Max and Esther De Pree Presidential Lectureship 2015

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Faith, Leadership and the Global Marketplace

Mr President, ladies and gentlemen,

It is a great honour as well as a pleasure to be invited to give the Max and Esther de Pree Presidential Lecture for this year.

It's my great pleasure to begin by paying tribute to Max and Esther.

I first met Max in the late 1980's at a conference on economics and religion in Bel Air Presbyterian Church at which we were both speakers. At the end of the conference he said that when I left working for the Prime Minister in 10 Downing Street, he would like me to join the board of Herman Miller, a company of which he was

Chairman and about which frankly I knew very little. When I left No.10 I did indeed join the Board and served on it for 21 years.

I had no idea when I accepted the invitation how distinctive Herman Miller was as a leading company in its field of design and office furniture or how transforming the experience would be. Most important was the impact which Max and other Board members, whom he had a hand in choosing and some of which are here this evening, have had on my understanding of the purpose and character of the business corporation. It was the first for-profit board on which I served, my only other experience of board membership being a non-executive director on the Court of the Bank of England. Max thought it important that once a year a board meeting should include spouses in their activities and so through these annual meetings Rachel and I became good friends of not just Max but Esther something which has continued since we met in the early 1990's.

I would like to give you one example of Max's integrity as a business leader. The occasion was a meeting of the board of Herman Miller when Max was Chairman. We were building a new plant in Georgia and at the board meeting Max asked us if we would go to the next room and inspect the architect's model of the facility. After we had examined it we returned to the boardroom and he asked for our views. They were uniformly positive. However he himself said he had one problem. Herman Miller had a policy that every employee should have a workspace in which they had access to natural light and could see something of nature. He pointed out something which none of us had noticed. There was one area in the building in which this was not possible, and so after a discussion, we agreed that the architect should be asked to redesign that part of the structure.

That for me is integrity. As Marion Wade, one of the founders of ServiceMaster put it "if you don't live it, you don't believe it". As Chairman and CEO Max lived what he believed.

This is a rather lengthy introduction but I hope it shows the debt I owe to Max and Esther.

The title which I was given for this lecture is 'Faith, Leadership and the Global Market Place' and I would like to tackle it in three stages:

-first to say something about the global market place;

- then to make some observations on the place of faith in the market place of business today;

- and finally to look at some of the challenges facing faith-based leadership in the global market place

The De Pree Centre is based in a theological seminary. I am not a theologian and I have some but very little experience in teaching seminarians. However as a lay person who reads the work of theologians and values the guidance of church leaders I hope my experience may be of some value to those who are theologians and who do teach seminarians.

I take it that the global market place is synonymous with the global market economy or global capitalism. In framing the context for this subject four elements are vital. One is to place the global market economy in historical perspective. The second is to recognise its weaknesses as well as its strengths, its failures as well as its successes. The third is to take a broad perspective rather than a narrow one focused simply on technical economic issues. This means dealing with assets such as social justice, culture and human flourishing. Fourth, in order to discuss faith and leadership in the global market place we need a theological framework.

The Global Market Place

To start with then, the global market place.

It is easy to forget two facts regarding the global market place. One is the way in which the market economy or capitalism has transformed our world. Until the eighteenth century most human beings lived in conditions of poverty which they took for granted and felt that not much could be done about them. In the countries we now refer to as the developed world the period since the late eighteenth century has witnessed the most extraordinary rise in the material standard of living, reduction in mortality rates, improvement in healthcare and eradication of famine in the whole of human history.

The second fact is the remarkable changes which have taken place in the global market place over the last 40 years. The advent of China into the world economy in the late 1970’s, the fall of the Iron Curtain and the rise of Brazil, Russia and India alongside China as major global economies meant that two billion people entered the world economy as producers and consumers. This transformation has come about because of a radical change in the economic policies of these countries. The state as the engine driving economic performance was replaced by free enterprise and de-regulated markets. Capital was allowed to move freely and labour migration was made easier.

As a result over the three decades before the financial crisis world GDP grew by over 3% per year and world trade by 4.5% per year. One consequence of globalisation is that hundreds of millions of people have been lifted out of a dollar a day poverty and the gap between the income of rich nations and emerging market economies have been narrowed. Another has been to depress the labour market for unskilled labour in developed countries and to enable the most exceptionally talented individuals and performers whether in football, finance, films, law, tennis, innovation or the social media to command superstar incomes which would have been inconceivable to an earlier generation.

