

Something is stirring in Britain's boardrooms



John Fallon

CEO, Pearson PLC (2013 - 2020)

*Business leaders are acknowledging that they have broader obligations than pure financial returns and can be allies in building a better post-pandemic Britain, writes **John Fallon***

“What’s true of all the evils in the world is true of plague as well. It helps men (and women) rise above themselves.” Albert Camus, *The Plague*

In any list of the business winners and losers of Covid-19, the tripling of sales of Albert Camus’ *The Plague* makes for a quirky footnote. As we recover from a pandemic that has killed so many, the hopeful message within that book could inspire Labour to prove that it is unashamedly pro-business. Business leaders are ready to rise above themselves; to define the purpose of their companies in a more rounded way, and help a post Brexit, post pandemic Britain rise above itself, too.

Perilously late in the day, business is tackling climate change, and we’ll see a slew of net zero commitments in the run up to the COP26 Glasgow summit. Blackrock’s Larry Fink, the biggest shareholder in the world’s biggest companies, states bluntly that climate risk is finance risk and we will see a fundamental reallocation of capital to sustainability. Meanwhile, the Black Lives Matter movement has prompted employees and customers to hold CEOs to account in ways that will, over time, make businesses, and their leadership, much more diverse and inclusive.

Something is afoot. American capitalism has always been redder in tooth and claw than the British variant. But US corporate leaders are finally ditching the absolute focus on shareholder value popularised by General Electric’s Jack Welch in favour of a more rounded commitment to the needs of their consumers, communities and employees.

Bill Gates recently identified what that something is. Measured by growth in GDP and life expectancy, life is better than ever. Yet increasing polarisation suggests capitalism is in some sort of crisis. There’s a spatial divide between thriving cities and struggling towns; and a class divide between those who have a college education and those who don’t. Both tensions are particularly acute in the UK.

The pandemic has exposed these fault lines. UK graduates earn 60% more than non-graduates. They are better equipped to work from home, protecting their incomes and their health – and are better able to help home school their children. In parts of the country, only 20% of pupils who get free school meals go on to higher education – the same children whose education has suffered most from COVID-19.

Boardrooms are waking up to these disparities. If a crisis of the “precarariat” – an epidemic of low paid, insecure jobs – goes unchecked, then their own businesses are in peril. A Financial Times editorial recently concluded that with right wing populism unable to deliver on its promises, “it is just a matter of time before the pitchforks come out for capitalism, and for the wealth of

those who benefit from it". This generation of leaders needs to respond with solutions as radical as those advocated by Roosevelt and Keynes before them.

This Government is more interventionist than its Conservative predecessors – responding partly to “red wall” constituencies but primarily to mitigate Covid-19. Even as normality returns, the Government will need to be activist – fiscal stimulus to ensure recovery in consumer demand; helping business investment bounce back; ensuring company debt does not get in the way of a recovery.

The temptation for Labour might be to meet this statist approach and “twist” - by ramping up its own interventionist policies towards long term investment, corporate governance and regulation. Whilst these might all have a role to play, Labour should be wary of its natural impulses.

Better, first, to define the problem in a way that can excite and inspire business– and create a real sense of reciprocity between these firms and local communities. The UK’s extreme regional inequality is our inconvenient truth: the British economy can’t afford, culturally or economically, to fly on one regional engine. There is no way to build Britain back better without all parts of Britain being more productive and creating more wealth. In other words, Labour must be both unashamedly pro-business and unambiguously in the business of creating more wealth.

This requires us to appreciate a new phase of globalisation. Covid-19 is the latest in a series of shocks to global supply chains, making “just in case” as important as “just in time”. And as incomes rise in emerging economies, the benefits of outsourcing globally diminish. According to McKinsey, up to a quarter of global trade could move across borders in the medium term - reverting to domestic production, “nearshoring” or choosing different offshore locations.

Technology is transforming our ability to address unmet needs. We’re at the foothills of what’s possible in decarbonisation, biotech and life sciences, agri-tech, fintech, and the power of artificial intelligence to personalise healthcare and education. In this fourth industrial revolution, the right mix of venture capital, R&D and bold, entrepreneurial leadership can create whole new companies and sectors – and generate new wealth for regions– at lightning speed.

Even before the pandemic, global companies were thinking about the future of work – and the importance of lifelong learning. Attributes that machines find hardest to learn –the ability to lead, to serve, to comfort, to adapt to change, to connect, to manage complexity and ambiguity – are as much about the hand and heart as they are the head. Jobs of the future will require combinations of all three.

By digging into these trends, Labour can develop enterprise friendly policies in areas like taxation, research & development and infrastructure with a view to generating greater wealth for all. For example, this country desperately needs a new approach to education and training, finally burying the dichotomy of “academic” or “vocational”, moving beyond the degree as the primary signal of employability. All of us need to learn how to learn, go on learning and acquire new skills throughout our working lives.

After thirty years in which economic and social trends have battered UK regions, global trends may now be shifting in ways that can help all of Britain create wealth. If progressive politicians can frame the challenge – and the opportunity – in these terms, they’ll find a generation of business leaders willing to rise above themselves - and find their wider purpose.

John Fallon was Chief Executive of Pearson, the FTSE-100 publishing and education group, from 2013 to 2020. He is the chair of WarChild UK.