainable economic growth. The NEC could focus explicitly on achieving the vision set out in this charter: that profit and social purpose are the conditions of a flourishing economy and a healthy society. It could monitor progress on the series of measurable headline outcomes for shared prosperity, public health, environmental sustainability and strong local communities set out in the charter.

• **Establish more forums based on the experience of the Automotive Council,** the body which facilitates dialogue between government and industry about how to foster a productive business climate for the automotive sector to flourish. We recommend the creation where possible of sectoral councils, co-chaired by rotating business leaders and BIS representatives. These meetings could then report back to the National Economic Committee.

The first meeting should be established with a 'memorandum of understanding' that the body will work in the long-term interest of the country and prioritise how public health, environmental sustainability and community strength can guide sectoral economic success.

• **Use local enterprise partnerships (LEPs)** to coordinate 'on the ground' strategic business interests, coordinate skills provision, and allow the major local employers to coordinate back to the relevant national sector bodies. The purpose and goals of the LEPs should be clarified by the next government, emphasising the core goals of shared prosperity, public health, environmental sustainability and strong local communities. They should then be empowered to determine for themselves how this can best be achieved in their specific geographic area, based around local cultural and economic identities. LEPs should go further to strengthen the relationships between the business community and local politicians, including MPs.

2. Both government and business conduct a full review of incentive structures to see where they can be recalibrated.

A new British business model should consider the following areas in order to promote long-term shared-value creation:

• *Reporting: What we measure matters*
Government should abolish quarterly reporting requirements. Any new reporting cycle which is adopted should be complemented by strategies to encourage a long-term value-based approach to accounts of company performance which includes social and environmental goals.

Businesses should embed social, environmental and community goals at the heart of their business plans and operations, including KPIs, reporting mechanisms and reward structures. Companies should be required to make a statement of business purpose upfront in their annual reports, in a CEO foreword or an executive summary.

• *Ownership: All of our business*
The government should undertake a review into alternative ownership forms which are more long-termist in outlook. Experimentation with new legal forms of company similar to the 'Benefit Corporation' in America should be encouraged.

The government should engage business in the process of revisiting principles of the Corporate Governance Code to strengthen the position of stakeholders in relation to shareholders. It should also act on proposals to redefine fiduciary duty to encompass stewardship and commitment to stakeholders.

• *Tax: Carrot and stick*
The next Labour government should look to only provide tax breaks and subsidies to companies who can demonstrate detailed assessment of long-term shared value creation and social and environmental impacts; or where the tax break will stimulate innovation towards the government's social or environmental priorities. This would complement the proposals outlined in Labour's Cox Review aimed at instilling company long-termism through the use of tax incentives.

• *Leadership: Walking the walk*
Both government and businesses have the opportunity to live their values and demonstrate their commitment to long-term goals both in how they act and the people they choose to work with. For example, currently Labour councils take the living wage into account when awarding procurement contracts, and the party has said national government should do the same. Government could go beyond this by seeking to support and explicitly champion companies which meet the highest standards of shared value creation.

Companies should also take the lead by strengthening their local community employment opportunities. They should also ensure their supply chains are sustainable and only use suppliers who meet the highest standards of sustainability. There are also opportunities to prioritise local suppliers.

1. CLARITY OF VISION

With the general election less than a year away, the *Daily Telegraph* offered advice to its readers on how to "Miliband-proof" their investments in the event of a Labour victory in May 2015.[15] The paper recommended "six funds to beat 'Red Ed'"– proof, should it have been required, that the caricature of the Labour party as fundamentally a bad thing for British business was alive and well. The message was clear: if you are interested in making money, a Labour government would not benefit you.

It was never meant to be this way. The core of Labour's argument about creating a 'responsible capitalism' was that it was 'anti-business as usual, not anti-business'. The financial crisis had laid bare the limitations of New Labour's economic strategy; as Stewart Wood, Ed Miliband's closest adviser, wrote in the *Fabian Review* on the eve of the Labour leader's infamous 'predators v producers' speech to party conference in 2011, neoliberalism had been "derailed".[16]

While most associated with the Thatcher and Reagan governments of the 1980s, Wood accepted that, under New Labour, "too many of the tenets of neoliberalism – the powerlessness of national governments in the face of globalisation, the dependence on under-regulated markets and growing inequality – were accepted, willingly or otherwise. Now that we can see the ideology of neoliberalism for what it is, we should see the challenge for our party in radical and ambitious terms – to rewrite the rules that govern how Britain works."


© Steve Cadman / Flickr

Yet while radical in terms of political economy and requiring a significant shift in political strategy, being more 'hands on with the market' was not just a call to arms for the Labour left: former scions of New Labour such as James Purnell and David Sainsbury, as well as 'Red Tory' thinkers such as Jesse Norman and Phillip Blond have advocated different versions of a new economic settlement.[17] The dawn of a new parliament was concurrent with the dawn of a new progressive consensus: 'good business' is good for business.

Nor was this purely a political consensus, drawing as it did much from mainstream business thinking. 'Shared value' perspectives for example, developed by Michael Porter and Mark Kramer in the *Harvard Business Review*, saw customer and employee wellbeing, the conservation of natural resources and the resilience of local communities as key to long-term profit generation. As the former Downing Street adviser Patrick Diamond put it, "the search for a more sustainable and productive form of capitalism hardly represents a dramatic lurch to the left. Not surprisingly, some of the most imaginative, indeed critical thinking about the future of markets and the factors driving business success has come from the private sector."[18] Indeed, there are a diminishing number of businesses who would now accept the view espoused by Milton Friedman that there is one and only one social responsibility of business – "to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."[19]

Yet Labour's 'business problem' is a stubborn feature of political debate. We regularly read stories that not a single FTSE 100 CEO will back the party at the next election; that senior party figures complain of a confused message; that Labour is at war with business.[20]

How did we get here? Partly it is inevitable: if you are explicitly 'anti-business as usual', then there are going to be some ruffled feathers amongst the people for whom business as usual was doing rather nicely. But this isn't the whole story. Labour has been much clearer on what it will do to clamp down on bad business practices than to champion the good. The language of 'predators v producers' was inherently divisive, successful in setting up a political battle but perhaps less useful for winning the war. Labour's emerging policy agenda has been called 'consumer socialism' by some commentators,[21] summed up by Miliband's statement that "markets need rules": taking on the assumption that markets will correct themselves and consumers have the information and power to make rational choices. This leads, inevitably, to a more interventionist policy approach that sees government as a consumer champion. But as Duncan O'Leary of Demos reflects, the question is how interventionist a government should be. "Can government really cap pension charges effectively without unintended consequences? Will a cap on interest rates starve the poor of credit? Can it really be practical for government to set energy prices, even for a relatively short period?"[22]

Ultimately, Labour's headline policy interventions have been too easy for critics to cast as red in tooth and claw, crowding out the space in which a more constructive conversation might emerge; one that reflects the many commonalities that exist between two sides of a debate who are often erroneously assumed to be at loggerheads.

What business wants

This report seeks to develop the space in which a broader, more positive story might be developed. The bedrock underpinning any attempt for Labour to forge a productive partnership with the business community is 'the vision thing'.