These were also years when there were huge changes in the structure of Western economies. In the UK in 1970 telecoms, coal, steel, ship building, railways, cars, electricity, gas and water were all nationalized or public sector industries answerable to government departments, which in turn were answerable to parliament through government ministers. A few years earlier the government had produced a National Plan for the British economy. In 1970 every area of the City of London, discount houses, clearing banks, merchant banks, insurance companies, building societies and the London Stock Exchange was a cartel which restricted price competition. Most countries had foreign exchange and capital controls and were part of the Bretton Woods system of fixed but adjustable exchange rates. Major industries had a small number of large firms in which price competition was limited.

Although state ownership was less pronounced in the US economy and competition was greater, there were similarities to the UK. In 1970 the New York Stock Exchange was a classic cartel. The Bell system, including AT&T and Western Union its manufacturing arm, had a near monopoly of telephone services. Defence companies such as Boeing, Raytheon and Lockheed sold most of their output to government. It was because of the market structures in which firms such as General Motors, Standard Oil, General Electric, US Steel, Texaco and Du Pont operated and the pricing power it gave them, that John Kenneth Galbraith published *The New Industrial State* as an analysis of the US economy at this time.

This structure however was radically changed through de-regulation and what amounted to a revolution in finance. The removal of the New York Stock Exchange cartel and later the London Stock Exchange cartel, the advent of leveraged buy outs (LBO's) and management buy outs (MBO's), the growth of hedge funds and private equity as pools of capital led to a restructuring of the US and the UK economies. In time this was copied by other countries. In the financial services sector the extent of change and the scale of disruption through de-regulation and innovation has amounted to nothing less than a revolution in financial services.

The global market place we live in today therefore poses five major challenges.

The first is simply survival-for individuals, for companies, for communities, for cities, for regions and for countries. Today's global economy is dynamic, innovative, and extremely competitive. It is in a state of constant change with firms having to absorb continuing shocks, rapidly changing technology, increased regulation and unanticipated political changes. New technologies, new products, new methods of production, new materials, new forms of transportation and new means of distribution are forcing companies to change their ways or go out of business.

‘Relentless experimentation was probably important in the 1970’s – now it’s do or die” (Tom Peters). Just think of the potential of the mobile internet (smart phones and tablets), artificial intelligence, cloud technology, advanced robotics, driverless vehicles, 3D printing and new materials such as graphene. In the 1930’s Joseph Schumpeter, a Harvard professor predicted this is what capitalism would become, a process he likened to “a perennial wave of creative destruction”.

A second challenge is that the global market economy is thought by many to be an engine driving inequality in the distribution of income and wealth. Using almost any measure, inequality has grown substantially over the last four decades.

One measure of inequality has been the income and wealth of the top 1% of the population. In the US the share of total annual income received by the top 1% of the population fell from the late 1920’s, when it was nearly 20%, to the early 1970’s when it was less than 8%. By the late 70’s it was 12. Since then it has grown to be almost 25%. The same trend is true of the UK, though it is less marked. It is also true in continental Europe though the increase is very much less. It was because of this world wide increase in equality that the slogan of the Occupy Movement, “We are the 99%”, had an impact far beyond the protests in Zuccoti Park in Wall Street or the precincts of St.Paul’s Cathedral in the City of London.

The most widely accepted measure of overall income inequality within a country is the Gini coefficient, which aggregates the differences in people’s incomes into a simple statistic. If each person had the same income the Gini coefficient would be 0. If one person received the entire income, it would be 1. Over the last three decades the Gini coefficient has increased in most countries: up 20% in the UK, 25% in Sweden, 30% in the US and over 50% in China.

A third measure of growing inequality is the difference in the compensation of CEO’s relative to the average compensation in companies. In the US the average S&P 500 CEO makes 351 times the average US worker (2013). In the UK the average FTSE 100 CEO makes 160 times the average UK worker (2013). People tend not to object to differences in pay providing there are good reasons for them. The entrepreneurs of modern capitalism such as Bill Gates, Steve Jobs and Mark Zuckerberg took risks and became extremely wealthy. They developed products which people valued and paid for. By contrast the pay of CEO’s of large companies is perceived as being determined arbitrarily by non-executive directors who are chairmen and board members of other large companies.

The Harvard economist Lawrence Katz has described graphically the consequences of growing inequality in the US:

> “think of the American economy as a large apartment block ……A century ago – even 30 years ago – it was the object of envy. But in the last generation its character has changed. The penthouses at the top keep getting larger and larger. The apartments in the middle are feeling more and more squeezed and the basement has flooded. To round it off the elevator is not working. That broken elevator is what gets people down the most”.

A third challenge for the global market place is a perceived deficit of ethics.

