

**Centre for Enterprise, Markets and Ethics
Conversations in Business**

**“Regulation and the British Economy: Freeing up the Enterprise Economy”
- Blackfriars Hall, University of Oxford, 21 February 2013**

Panel Speaker: Bernard Grenville-Jones

Transcript

Well good evening everybody and may I begin by thanking Lord Griffiths, Richard Turnbull and the CEME for inviting me here tonight.

Truth be told, I feel deeply honoured to be sitting on this most esteemed panel and to be addressing you all tonight.

I hope you'll agree that it's probably worth spending just a minute or so telling you a little bit about me and about my involvement with enterprise.

I was born and brought up in Cape Town, South Africa and my family returned to England in 1989, when I was 14. We came to Oxford with literally nothing. Now, I'm not a Branson, or a Dyson, and I'm certainly not a Sugar and I haven't done it on my own, but I suppose I am a relatively successful businessman. In fact, I've been an entrepreneur for over 20 years, taking risks and doing things differently and on Saturday, I'll be celebrating two birthdays. Whilst I'll be turning 38, the company that I cofounded in 1994, will be turning 19, so by Sunday, I will have spent over half of my entire life so far, building our company and in that time, we've done over £40 million worth of business, in over 20 countries.

Our primary business is in financial services. You could call us an actuarial boutique. We're medium-sized in the actuarial consulting marketplace and we're headquartered in the City, just near to the Gherkin. We focus on progress and excellence in the mutual sector and among medium-sized insurers. Ours is very much a people and technology business. Our specialisms include cutting-edge approaches to financial modelling across the insurance world along with a broad range of consulting expertise and also some interim resourcing solutions. One of our fantastic innovations, driven by the fact that we started the company with nothing, is that we are today, and have always been, an entirely paperless, teleworking company. In fact, we've built one of the most sophisticated teleworking infrastructures in the country and this is all about people and culture. It's not just about the enabling technologies - in many ways, they're just the easy bit - it's much more about the psychology than it is about the physiology. Teleworking may be common enough today but 20 years ago this was a revolutionary model. And we're very used to pioneering new ground.

I'm also personally involved in a number of charities and voluntary activities across Oxfordshire and these have as their common centre of gravity my belief in the importance of bringing Local Business and Local Education much closer together.

So that's a bit about me and about where I'm coming from.

I've planned to talk to you tonight for about 15 minutes, and I hope that's okay with everybody.

I want to cover just three main areas :

Firstly, my own views about regulation and entrepreneurship
Secondly, I want to explore regulation and the enterprise
And finally, I want to share with you the new forms of regulation that I think matter most

Now, when I was asked to join tonight's panel I thought "well, you know, you've got the wrong guy"

For me, regulation is just part of the landscape, it's not something I've ever really dwelled upon. It doesn't really affect one's thinking about the big ideas and in fact, if I'm really honest, I tend to bore quite quickly in the classic conversation about cutting red tape. You know, let's worry about the hard stuff like finessing our offering in readiness for Croatia's admission to the EU, or translating all of our standard contracts and agreements into Russian, or finding a way to get a commercial foothold in France, or setting up distribution in China.

You know, in all this, I've always viewed regulation as just another part of business, something else to be proactive about.

Of course there are frustrations along the way, just like there are with every part of business but I've never felt as though our business has been unduly constrained by regulation.

It's a bit like the famous 20th Century Design Pioneer, Charles Eames said. He said "I've never compromised, but I've willingly accepted constraints". So, this led me to ponder one of tonight's key questions : Does regulation strangle the creativity and innovation that underpins enterprise?

Now, to answer this, I'm going to have to use the e-word again, but don't worry, I'll come on to the f-word later...

Nowadays the Entrepreneur is a word that is grossly overused and it has been hugely devalued as a result. In fact, a good friend of mine often jokes that the business lexicon is a place where words go to die, and in the case of the entrepreneur, I fear it's probably true. So it's become a word that's likely to trigger different emotions and reactions in different people and this makes it

really hard to define what the word actually means, today. In essence though, an entrepreneur is a person who seizes an opportunity to do something differently and who takes on greater than normal personal risks in order to build a business around that.

So my point is, that what you might ask more directly is whether regulation strangles the entrepreneur, leaving for later, the question of whether it strangles the enterprise.

My sense is that it takes a hell of a lot to strangle an entrepreneur and even three times the effort to strangle an entrepreneur with a great idea, and the bit between his teeth. This is because the fundamental characteristic of the entrepreneur is Fortitude, and there's the f-word. The focussed entrepreneur is working hard on the fun stuff and he's leaving the regulation to somebody else to worry about. Nonetheless, some do say that our relatively high rates of personal taxation are the enemy of our future - a disincentive to those who would drive the recovery, and speaking as a one-income family living in Oxford, I have to say that a marginal tax rate of 62.5% doesn't exactly slip under the radar.

But I don't really believe that it puts off entrepreneurs, it mostly just frustrates them - it feels counter-intuitive, a bit insulting even. Still speaking as an entrepreneur, another frustrating feature of the regulatory landscape is entrepreneurs tax relief. I mean, it's a great idea, in principle but in order to be eligible, you have to be an employee or an official of the company and although this is probably an unintended consequence of the regulation, it wreaks absolute havoc with good succession planning and good corporate governance by the responsible entrepreneur, who is in it for the long run.

In summary though, I do believe that the underpinning of enterprise in the UK, entrepreneurship is pretty safe and sound, for now.

But I said I would return to the question of whether regulation strangles the enterprise.