The primary job of politics in its relationship with business, it emerged from our seminars, is to set a clear direction for British economic success and the long-term goals needed to achieve it. This has always been the case: the Director General of the CBI Richard Lambert argued in 2009 that what business needs from government is "a vision of the kind of economy we want to have in ten years' time and what it's going to take to get from here to there".[23]

The bedrock underpinning any attempt for Labour to forge a productive partnership with the business community is 'the vision thing'

While Labour has been in opposition it has devoted a great deal of energy to describing how it intends to make the UK economy fairer. Labour's recently published *One Nation Economy* policy review report begins: "How are we going to build an economy that works for working people, not just a few at the top? That has been one of the central questions Ed Miliband set Labour's Policy Review over the past year … Our task is one of economic reform. We must build greater fairness into our economy rather than simply dealing with the consequences of it as it stands."[24] Labour's signature policy measures have been raising the minimum wage, freezing energy prices, reintroducing the 50p top rate of tax and curbing excessive executive pay; Ed Miliband set out his "six national goals … a plan for the next ten years" at Labour party conference 2014.[25]

What Labour has been less explicit about is how it intends to make the UK economy richer. In fact, the party has put forward a number of sensible proposals for helping business to grow. The Armitt Review aims to speed up Britain's decision making on infrastructure, to ensure big project decisions on transport or energy don't get kicked into the long grass.[26] The Husbands Review makes a series of proposals to improve skills and create world-class apprenticeships.[27] Research and development investment alongside a strengthened innovation and industrial strategy are at the heart of Lord Adonis's report on "mending the fractured economy".[28] The party is also proposing better funding options for small and medium-sized enterprises alongside a British Investment Bank.[29]

What's more, in stark contrast to the rhetoric of the current government, Labour also has naturally 'business-friendly' positions on a number of crucial issues. First and foremost there is Europe. As Ed Miliband recently told the CBI, "I will never risk British businesses, British jobs, British prosperity by playing political games with our membership of the European Union."[30] This tallies closely with the CBI's own view that "being inside a reformed EU is the best way for the UK to secure its economic future."[31] The same goes for the party's more positive approach to immigration. Some of the British economy's most profitable sectors – including financial and legal services – have been hit hard by the coalition government's cap on skilled worker visas; indeed the business secretary himself recently called for the cap to be scrapped.[32] Similarly, heavy-handed attempts to crack down on abuse of the student visa scheme have damaged the education sector. The IPPR found that, while the UK's education sector has been a growth sector and achieved annual increases in exports, international student entrants to higher education for the 2012/13 academic year were broadly flat.[33] The *Financial Times* has called the government's student visa policy "an act of national self-harm that Britain can ill-afford".[34]

Here is a strong basis for a positive business agenda. Yet not only have these felt like less of a political priority in terms of the Labour party's messaging, they often feel like technocratic add-ons to the main story.

The party is missing a trick, as within the idea of 'responsible capitalism' is the idea of

BOX 1: PEPSICO

PepsiCo is a food and drinks manufacturer which has made commitments on public health commitments integral to its business performance.

PepsiCo has reduced the sugar in standard Pepsi by around 4 per cent and has incentivised the purchase of sugar free Pepsi through lower prices. The company has achieved significant reductions in saturated fat and salt in food products. The company reports meeting its Responsibility Deal targets in three of the five relevant categories.

Significantly, the company has set out quantitative targets to track progress on meeting its social and public health commitments and opens progress to external scrutiny. For example, in the UK, 27 health commitments established in 2010 are annually reported by an external auditors. PepsiCo is committed to making two-thirds of its sales by volume healthier according to Food Standards Agency criteria by 2015. The company also achieves widespread buy-in to these commitments, helping embed public health goals and other social commitments into its model of business. Health and nutrition is a board level responsibility at PepsiCo.

balanced, sustainable growth, not just fairness. And pursuing both with equal vigour creates the opportunity for a much more subtle, symbiotic and strategic relationship with business, built on trust and shared endeavour. It is often said that New Labour's 'third way' saw economic efficiency and social justice as mutually reinforcing but separate entities: the market was left to it, the rewards of economic success were invested in social policy, which supplied the workforce required for future economic success. As Sir George Cox, former director general of the Institute of Directors, puts it in his review of short-termism for the Labour party: "For too long UK governments have concentrated their economic policies on how to spend the nation's income, not on how to generate it … much more attention has to be given to how the nation is going to generate its wealth." In the long term, economic success has to mean social success; or else, as Keynes put it, we're all dead. Profit and social purpose are one and the same – Labour needs to find a story that treats them as such.

So rather than asking whether businesses are good or bad, producers or predators, a better question is whether they are long or short term. The Cox Review concluded that "the balance for UK business has swung too far towards the short term: pressure to deliver results in the coming year, half-year or even quarter, overwhelming any consideration of the future."[35] Short-termism has become an entrenched feature of the UK economy. The recent troubles at Tesco – who face allegations of accounting misconduct and whose trading profits fell by almost half in the first half of 2013 – show the pressure on businesses to perform on short-term financial indicators at the expense of long term growth.[36]

Evidence in favour of the 'business case' for shifting to longer-term value creation strategies is compelling. Yet while the perils of economic short-termism are increasingly understood (if not acted on), we still tend to miss the broader influences on business success. Michael Porter and Mark Kramer explain in their work on 'shared value', most businesses rely on an outdated 'social responsibility' perspective, focused on maximising short-term profits and viewing social problems at the periphery of what businesses do:

"How else could companies overlook the well-being of their customers, the depletion of natural resources vital to their businesses, the viability of key suppliers, or the economic distress of the communities in which they produce and sell? How else could companies think that simply shifting activities to locations with ever lower wages was a sustainable "solution" to competitive challenges?"

You can't have a long-term, productive business without a healthy workforce, an environmentally sustainable supply chain, and a thriving local community. These are the three core parts of the social economy and they must form the foundation of how a Labour government will help business succeed in the 21st century.

Public health: Healthy, wealthy and wise

It is no surprise that centre-left politics should see the creation of a healthy, happy citizenry as a core goal. But what is increasingly apparent is that this must be recognised as a central strategic goal for business too. At its most crude, it is not in any businesses long-term interests to be systematically curtailing the life expectancy of its consumer base. The group Sustain note that that there are an estimated 70,000 premature deaths each year in the UK as a result of an unhealthy diet.[37] The Department of Health estimates that reducing salt intakes by 1g would avoid 4000 preventable deaths and save the NHS £288 million every year. Action to address this is not just good for the brand; it's fundamental to a sustainable consumer base.

The health and wellbeing of a workforce are also crucial to productivity. As the Marmot review of health inequalities states: "The relationship between employment and health is close, enduring and multi-dimensional. Being without work is rarely good for one's health, but while 'good work' is linked to positive health outcomes, jobs that are insecure, low paid and that fail to protect employees from stress and danger make people ill."[38] In spring 2014 the CIPD reported that 41 per cent of employees reported excessive pressure at work every day or once or twice a week. The proportion of employees that feel engaged hovers around 35 per cent.[39]

In an era of mounting concern about public health, it is more important than ever to appreciate the ways in which firms can generate social as well as financial value. Government's role in regulating industry to prevent harms is and will always remain crucial. But it needs to see industry as an ally not an enemy and explore how market behaviours can be harnessed to achieve social goals. Businesses are often making this journey of their own accord as Box 1 shows – so politicians need to celebrate good practice and support its spreading.

The environment: Sustainable profits need a sustainable planet

We have reached a point where it is impossible now to talk about sustainable economic growth without talking about environmental sustainability. In a world of finite resources and rapid depletion, a sustainable supply chain is absolutely crucial to long-term profitability of a business. As the Food Ethics Council defines it, sustainable business models are "those that are commercially successful by providing social value within the limits of the planet."[40]

Porter and Kramer point out that costs to the environment are often costs to the business. They highlight the example of Wal-Mart, which cut its packaging and rerouted its trucks, meaning less packaging, fewer journeys and $200 million in savings. Unilever has cut its energy use and its operating costs by $395 million since 2008; Intel announced $23 million in savings between 2001 and 2012 through energy reduction. Marks and Spencer's Plan A includes 100 commitments to make it the world's most sustainable major retailer.[41]

And yet, these companies are often making changes in spite of the system rather than because of it. They are taking the initiative themselves because, as well as seeking to be good corporate citizens, often they identify business and brand benefits in revolutionising their supply chains and seeking competitive advantage in being first movers in the world that's coming. There remain a number of obstacles to the wider adoption of these business models. As the Food Ethics Council report said, businesses "face a wide range of commercial and operational obstacles in their efforts to adopt more sustainable practices. For many businesses, there are insufficient incentives to adopt such practices, and often quite strong disincentives to do so." Indeed in October 2012, 50 businesses and other organisations published an open letter to George Osborne, calling for a specific target for restricting carbon emissions from power generation, in order to provide companies and investors with long-term confidence in the direction of government policy.

BOX 2: UNILEVER

Unilever is a FTSE100 consumer goods company which has demonstrated the long-term competitive advantage of embedding a strong commitment to sustainability in all aspects of its business practice.

Unilever has led the way among 'good businesses' by aiming to become a sustainable growth company. CEO Paul Polman has abolished earnings guidance in quarterly reporting, a significant driver of economic short-termism. In 2011 the company outlined a business plan to double Unilever's revenue and half its environmental impact.