The financial crisis of 2008 almost resulted in a meltdown of the global financial system, comparable to what happened in the US in 1933 when the Federal Reserve along with banks and insurance companies closed their doors to the general public. A meltdown was averted following the recent crisis largely as a result of a decision by G-20 countries to do whatever it took using a Keynesian analysis to restore confidence. Yet it has meant severe economic hardship for many families. Real GDP in the US is permanently about 13% below what it would have been if the crisis had not happened. In the UK the figure is nearer 17%.

Major systemically important banks had to be bailed out by the taxpayer. The banks were charged with being the cause of the crisis due to the recklessness of management in holding inadequate reserves of capital, failing to disclose to investors the true risks they were taking and awarding themselves excessively generous compensation. Since that time there have continued to be a series of scandals involving the miss-selling of financial products, the rigging of prices in the Libor and foreign exchange markets, complicity in tax evasion by banks for their clients, sanctions breaking and money laundering. All this has led to a damaging loss of trust between banks on the one hand and central banks, regulators, rating agencies, politicians and most of all the general public on the other.

The financial crisis was more than simply a mechanical failure. It was not just the breakdown of a financial machine which could be put right by financial re-engineering. The crisis resulted from a deficit of ethics and a culture of excess which followed three decades of success and a sense of hubris. It was at its heart as much a morality play as a system breakdown. I am not suggesting that regulatory reform is unnecessary or unimportant. Far from it. However alongside such reforms the far more challenging task for bank boards and bank management is to re-build and sustain a culture within financial institutions which is based on honesty, integrity and service and like the writing on a stick of Brighton rock can be seen wherever you choose to cut it.

The deficit of ethics and the loss of trust is far wider than banks. It is also a trend which started much earlier than the financial crisis. The public in the UK when asked in recent polls which they dislike most, Big Business or Big Government, vote only marginally in favour of Big business. Corruption, executive pay, oil disasters and corporate tax evasion have all undermined trust in business. In the UK the loss of trust has not been confined to the business sectors. It extends to the police because of corruption, the media because of phone tapping and politicians because of false expense claims.

A fourth challenge to the global market place is sustainability. This is a vast subject covering the long term growth potential of developed economies, their ability to create jobs, the social cohesion of a society in which income inequality is growing and environmental concerns over population growth and the earth's resources.

The turmoil which followed the end of the first world war followed by the Great Depression of the 1930's was a wake up call that the growing prosperity of the century before the war would not necessarily return in peacetime. More recently the experience of Japan has demonstrated that a rich nation can suffer a period of sustained stagnation. The low productivity growth in developed countries following the financial crisis has led some economists to question whether Alvin Hansen's concept of 'secular stagnation' which he advanced as a Harvard economist and Keynesian in the 1930's is once again relevant today. Is there sufficient investment demand to absorb all the saving being done globally by households and firms at very low interest rates?

Growing inequality is income and wealth is a further challenge to sustainability, especially in democracies. If significant sections of the population are excluded from growing prosperity they can use the ballot box to redress the situation. The result will almost certainly mean higher taxes, price and wage controls and increased government intervention in the economy, which will be a mortmain on growth. If this failed then worse could follow.

In addition there is the existential question of environmental sustainability. The challenge is much greater than the impact on climate change resulting from human activities. It includes the reduction in biodiversity, the increasing scarcity of freshwater resources, the unsustainability of modern agricultural practices, the global generation of solid waste and the damage caused by extractive industries. This is a contested area and the scientific community does not speak with one voice. Most corporate leaders recognise however that although the evidence is not conclusive, prudence suggests that because the worst case scenario is so catastrophic the private sector must play its part in facing up to doing business in a sustainable way.

The fifth challenge is the charge that over recent years the market economy has become a Market society, in which the Market is given a capital 'M' because it has come to signify its mystery, power and reverence. Harvey Cox, the Harvard theologian, claims that the qualities of omnipotence, omniscience and omnipresence which are ascribed to the market formerly characterised deities but the Market has in effect became the God of our age.

According to critics we live in an era of market triumphalism where everything is for sale: a prison cell upgrade for $82 per night in Santa Ana California, surrogate motherhood during pregnancy at $6,250, which is outsourced to India, and in South Africa $15,000 to shoot an endangered black rhino.

When I taught at the London School of Economics in the early 1970's a very distinguished colleague Professor Richard Titmuss published a book *The Gift Relationship* in which he argued that blood is best collected from voluntary donors rather than commercial blood banks because otherwise the poor would be exploited and the profit motive would erode the spirit of altruism which motivated donors. This would weaken a sense of cohesion in society because replacing altruism by a cash payment in one activity would extend to changes in attitudes, motives and relationships in other areas. Underlying this thesis is the idea that certain goods and services have a social meaning and identity, which are independent of their utility and monetary value, which is also the reason they are not traded in markets.