Regulation is clearly a constraint, often an expensive constraint, on enterprise, on business-as-usual, if you like. And because of legacy, the status quo, and future politics, there will always be further iterations and changes - there'll be increases in some areas of regulation and decreases in others. Regulation is just destined always to be an undulating landscape.

So I do have some sympathy for those who feel as though regulations are too large and too complex; not proportionate to the purpose.

But the thing is, I don't feel as though any of this is in any way new - society has always sought to regulate commerce.

As we're just a few miles from his birthplace, and his resting place, it seems an ideal opportunity to quote Winston Churchill. He said "Some see private enterprise as a predatory target to be shot, others as a cow to be milked, but few are those who see it as a sturdy horse pulling the wagon". We could take yet another leaf out of his book. I mean, after all, he wasn't confused between his cows and his horses.

So despite being billed as tonight's successful entrepreneur, and I've talked a bit about that already, I'm also here tonight because I do see my enterprises as those sturdy horses pulling the wagon and I know that many companies do feel as though regulations are the weapons of the predators Churchill refers to. And so I decided I ought also to share with you some of the practical issues of regulation that my businesses have faced.

First, a really positive practical issue -

Managing with Regulations in a proactive manner can really help to raise the profile of Good Governance in any business and this can in turn help to promote good Risk Management and Compliance Procedures. It can lead to better Strategic Planning and can even help to trigger more meaningful Stakeholder Engagement, and all of these things can help any business to get closer to its market and closer to its customers.

But as it happens, I was able to come up with some more negative examples, too.

In my own personal experience, the most difficult problems in business usually involve people and relationships - suddenly losing a staff member who meant so much to the company, or discovering that somebody you trusted let you down, or coping with the fallout when individuals' value systems don't match up, and relationships break down. Now these relationships are very often presided over by employment regulations that make it very difficult, even for the best-intentioned business to manage the situation sensibly.

In my view employment regulation is a particularly poignant example of where regulation can indeed come close to strangling the enterprise, or at least in slowing it down and damaging the all important ingredient in today's business world which is agility.

In fact, my sense of the complaints about regulation in UK businesses is that a good 70% of the problem, lies in this area alone.

But would business be better without regulation? No, I really don't think so; everything is restrained, in some way or another. And when businesses complain about regulation I believe they're complaining about bad regulation, so I don't think it makes sense to set out with a goal of reducing regulation. Surely it makes much more sense to set out with a goal of improving it?

In September David Cameron pledged again, to "cut through the dither" that is holding this country back, but since 2010 his initiative to chuck a load of regulation in the wastebin has done little more than generate over 900 public consultations. Just cutting red tape is well intentioned perhaps, but surely there are lots of regulations because it's complicated out there.

It's a classic case - the difference between theory and practice is very often much bigger in practice than in theory.

So in summary, I believe regulation can and should be improved. The proposed new Code of Conduct around Settlement Agreements and Protected Conversations is a good example of a really positive change in emphasis in employment regulation

and if we could just find some momentum, changes like these, over time, could really start to have a material impact on business-as-usual.

Well, finally, I want to talk a little bit about the kinds of regulation that I think businesses really need to be most focussed on, especially in 2013 and beyond if they want to continue to be some of the best companies in the world.

We all know that neither Entrepreneurial nor Enterprising automatically means Ethical and whilst there are many very ethically-minded, sustainable businesses out there these days we have to recognise that regulation is unavoidable if society is to seek to protect itself from unscrupulous profiteers and irresponsible employers. But the complexities that occur when corporations are global and when they become more influential than governments and when their leaders become so remote from their customers when they're concentrating on delivering shareholder value above all else, well, unsurprisingly, this leads to fundamental problems with both the relevance and the enforcement of Government Regulations.

If one man's drive is to make money his way, no matter what, then do regulations even work?

You could take the same view as Roger Steare, at the CASS Business School, that rules simply don't work, unless you're 8 years old.

Rules certainly haven't been able to keep some bankers from acting in self-interest alone, and neither have they kept horse tranquilizers out of the human food chain.

Is it any surprise that it has become so easy to draw uncomfortable parallels between global businesses and autocratic regimes?

So what is the solution?

Well, I believe very strongly that new forms of regulation automatically emerge for every shift in society and you can see this happening, when you look back through history. And as society is becoming much more focussed on fairness and fulfilment and as the backlash against greed and control gains traction so you can see that Social Media has evolved not as a means of self-expression but in fact, as a means of Regulation. Regulation by the Individual. Real influence, claimed, by the individual, empowered by the tools of the Internet. Gone is the passive customer. Gone are the physical limitations of the crowd and Brand is no longer defined by what a Business says to a Customer, now it's defined by what a Customer says to a Customer.

The information revolution has surely swung the pendulum and this has really significant implications for the moral conduct of business. The best companies in the world are becoming the ones who focus on people, purpose and promises, not on profit, process and platitudes.

As the youngest global Chief Executive in the history of advertising and the man who advised David Cameron on his election campaign - David Jones - says "Who Cares - Wins".

Social Media is forcing businesses, politicians and leaders to be more Socially Responsible and Accountable. It will reward those who are and it will remove those who are not.

And so, in closing, and with my business and education wedding hat on, I pondered one of tonight's other key questions - How might we encourage entrepreneurship?

I want to tell you the number one thing that I believe will really free up and energise the enterprise economy - and that is simply dedication to our young people. In particular, giving our time, not just our money, but our time - to listen, to share and to inspire and to help everybody to find something that they love to do, and then to teach them to believe in themselves and in the future.

Thank you.