Unilever's *Sustainable Living Plan* commits to ambitious sustainability targets in the decade to 2020: helping more than one billion people improve their health and wellbeing; halving the environmental footprint all its products; halving the water associated with consumer use of its products; halving waste associated with the disposal of its products; sourcing 100 per cent of agricultural raw material sustainably; and working with at least 500,000 smallholder farmers and 75,000 small-scale distributors in its supply network.

The features of the plan are systemic and run throughout all of Unilever's more than 400 brands and across the whole value chain from sourcing resources to consumer behaviour.

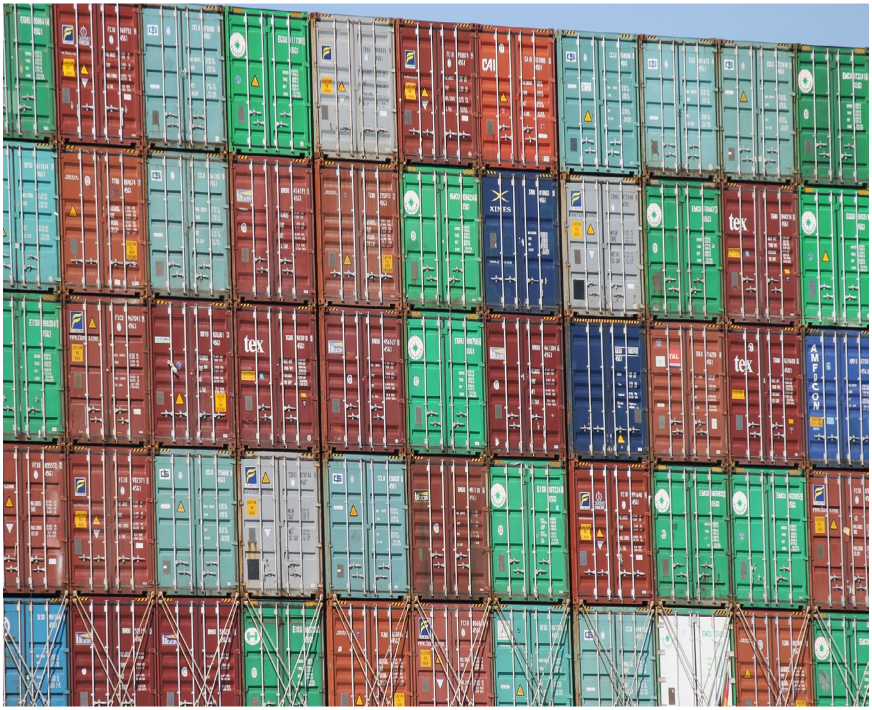
Unilever has managed to combine ambitious pledges on sustainability without damaging its bottom line. The company has outperformed many of its competitors during the recession, with turnover up by 10.5 per cent in 2012. As Unilever CEO Paul Polman has put it:

"Most businesses operate and say how can I use society and the environment to be successful? We are saying the opposite – how can we contribute to the society and the environment to be successful?"

Strong local communities: Pride of place

As Business in the Community defines it: "Prosperous, strong communities are good for business. By investing in communities to help them tackle the issues that affect them, businesses are investing in themselves. And it's about understanding what impact the choices you make about running your business – who you employ, where you locate, what you buy, sell and invest in – have on local communities and the social issues that affect them."[42]

But a dominant aspect of New Labour's political strategy was an uncritical acceptance of the perceived realities of the globalised economy, often to the detriment of local communities. A highly competitive borderless marketplace required a deregulated labour market, with policymakers powerless to protect an



© Corey Seeman / Flickr

employee's current job, save for providing them with the skills and training to compete for finding another one when the inevitable happened and the rational multinational company moved its operations somewhere cheaper.

But, as Maurice Glasman put it in the Fabian pamphlet *The Great Rebalancing*, "the assumption that globalisation required transferrable skills and not vocational speciality, and that tradition and local practice could be superseded by rationalised administration and production, both turned out to be mistaken."[43] According to Porter and Kramer, the view that business is an island detached from place and social obligation has led to a situation whereby the communities in which companies are located derive little or no benefit from business activity. Instead, those communities often "perceive that profits come at their expense": for business to win, the people have to lose. This is not only bad for companies' local reputation and contributes to the current low public standing of big business, it affects the quality of the workforce that employers might draw on, the quality of local services which their employees use, and the cohesiveness of the society in which they are based.

This insight has a number of consequences. First, as Mark Leonard recently wrote, it requires politicians to recognise that "although globalisation has benefited the British economy in the aggregate – it has sped up the deindustrialisation of many regions and has costs in terms of jobs and wage growth for many."[44] Second, it requires business to remember that it hasn't always been just about the bottom line and that "the best companies once took on broad range of roles in meeting the needs of workers, communities and supporting businesses"[45] as Porter and Kramer remind us. "What has been missed is the profound effect that location can have on productivity and innovation. Companies have failed to grasp the importance of the broader business environment surrounding their major operations."

It is no coincidence that often when we think of the most highly-regarded British companies or industries, we think of a place: Cadbury in Birmingham, Rowntree's in York, Bombardier in Derby, the car manufactures of the Midlands, the potters of Stoke. Our identities are bound up in the places we live. Whereas capital flies round the world in the blink of an eye, most people – around 60 per cent – don't settle more than 20 miles from the place they lived when they were 14.[46] Industries intimately reflect the natural resources at hand and the particular relationships of a region. For businesses to be successful in the long term, making a commitment to a place and its people is crucial.

BOX 3: GRIFFON HOVERWORK, SOUTHAMPTON

Griffon Hoverwork is a medium-sized enterprise based in Southampton which designs and manufactures hovercraft.

The sector faces a number of skills gaps, leading to staff turnover and an increasing reliance on short-term agency contracts. In the face of this, Griffon has adopted strategic use of around 20 apprentices aged 17 to 28, promoting longevity, productivity and value creation over the long term. Griffon's apprentices include engineers, electricians, designers and welders. All of Griffon's apprentices are recruited through City College Southampton to support the local labour market.

Griffon's turnover has increased by around £20bn in three years and has enjoyed success in selling to overseas markets. The company has won awards for its contribution to the local community in Southampton.[47]

2. TRUST AND RELATIONSHIPS

Government and business are interdependent. The markets in which business activity takes place are socially embedded, subtly shaped by networks and politics, laws, taxes and the institutions of the public sphere. At a more practical level, business rely on social goods such as a well-skilled workforce trained for the needs of the 21st century economy. And when the workforce is seen to fall short of this standard, the businesses community turns to the state for answers: a recent study by the CBI found "too many young people are still leaving school without the core of literacy and numeracy they need to be successful in life and work." [48]

This interdependence is by no means one-way, however. Today it would be impossible for governments to progress their social, environmental or economic aims without the co-operation and participation of a healthy and profitable business community. From the firm level upwards, the private sector matters. Businesses rely on good government and vice versa.

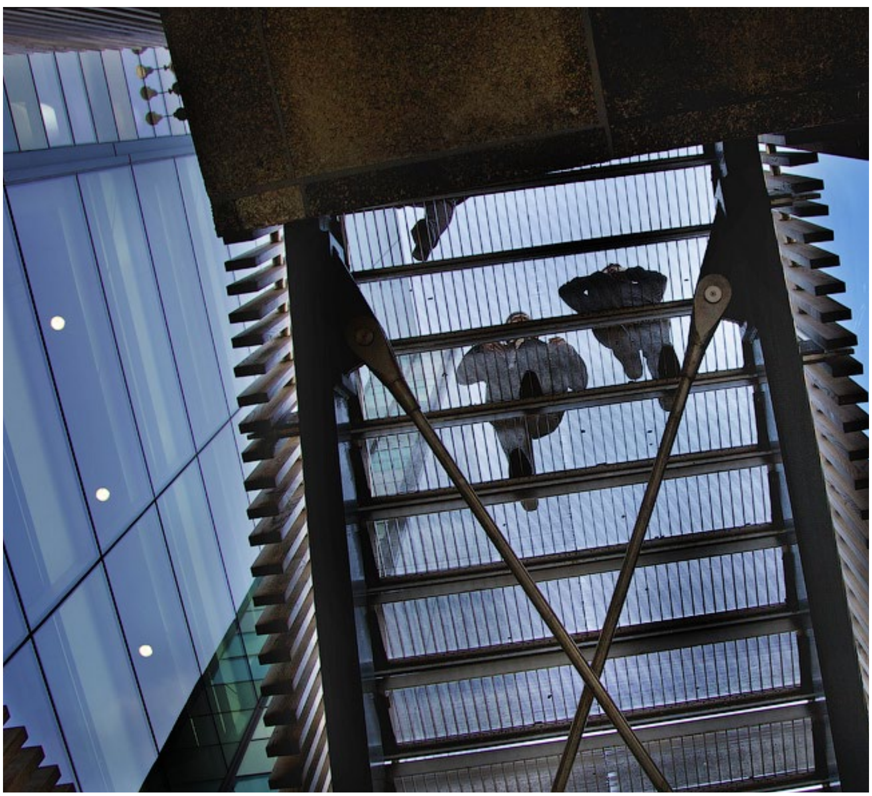
Responses to the banking crisis in 2008 have acknowledged that when government and business work together effectively, they are much more than the sum of their parts. Five years after its publication, the former Labour administration's policy framework *New Industry, New Jobs* reflects a mainstream current in British politics. It states that an economy:

> *"capable of creating the wealth needed to sustain an improving quality of life … requires a joint partnership between business, government and our wider society. Success in meeting demand in any sector or market requires a combination of the right business responses and the right public policy."*[49]

These observations are now advanced by the likes of Andrew Adonis and Michael Heseltine.[50] Yet far from a spirit of common purpose and shared endeavour, today the relationship between politics and business is too often one of scarcely concealed antipathy. More than five years since the crisis, business continues to be viewed with distrust. Rightly or wrongly, as the financial crisis fed through into the real economy, many businesses were left looking devoid of social purpose. As growth ebbed, many felt that the compact between business and its various communities had been severed in the interests of short-term profit and shareholder value.

Many individual businesses do not see themselves as having been complicit in a culture of predatory capitalism prior to 2008. Nevertheless, in 2012 'business leaders' still polled as one of the least trusted audiences in Ipsos MORI's Veracity Index. Over half of respondents in a survey agreed with the statement than 'British businesses are more focused on short-term profits than looking after their customers' long term needs'.[51] More recent work uncovered persisting discontent. Only half of respondents in a 2014 YouGov poll thought business made a positive contribution to society and the CBI has recently launched 'The Great Business Debate', a national campaign aimed at restoring this faith.[52]

The low public standing of business has been seen as an electoral open goal by many politicians, though its longer-term strategic sense is less clear. Picking fights



© Max Korolev / Flickr

with an unpopular sector may provide a polling bump on specific issues while simultaneously undermining crucial measures of economic competence and making partnership working in government more challenging.

But political short termism runs deeper than the instinct to give big business the occasional kicking. As Stewart Wood has argued, the relative strength of the executive in the UK's parliamentary system runs against the grain of the long-term coordination needed to sustain effective government-business partnerships: "Because governments have the capacity to introduce radical changes of policy at will, companies are unwilling to make risky long-term investments".[53] Where power is more constitutionally limited – like the US – or in more coordinated market economies – like Germany – there is greater inherent certainty. The policy shifts characteristic of Westminster law-making undermine the stability and commitment which allows government and industry in other countries to plan.

A new approach

Low levels of trust in business and government have not yet strengthened the resolve to work together in partnership. In this climate of mutual distrust, British politics faces a difficult situation. We sorely need a new political economy which gives equal regard to generating wealth and distributing it more widely. Yet a culture in which government and business are co-creators of this vision is undermined by a deep-seated 'British disease' of political and economic short termism.

In the absence of dialogue, constructive negotiation is often substituted for the sorts of reckonings which have characterised this parliament. While the ultimatums found in speeches can generate a morning's headlines, they are often too high stakes to encourage mature reflection about the shared problems facing society.

The political and business communities often find themselves at odds in Britain. But research such as the literature on 'varieties of capitalism' suggests that this is a function of path dependency rather than the fundamentals of Britain's economy. Broadly speaking, firms can adopt strategies based on strong coordination and information-sharing on one hand, or a more liberal, competition-focused approach on the other. Historically Britain's corporate culture has displayed characteristics of the second approach. But politicians should not be fatalistic about the direction of Britain's political economy, as this research shows some of the things that government can do to make strategic partnership working between the business community and itself easier to adopt.

> Low levels of trust in business and government have not yet strengthened the resolve to work together in partnership

Establishing trusting relationships between government and business could be helped by two things. The first is changes in practice. Labour desperately needs to change the mood music regarding business, and this requires softer, more symbolic measures.

For example, while there will always be a place for regulation, it should be seen only as the very hard end of a range of measures. There could be a lesson here from the 'ladder of intervention', developed by the Nuffield Council on Bioethics, which assesses how proportionate a particular public health intervention might be. The more intrusive the measure, the greater the justification required. Measures range from monitoring the current situation and providing information, through guiding choice using incentives or disincentives, before restricting choice or eliminating it entirely.[54]

Currently, there is a sense that Labour reaches for regulation by default. To change this impression, Labour could make clear that regulation is part of a wider spectrum of measures. If it is required in certain circumstances, the rationale should be clearly explained.

Good examples of the efficacy of different approaches can be found in Labour party policy on low pay. The minimum wage was a controversial statutory change that would affect all businesses. Many businesses were very unhappy about this prospect initially, but following an extensive period of preparatory academic work, political argument and consultation, the Institute for Government notes: "By 1997, the national minimum wage had become a relatively non-controversial proposition and the Confederation of British Industry (CBI) was prepared to lend its support."[55] This was regulation, but people knew it was coming and were involved in its implementation, with the level was set through social partnership in the Low Pay Commission.

By contrast, the party has not indicated it will legislate to enforce the living wage in the next parliament. This is due to fears over its impact on jobs and to preserve the grassroots, civil society support through which the campaign originated.[56] Here, compulsion is not appropriate but government can use other levers, such as information, example and incentives.

In effect, Labour should aim for a 'no surprises' policy: there will be regulation, but it will sit at the end of a spectrum of measures, that will be used only in certain clearly defined circumstances. If regulation is necessary it will be designed in partnership with the relevant sector. A Labour government should be able to announce a policy with the endorsement of the companies affected; if politicians can't secure this endorsement, they should explicitly say why not.

The second thing needed to embed longevity into the business-political partnership is an architecture – in other words, an institutional structure – which facilitates dialogue, trust and mutual commitment. This would need to begin from a consensus over the long-term priorities set out in the previous chapter, and the responsibilities of government and business in achieving them. And high-trust partnerships can then work together to design coherent economic incentives which support the aim of sustainable long-term economic growth.

There are sector-level precedents which contain lessons for this new architecture. The Automotive Council, established by the last Labour government in 2009 and maintained by Vince Cable, has formalised the spirit of mature collaboration based on a shared vision of success in the automotive sector. Trade unions are represented on the Automotive Council, making them an important site of employee voice. Routine opportunities for workforce-employer engagement should feature prominently in any future partnerships.

What we need is the right mix between clear top-level leadership; sectoral expertise; and local knowledge

© Land Rover MENA / Flickr

The successful working of the Automotive Council throughout the economic crisis has helped contribute to the renaissance of automotive manufacturing in Britain. As Nita Clarke, who was Tony Blair's assistant political secretary in Downing Street, writes:

> *"The automotive industry was just one sector where joint agreements on short time working, pay freezes, part-time working, extended holidays, sabbaticals and so on saw companies over the worse. It is no accident that those sectors with mature and effective relationships between trade unions and companies, such as the chemical industry, managed their way through and are coming out strongly at the other end."*[57]

Production in the British car industry is now up by more than 50 per cent, nearly 130,000 people have skilled jobs and more than £10bn a year is generated for the economy.[58] As Mike Wright, executive director at Jaguar Land Rover, told the BBC's *Newsnight* programme, the partnership and dialogue facilitated by the Automotive Council has been crucial to encouraging investment: "The relationship between government and industry through the Automotive Council means that we've got a forum where the industry specific issues can be tackled strategically so that we've got a pathway together."

Councils on this model have the added virtue of facilitating feedback to government on how policy is working 'on the ground' and acting as a conduit for the views of many firms. In his review of the competencies of the Department for Business, Innovation and Skills, Andrew Adonis noted the frustration of many business leaders that government does not appreciate the practical reality of implementing policies or what the world of business is like.

What we need is the right mix between clear top-level leadership; sectoral expertise; and local knowledge. This suggests a three part institutional structure to provide clear leadership, establish trusting relationships and enable local flourishing:

1. Re-establish the National Economic Committee (NEC), the 'Economic War Council' founded to drive the government response to the recession in 2008. This had a wide and senior membership of all the key 'economic' departments (Treasury, BIS, DWP) as well as other relevant departments (DECC, DEFRA, DCLG) and key expert business ministers. Dan Corry, who was senior economic adviser to the prime minster at the time and who chaired weekly supporting meetings of special advisers, says: "The NEC was in any terms a success. It did join up departments. It speeded up decision making and delivery. It did give collective buy-in to positions. Officials liked it and so did most ministers (especially those normally frozen out of economic policy discussions)."[59]

   There is potential for a 'peacetime' NEC to provide the top-level government coordination currently lacking and allow the government's clear strategic vision to be implemented across departments. As Jill Rutter of the Institute for Government writes, the NEC shows "the potential for breaking down silos through an activist secretariat, a strong prime ministerial push and a very senior collective underpinning. More collective government is possible."[60]

   The NEC could focus explicitly on creating certainty and achieving the vision set out in our proposed charter for business: that profit and social purpose are the conditions of a flourishing economy and a healthy society. It could monitor progress on the series of measurable headline outcomes for shared prosperity, public health, environmental sustainability and strong local communities set out in the charter.

2. Establish more forums based on the experience of the Automotive Council. As detailed above, the council has become an influential forum for decision-making thanks in part to high-level ministerial buy-in from the Secretary of State for Business, Innovation and Skills. Importantly, however, the council is not government-led but co-chaired by BIS and industry representatives. We recommend that where appropriate more councils should be established in key strategic industrial sectors. In order to capture the spirit of partnership of the Automotive Council's work, we suggest that these councils are also similarly co-chaired by industry actors and representatives from BIS. These sector councils would report back to the National Economic Committee. To kickstart the process, the inaugural meetings of each council should devoted to establishing a 'memorandum of understanding' of the terms of partnership by which the bodies will function and a declaration of the long-term aims to which the council is working.

3. Use local enterprise partnerships (LEPs) to coordinate 'on the ground' strategic business interests, organise skills provision, and allow the major local employers to coordinate back to the relevant national sector bodies. As the Adonis Growth Review has said, LEPs are "the regional voice of business". Labour has accepted that LEPs are here to stay and a review by John Healey MP and Les Newby for the Smith Institute concluded that "after a somewhat chaotic start … LEPs have become more established and important bodies." Yet as both reviews point out, there remain significant problems with LEPs: they are often geographically haphazard and lack a clear remit, coherent membership and consistent funding. The purpose and goals of the LEPs should be clarified by the next government, emphasising the core goals of shared prosperity, public health, environmental sustainability and strong local communities. They should then be empowered to determine for themselves how this can best be achieved in their specific geographic area, based around local cultural and economic identities. We support the Adonis Review's recommendations that LEPs should be geographically rationalised and membership should be representative of the regional business, education and employment community.

   But LEPs should go further to strengthen the relationships between the business community and local politicians. While LEPs should have strong relationships with the local authority, local MPs are an important part of the conversation and their role should be considered too, especially in sustaining dialogue between national government, businesses and the local community.

3. INCENTIVES TO CHANGE

There is an increasing awareness that traditional business practices are reaching their social, environmental and economic limits. Mental health, particularly workplace stress, is a growing problem on which traditional policy interventions struggle to get a handle; the once invisible environmental externalities associated with 'business as usual' are beginning to manifest themselves in potentially ruinous ways; and a short-termist, low-investment business culture has created entrenched economic imbalances which could threaten recovery from recession. Businesses are not singularly responsible, of course. But their inescapable impact on society and the planet confers an obligation to work in partnership with government to co-create a solution.

This report has made clear two important preconditions for this spirit of partnership to work. First, government must set a clear direction for the economy and the conditions for future business success. Second, behavioural and institutional changes are required to foster a culture and climate of mature government-business dialogue. With the 'big picture' clarified and trusting relationships established, government and businesses would be able to work in partnership to align incentives which write long-termism into the very institutions that structure the economy. This approach would recognise that often, rather than being a reflection of the rapacious, mean-spirited and selfish nature of business, short-termism is simply a rational response to the institutional arrangements corporate leaders are presented with. Regulation will always be needed to provide a backstop and define the rules of the game, and in certain sectors more regulation will be needed than in others. But this should always be coupled with a commitment to consult and seek advice from the business community, and an understanding that regulation sits at the hard end of a scale of intervention and other mechanisms will often be more effective routes to success.

At this point it would be traditional for a think tank report to set out a series of recommendations for the changes the system requires to achieve greater long-termism. That would seem somewhat counter to the spirit of this project, which has sought to

BOX 4: THE PARADOX OF SHORT-TERMISM

A strong body of evidence shows the irrationality of short termism, or what one author has referred to as the 'paradox of profit'.[61] The underlying philosophy of shareholder value holds that the primary purpose of a company is to maximise value for the benefit of external shareholders who have invested capital and are its ultimate owners.

The theoretical strength of the principle follows from the fact that shareholders financially expose themselves to the performance of a company they do not control. However, in practice the evidence tells against the short-term pursuit of shareholder value as a driver of corporate performance. In the words of Professor Colin Mayer of Saïd Business School, a strict interpretation of the principle of shareholder value encourages a view of the company as "a transactional island in which you are as good as your last deal, as farsighted as the next deal". Treating reputation, intangible value, relationships and people as 'disposable' can damage the long-term success of companies as it "extinguishes any sense of commitment – of investors to companies, of executives to employees, of employees to firms, of firms to their investors, of firms to communities, or of this generation to any subsequent or past one."

The paradox is illustrated in a well-known example cited by the economist John Kay of the pharmaceuticals company ICI. In 1987, ICI's purpose was "the responsible application of chemistry" and this was how it saw its path to success. It set out to "enhance the wealth and well-being of our shareholders, our employees, our customers and the communities which we serve and in which we operate." However, in 1991, its mission was redefined following its acquisition by the UK conglomerate Hanson: now it sought to increase shareholder profit.

Since this moment, ICI has been a story of decline. The share price peaked in 1998, soon after the new strategy was announced. After two successive dividend cuts, the company was ejected in early 2003 from the FTSE 100 index, Kay writes: "The transition from industrial giant to mid-cap corporation had taken only 12 years".[62] There are some parallels between Kay's analysis and the business literature on companies that make the transition from being 'good to great'. Great businesses do one thing to a very high level, with consistency, commitment and discipline. Companies that do not make the transition from good to great often do many things with little consistency that they may achieve profit in. [63]

convene a conversation and foster a spirit of partnership between politics and business. So drawing on our seminars, conversations and an extensive programme of research, here we suggest some areas where realignment might be needed and some of the things that government and business can do to achieve it. These are intended to form the basis of a charter that Labour can develop in the months before the next election and then use to make its 'big, open and comprehensive offer' to business on taking office.

A new British business model

Reporting: What we measure matters

'Business as usual' is deeply rooted not just because of market norms and expectations. It is also because of prevailing incentives which make it rational to devalue the future and focus on the bottom line above all else. How 'success' is understood within the business community and how official regulation says it should be measured casts a long shadow over attempts to foster long-termism among politicians and business. Simply put, 'what gets measured, gets done'. And the metrics by which business success is currently measured do not provide an accurate reflection of long-term corporate health.

Short-term earnings indicators are a case in point. At the end of each financial quarter, companies present an earnings report to investors containing profit information. The obligation for publicly listed companies to account for their performance is necessary, but the truncated length of the reporting cycle imposes a barrier on the time horizons over which corporate planning takes place and erodes the incentives to take a long-term view. It can encourage hyperactive or tactical investment strategies aimed at boosting short-term performance rather than the gradual accumulation of social and economic value.

© Winniepix / Flickr

When short termism prevails, non-financial values take a back seat when they should be integral to a definition of success

'Quarterly capitalism', as the corporate behaviours which this process incentivises are known, does not take account of the stewardship of assets over years, but rewards transactional relationships over a matter of months. Short-termism also begets short-termism. As Tomorrow's Company note, the impatience associated with a pressure to report corporate performance on a quarterly cycle strengthens incentives to focus on monetary representations of value because of their perceived objectivity and accuracy.[64]

The systemic pressures to continue measuring success by reference to short-term earnings fluctuations is considerable. Survey evidence collected by the High Pay Centre in 2011 shows that "three-quarters (78 per cent) of executives would give up long-term economic value in favour of meeting the current quarter's earnings consensus". While the EU Transparency Directive in November 2013 abolished the requirement for public companies to publish quarterly interim management statements, a recent poll of Britain's 350 biggest companies in summer 2014 found that most companies will continue to do so because of market norms and pressure.[65]

There is an analogy with the difficulty governments have faced in breaking the grip of Gross Domestic Product (GDP) measures as an indicator of national economic performance. GDP is poorly correlated with living standards. In the 2000s the UK enjoyed strong economic growth, but between 2003 and 2008 median wages stagnated. Between 2002–03 and 2007–08 there was not a single year where real median household income increased by more than 1 per cent.[66] Nevertheless, the pressure on governments to orientate their economic policies towards boosting national output figures is immense.

The lesson is that what is easily observed is not always what creates value in the widest sense possible. As the organisation Integrated Reporting note, non-financial performance can be indicators of financial performance over the long-term.[67] Instead, different types of value are created over different time horizons and through different channels. The thinking is rooted in 'balanced scorecard' approaches, which aim to provide a more balanced view of organizational performance by complementing financial performance metrics with non-financial indicators.

When short termism prevails, non-financial values take a back seat when they should be integral to a definition of success. The Labour party has made the welcome commitment to abolish quarterly reporting requirements if elected in 2015.[68] But as well as the timeframe over which reporting happens, short termism is a product of the indicators used to measure performance. For this reason Labour's commitment to create a new reporting cycle should be accompanied by strategies to encourage more holistic accounts of company performance. The next government should work with bodies such as the Financial Reporting Council to build consensus around the use of non-financial metrics in the reporting process, such as measures of pay ratios, the living wage, and carbon emissions.

© Algy O'Connell / Flickr

Here the government can learn much from the growth of integrated reporting and the balanced scorecard approach.[69] This process presents a more comprehensive picture of corporate success by drawing out the interdependencies between economic, human and natural capital in corporate strategy; the company engagement to stakeholders and shareholders; and company performance over the long term. In a recent survey of over 1,300 CEOs, PwC found that over 70 per cent agreed with the statement that "measuring and reporting our total (non-financial) impacts contributes to our long-term success".[70]

The aim of this process should be for government to engage business in the process of redeveloping the UK's Corporate Governance Code, the set of legal principles which act as a guide to company decision making, which organisations including the Institute of Chartered Accountants in England and Wales (ICAEW) have called for.[71] UK corporate governance fundamentally affects the way in which organisations are run. In the UK, corporate governance arrangements entail a stronger mandate than in other countries for the directors of companies to represent the interests of its shareholders. The principle underlying these arrangements, sometimes called 'shareholder value', is laced with disincentives which undervalue the social, environmental and economic future to which businesses contribute.

But businesses should not wait to be forced by government to change their practices; indeed many business have moved already to embed social and environmental outcomes into their performance and remuneration criteria. The last government set out a series of environmental Key Performance Indicators (KPIs) which tried to make it easier for companies to measure, manage and communicate their environmental performance.[72] In total these comprised 22 individual KPIs, of which companies were expected to adopt around five of the most relevant. They range across emissions, resource use, supply chains and products, and could form the basis of a set of environmental KPIs for Labour's business charter.

Mark's and Spencer's Plan A is an example of linking performance assessment and reward to long-term sustainability targets. According to Which?, this "sets out a series of specific, measurable commitments, including a number on food and nutrition. There is clear responsibility for monitoring progress in meeting these promises, annual updates are published and the company says it will link progress on Plan A to bonuses for the management board."[73]

So companies should embed social, environmental and community goals at the heart of their business plans and operations, including KPIs, reporting mechanisms and reward structures.

We also support the recommendation of the Ownership Commission in 2012 that companies be required to make a statement of business purpose in their annual reports. It would be important that this was not buried in a footnote or an appendix; a bullet point in a subsection on page 57: it should be front and centre, in an executive summary or in the CEO's statement, to give top level accountability and articulate the values which guide decision making at the firm level. Compliance with this statement would represent a performance indicator in the reporting process and directors should outline a statement of the long-term direction of travel towards realising this aim.

A statement of business purpose would serve multiple functions. First, it would help company directors keep two time frames in mind – the requirement to be profitable in the short term and sustainable in the long term, alleviating the pressure to exclude the latter. Second, it would aid government-business partnerships by establishing a shared values base or common ground from which cooperation and negotiation could begin.

So companies should embed social, environmental and community goals at the heart of their business plans and operations, including KPIs, reporting mechanisms and reward structures

Ownership: All of our business

The government should undertake a review into alternative ownership forms which are more long-termist in outlook. A number of studies have shown how employee-ownership models and mutuals find it easier to adopt strategies in which long-termism and sustainability are integral to the value creation process. An expansion of non-PLCs would contribute to the development of a longer-term culture based on profit-making rather than profit-maximising. As William Davies has argued:

> *"Being organised and owned differently, without the constant threat of investors exiting, engagement with staff and other stakeholders can become the primary focus of management, rather than the add-on once shareholders have been satisfied. And to the extent that relationships are more enduring and reliable, then more tacit knowledge and intangible business value can be shared, both inside and outside the firm."*

Experimentation with new legal forms of company similar to the 'Benefit Corporation' in America should be encouraged. Benefit Corporations have an explicit social or public purpose and are under fiduciary duty to report on the public, social or environmental value created in addition to its profits. This legal structure hardwires a set of aims wider than financial value into the life of the company.

The government should also act on proposals to redefine fiduciary duty to encompass stewardship and commitment to stakeholders. This would involve revisiting principles of the Corporate Governance Code to strengthen the position of stakeholders in relation to shareholders. The TUC have recommended amending the duties of directors as set out in the Companies Act to reflect the sovereignty of acting in good faith to promote the long-term success of the company, making serving shareholders and stakeholders a sub-section of this primary mission.[74]

Another proposal which has gained increasing approval is having employees sit on company boards, a corporate governance model used in Germany and elsewhere in Europe. Employee involvement in company decision making is typically referred to in the debate over corporate remuneration, and it has an important role in this respect.[75] However, employees can also offer insights into corporate strategy which traditional board level perspectives often struggle to observe. This is consistent with research which finds that motivation among staff and a culture of openness to ideas is the key contributing factor to workplace innovation, not 'heroic' leaders.[76]

Tax: Carrot and stick

Tax is a fraught area for the Labour party and the threat of confiscatory taxation is one that, for many, the party is strongly associated with. One of the most important ways governments have sought to signal their pro-business intentions has been in the area of personal taxation. New Labour's commitment not to raise the top rate of tax was seen as crucial to signalling that it was on the side of wealth creation. The current Labour leadership has used tax to signal a preference for small and medium sized enterprises, with the party's policy review stating, "Labour will not go ahead with

© Christopher Smith / Flickr

the Tories' additional corporation tax cut for large businesses and will cut and then freeze business rates for small and medium sized businesses instead."

As the Cox Review states, "taxation – or exemption from taxation – is a powerful tool for incentivising behaviour."[77] So it is important that tax is intelligent and tax incentives are used to encourage more businesses to adopt enlightened business strategies based on investment, training, committed relationships with employees and government and monitoring their environmental responsibilities. Blunt regulation can encourage instrumental business behaviours and work against the spirit of authentic industry partnerships this report is aimed at.

The next government should link executive remuneration with long-term company performance: profit optimisation; environmental sustainability; and community engagement. A proportion of executive remuneration should be paid in the form of deferred shares, to weaken the incentives to hyperactive market behaviour and discourage exit, as proposed by the Kay Review. [78]

We support the proposals outlined in the Cox Review aimed at instilling company long-termism through the use of tax incentives: for example, reducing in steps the tax levied on dividend income/gain on the sale of shares dependent on the length of time held; tapering Capital Gains Tax on shares in steps from 50 per cent in year one down to 10 after a decade. However, the next Labour government should only provide tax breaks and subsidies to companies who can demonstrate detailed assessment of long-term shared value creating and social and environmental impacts. This would complement the proposals outlined in the Cox Review aimed at instilling company long-termism through the use of tax incentives.

Leadership: Walking the walk

Both government and businesses have the opportunity to live their values and demonstrate their commitment to long-term goals by the way they act themselves and the people they work with. A good example of this is the living wage. Currently Labour councils take the living wage into account when awarding procurement contracts, and the party has said national government should do the same. Government could go beyond this by seeking to support and explicitly champion companies which meet the highest standards of shared value creation.

As the example of Griffon Hoverwork demonstrated, companies could make choices which prioritise strengthening employment opportunities in their local community, in this example by using local apprentices rather than agency workers. Companies should also ensure their supply chains are sustainable and only use suppliers who meet the highest standards of sustainability. There are also opportunities to prioritise local suppliers. The chair of the CBI Construction Council recently urged companies to "think local", as part of the CBI's Great Business Debate: "Construction firms need to buy materials, as well as often needing to sub-contract work out. If those firms make it a priority to purchase and employ locally wherever possible – to buy those materials from local suppliers, and sub-contract primarily to local firms – the benefits of a particular building project in a small … region can be immense."[79] There is a strong business case for supporting local procurement, simplifying supply chains, reducing logistical costs and, as the Co-operative Group research recently found, it has strong consumer appeal too. [80]

CONCLUSION: RISK AND REWARD

Like the New Labour governments after 1997, the Labour party's work since leaving office in 2010 has been defined by its relationship with business. But whereas the party before it went to great lengths to appear avowedly 'pro business' and assure the private sector of its light touch intentions – the so-called 'prawn cocktail offensive' – in opposition Labour has sought to outline an alternative vision.

This vision is no less supportive of business in principle, but seeks to set a new direction for the private sector. At the core of the argument is the insight that government itself must adopt a new role and relationship with business in order to move Britain's economy onto a new path. This has tended to be presented in political debates by proponents and opponents alike as a radical agenda, yet this report has shown how much common ground exists between the politicians who wish to see the development of a more responsible capitalism and the businesses who are often already doing it. The opportunity is there to build on the common ground that already exists, and this should be the mission of the next Labour government. It can do this by outlining a clear vision for economic success, establishing the trusting relationships necessary to achieve that vision, and then working with businesses to make doing the right thing also the easy thing.

But we risk missing the moment, with the shutters closing on the window of opportunity for change. There is a growing risk that, as trend growth returns to the UK economy, companies forget promises made in the aftermath of the crash, revert to type and perhaps permanently fracture trust with a public who have been promised 'better business'. Recent years have witnessed an endemic collapse in the relationship between elites and the public – political parties, the press, the police, big business – so we are at a febrile moment where any retreat could have disastrous consequences both for the UK's long-term economic health and for political disengagement. How many junctures and watersheds can we go through without people noticing any difference when we come out the other side? If political and business elites can't work together to develop a sustainable economic model that generates prosperity everyone can share in, people will rightly lose faith in the ability of public institutions to offer solutions to the big challenges we face. The public want change, but don't believe either businesses or politicians will deliver it. It's up to both sides to work together to prove themselves worthy once again of people's trust.

© Andrew Mowbray / Flickr

REFERENCES

1. Moore, E, 'Responsible business – FT special report'. Financial Times (08.07.2014) www.im.ft-static.com/content/images/9fabd2d8-0591-11e4-9ebc-00144feab7de.pdf

2. Cameron, D MP, Speech at Department for Energy and Climate Change (14.05.2010) www.gov.uk/government/speeches/pms-speech-at-decc

3. Parker, G and Groom, B, 'Osborne maps out road to recovery'. Financial Times (03.10.2011) www.ft.com/cms/s/0/1484b58e-eddf-11e0-a491-00144feab49a.html#axzz3HAMa6td4

4. Haldane, AG, 'Twin Peaks'. Speech at the Kenilworth Chamber of Trade Business breakfast (17.11.14) www.bankofengland.co.uk/publications/Documents/speeches/2014/speech764.pdf

5. Porter, M and Rivkin, J, *An Economy Doing Half Its Job: Findings of Harvard Business School's 2013–14 Survey on U.S. Competitiveness.* Harvard Business School (2014) www.hbs.edu/competitiveness/pdf/an-economy-doing-half-its-job.pdf

6. For full details of the poll see Wallis, E (ed.), *All Of Our Business: Building better partnerships between government and industry.* Fabian Society (2012)

7. Tawney, RH, *The Acquisitive Society,* Harcourt, Brace and Company (1920)

8. Bonini, S et al., 'Valuing social responsibility programs'. *McKinsey Quarterly* (July 2009) www.mckinsey.com/insights/corporate_finance/valuing_social_responsibility_programs

9. Cumming, R. *Whatever happened to "Corporate Social Responsibility"?* Ipsos MORI Scotland (2012)

10. Wilson, J. *Letting Go: How Labour can learn to stop worrying and trust the people,* Fabian Society (2012)

11. Harrop, A and Tinker, R, *Measure for Measure: Economic indicators for a fair and prosperous society.* Fabian Society (2014)

12. Department of Health, *The Public Health Outcomes Framework for England, 2013–2016,* Department of Health (2012)

13. Harrop, A and Tinker, R, *Measure for Measure: Economic indicators for a fair and prosperous society.* Fabian Society (2014)

14. McFall, S. L and Garrington, C (eds), *Early findings from the first wave of the UK's household longitudinal study.* Institute for Social and Economic Research, University of Essex (2011). Also the Office for National Statistics' recent programme of work on the measuring of social capital suggests a number of measures of local community, including: views on physical environment; facilities in the area; enjoyment of living in the area; fear of crime.

15. Evans, R. 'How to 'Miliband-proof' your investments if Labour wins the election', The Daily Telegraph, 9th June 2014 www.telegraph.co.uk/finance/personalfinance/investing/funds/10886006/How-to-Miliband-proof-your-investments-if-Labour-wins-the-election.html

16. Wood, S. 'A Better Capitalism', *Fabian Review,* Vol 123, No 3 (2011)

17. See Purnell, J and Cooke, G. *We Mean Power: Ideas for the future of the left, Demos (2010); Sainsbury, D. Progressive Capitalism: How To Achieve Economic Growth, Liberty and Social Justice,* Biteback (2013), Norman, J. Conservative Free Markets, and the Case for Real-Capitalism, www.jessenorman.com (2011), Blond, P. *Red Tory: How Left and Right have Broken Britain and How we can Fix It,* Faber and Faber (2010)

18. Diamond, P. 'We're All Good Capitalists Now', *Fabian Review,* Vol 123 No 4 (2011)

19. Friedman, M, *Capitalism and Freedom.* University of Chicago (1962)

20. Parker, G, Pickard, J and Groom, B. 'Labour and the City', *The Financial Times,* June 12 (2014) www.ft.com/cms/s/0/3a98788a-efc8-11e3-9b4c-00144feabdc0.html#axzz3O1xA3Gbz; Mason, R. 'Miliband is giving confused message on Labour business policy, says Mandelson' *The Guardian,* 19 June (2014) www.theguardian.com/politics/2014/jun/19/miliband-mandelson-business-support-jobs-growth-labour; Felsted, A and Sharman, 'Waitrose defends customer loyalty scheme', *The Financial Times,* March 6 (2014) www.ft.com/cms/s/0/a3f3aac6-a512-11e3-8988-00144feab7de.html

21. Behr, R. 'Consumer Socialism? Ed might be onto something here', *New Statesman,* 27 September (2013) www.newstatesman.com/politics/2013/09/consumer-socialism-ed-might-be-something-here

22. O'Leary, D. 'Government as 'consumer champion'', *Demos* (2013) www.demos.co.uk/blog/governmentasconsumerchampion

23. Bounds, A.'CBI chief sees new order in business', *The Financial Times,* April 2 (2009) www.ft.com/cms/s/0/ebd2c55c-1fa7-11de-a1df-00144feabdc0.html#axzz3GCs4nkA8

24. Labour's Policy Review, *One Nation Economy,* Labour Party (2014)

25. www.newstatesman.com/politics/2014/09/ed-miliband-s-speech-labour-conference-full-text

26. Armitt, J. *The Armitt Review: An independent review of long term infrastructure planning commissioned for Labour's Policy Review,* Labour Party (2014)

27. Husbands, C. *A revolution in apprenticeships: a something-for-something deal with employers: The Husbands Review of Vocational Education and Training,* The Labour Party (2014)

28. Adonis, A. *Mending the Fractured Economy: Smarter state, better jobs Final report of the Adonis Review,* Labour Party/Policy Network (2014)

29. Tott, N. *The Case for a British Investment Bank: A Report for Labour's Policy Review,* Labour Party (2013)

30. www.b.3cdn.net/labouruk/8c18c5aa6094da5f21_wtm6bnni8.pdf

31. www.cbi.org.uk/media-centre/press-releases/2014/08/being-inside-reformed-eu-can-secure-economic-future-cbi

32. Warrell, H. 'Skilled migrant cap has damaging effect on UK recovery, says Cable', *The Financial Times,* September 28 (2014) www.ft.com/cms/s/0/362361ea-4322-11e4-9a58-00144feabdc0.html#axzz3M9kU0DFB

33. Sachrajda, A and Pennington, J. *Britain Wants You! Why the UK should commit to increasing international student numbers,* IPPR (2013)

34. 'Closing the doors to foreign students', *The Financial Times,* April 7 (2014) www.ft.com/cms/s/0/217dffe2-be5d-11e3-b44a-00144feabdc0.html?siteedition=uk#axzz3L1EbRQQB

35. Cox, G. *Overcoming Short-termism within British Business: The key to sustained economic growth,* The Labour Party (2013)

36. Whipp, L and Barrett, C, 'Tesco in charts: What does Dave Lewis have to do?', *Financial Times* 23 October (2014)

37. Hashem, K, Haigh, C, and Powell, C. *The Irresponsibility Deal? Why the Government's Responsibility Deal is better for the food industry,* Sustain (2011)

38. Marmot, M. *Fair Society, Healthy Lives: The Marmot Review,* The Marmot Review (2010)

39. CIPD, *Employee Outlook* (Spring, 2014)

40. Food Ethics Council, *Beyond Business as Usual: Towards a sustainable food system* (2013)

41. Marks & Spencer, *Plan A Report* 2014 (2014)

42. See www.bitc.org.uk/issues/community/community-investment

43. Harrop, A (ed), *The Great Rebalancing: How to fix our broken economy,* Fabian Society (2012)

44. Leonard, M. *Europe was the Future Once … And how it can be once again,* Fabian Society (2014)

45. Porter, M and Kramer, M. *Creating Shared Value: How to reinvent capitalism and unleash a wave of innovation and growth,* Harvard Business Review (2011)

46. Goodhart, D. 'A Post Liberal Future', *Demos Quarterly,* Issue 1 (2013)

47. Insight for the Future. *An Insight into Modern Manufacturing,* Royal Academy of Engineers, The Institution of Engineering and Technology, The Institution of Mechanical Engineers (2014)

48. CBI. *Gateway to Growth: CBI/Pearson education and skills survey* 2014 (2014)

49. Department for Business, Enterprise and Regulatory Reform. *Building Britain´s Future – New Industry, New Jobs.* BERR. (2009)

50. See Heseltine, M. *No Stone Unturned: In pursuit of growth,* Department for Business, Innovation and Skills (2012); Adonis, A. *Mending the Fractured Economy: Smarter state, better jobs. Final report of the Adonis Review,* Labour party (2014)

51. www.ipsos-mori.com/researchpublications/researcharchive/15/Trust-in-Professions.aspx

52. 'CBI launches campaign to boost public confidence in business' (04.09.2014). See www.cbi.org.uk/media-centre/press-releases/2014/09/cbi-launches-campaign-to-boost-public-confidence-in-business

53. Hall, P and Soskice, D (eds). *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage.* OUP (2001)

54. Nuffield Council on Bioethics. *Public health ethical issues.* London, Nuffield Council on Bioethics, (2007)

55. Institute for Government. *The introduction of the National Minimum Wage* (1998) (2011)

56. Lawton, K and Pennycook, M. *Beyond the bottom line: The challenges and opportunities of a living wage,* IPPR (2013)

57. Clarke, N.'The lost art of industrial relations' (29.10.2010) www.ipa-involve.com/news/the-lost-art-of-industrial-relations

58. www.bbc.co.uk/news/business-27414830

59. Corry, D. 'Power at the Centre: is the National Economic Council a Model for a New Way of Organising Things?' *The Political Quarterly,* Volume 82, Issue 3, pages 459–468, July-September (2011)

60. Rutter, J. *Was Gordon Brown's 'Economic War Council' a new model for driving the PM's agenda?* Institute for Government (2011) www.instituteforgovernment.org.uk/blog/2728/was-gordon-browns-economic-war-council-a-new-model-for-driving-the-pms-agenda

61. Kay, J. *Obliquity: Why our goals are best achieved indirectly.* Profile (2011)

62. Ibid. There are many other examples. See Deakin, S in Williamson, J (ed.). *Beyond Shareholder Value: The reasons and choices for corporate governance reform,* TUC (2014) who argues that corporate short termism has had a weak and sometimes inverse relationship with the creation of corporate value.

63. See Collins, J, *Good to great.* Random House (2001); Collins, J and Porras, J, *Built to Last: Successful habits of visionary companies.* HarperCollins (1994)

64. Tomorrow's Company. *Tomorrow's Stewardship* (2011)

65. FT–ICSA Boardroom Bellwether Survey (2014) www.icsa.org.uk/products-and-services/knowledge-and-guidance/research/ft-icsa-boardroom-bellwether

66. Cribb, J et al. *Living Standards, Poverty and Inequality in the UK: 2013.* IFS (2013); Resolution Foundation. *Gaining from Growth: The final report of the Commission on Living Standards* (2012)

67. IIRC. *Realizing the benefits: The impact of Integrated Reporting* (2014)

68. Miliband, E. Speech to the Policy Network Inclusive Prosperity Conference (03.07.2014) www.press.labour.org.uk/post/90646112699/ed-milibands-speech-to-the-policy-network

69. IIRC. *International Integrated Reporting Framework* (2013) www.theiirc.org/wp-content/uploads/2013/12/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf

70. PwC. *17th Annual Global CEO Survey* (2014) www.pwc.com/gx/en/ceo-survey/2014/assets/pwc-17th-annual-global-ceo-survey-jan-2014.pdf

71. See ICAEW. *Five questions, new challenges* www.icaew.com/en/technical/corporate-governance/dialogue-in-corporate-governance/five-questions-new-challenges

72. DEFRA. *Environmental Key Performance Indicators: Reporting guidelines for UK business* (2006)

73. Which? *A Taste for Change? Food companies assessed for action to enable healthier choices* (2012)

74. TUC. *TUC Response: A Long-Term Focus for Corporate Britain. TUC response to BIS call for evidence* (2011)

75. FES/High Pay Centre. *Workers on Boards: Interviews with German employee directors* (2012)

76. Patterson, F et al. *Everyday Innovation,* NESTA (2009)

77. Cox, G. Overcoming Short-termism within British Business: The key to sustained economic growth, The Labour Party (2013)

78. Kay, J. *The Kay Review of UK equity markets and long-term decision making.* Department for Business, Innovation and Skills (2012)

79. 'How Think local, Help local can build grass-roots economy'. West Morning News (09.10.2014) www.westernmorningnews.co.uk/Think-local-Help-local-build-grass-roots-economy/story-23073268-detail/story.html

80. 90% per cent of shoppers wanted supermarkets to sell more food from British farms, for example. See, Voinea, A. Co-operative Food supports UK farmers with £1.5bn investment, Cooperative News (08.12.2014) www.thenews.coop/92364/news/agriculture/co-operative-food-supports-uk-farmers-with-1-5bn-investment