The Harvard philosopher Michael Sandel has argued that in the modern world, as Titmuss predicted, market mechanisms and norms have been extended to areas previously organised on non-market lines. As a result, markets have crowded out morals. David Marquand, former Labour member of Parliament and Principal of Mansfield College Oxford, developed this thesis in a book published last year which was an analysis of contemporary British society and to which he gave the provocative title “Mammons Kingdom”. The charge is that we have drifted from a market economy to a market society and that in this society everything is up for sale.

Faith in the Global Market Place

Let me now like to turn to the second stage in addressing the subject of this lecture, which is place of faith in the global market place of today.

In the 1960's the accepted wisdom among sociologists was the secularisation thesis, namely that as a society experienced modernisation through industrialisation and rising levels of wealth and education, religion would fade away. Modernisation implied secularisation. The sacred would disappear almost entirely from the public realm and survive if it survived at all only in private. Today that thesis is regarded as mistaken or as needing substantial revision. The doyen of sociologists of religion, Peter Berger, who back at that time was a great proponent of the secularisation thesis puts it as follows:

> "The world today with some exceptions…is as furiously religious as it ever was, and in some places more so than ever. This means that a whole body of literature by historians and social scientists, loosely labelled secularisation theory is essentially mistaken." (Peter L. Berger. ed 1999 The Desecularisation of the World, Ethics and Public Policy Centre, Washington D.C.).

One recognition of this was the publication in 2009, by the then editor of *The Economist* John Micklethwait and its Washington bureau chief Adrian Wooldridge of a book with the arresting title, *God is Back.* Micklethwaite and Wooldridge argued that today religion is a powerful force in society because it moves people to action, sometimes for good, sometimes for bad. The result is that religious groups have significant influence in many areas of society, such as politics, culture and business. Through faith based institutions and the role of religious leaders, religion can become a catalyst for change, notable examples being the collapse of the Iron Curtain, the fall of apartheid, reform movements in Latin America.

A powerful example today is the recognition by the Chinese leadership of the impact of the growth of the Christian church in China. The best estimate is that the church now numbers between 80-120 million members so that Christians probably outnumber Communist Party members. While most of the converts at the time of the religious revival which followed the Cultural Revolution were poor, rural, uneducated and elderly, today new believers are well educated, urban, middle class, young and influential. Some of these new Christian converts are entrepreneurs seeking to integrate faith and business. The government assault on corruption, materialism and irresponsible behaviour fits naturally with Christian values of honesty, integrity, stewardship and love of one's neighbour.

Even in the UK and Europe, where unlike the United States there has been a noticeable decline in religious activity such as church attendance, baptisms, marriages in churches and candidates for ordination, society cannot easily be described as secular. Religious institutions have been at least good, if not better, at listening to the concerns of people over issues such as the living wage, environmental concerns, the rise of food banks and grass roots initiatives to relieve global poverty, than secular charities or political parties. In recent years there has been increased demand for new state funded church schools because they are seen to offer clear moral teaching and a caring environment.

I believe that Jon Wilson, a historian at Kings College London and a non-believer is right in his judgement that

> "So, despite the catastrophic collapse in the outwards signs of religious belief, we can't simply describe England as a secular society. Religious affiliation has declined. But faith groups have become significant public institutions in a new way. "Religion is an intervening force in the affairs of this world", as Bhrigupathi Singh so nicely put it, in a way that wasn't the case 30 or 40 years ago. In England, the intervention of the faithful has grown in response to a

> crisis in economics and politics which exposed the failure of every kind of institution that treats individuals as abstract, self-interested and disconnected beings. In their thinking, if not always their actions, churches and other religious organisations have led the way in challenging the failure of modern institutions to recognise the conditions for sustainable human wellbeing. Against secular forms of market and bureaucratic governance which treat people as atoms and objects, a series of movements inspired by faith and the practice of congregations (including the network which inspired this book) have once more asserted the idea of the common good."

The first point I would like to make is that faith and faith based institutions have become a recognised and accepted part of the global marketplace. However there is a caveat, while modernisation does not imply secularisation it does imply pluralism.

It is perhaps not surprising that because of the acceptance of the secularisation thesis there was a time when religion was a taboo subject in business. This were true not just in countries outside of the US but also among leading publicly quoted US companies. The business corporation concerned as it is with efficiency, least cost, maximization, optimisation and functional rationality is the epitome of modernisation. Religion did not belong. However this is no longer the case. Religion is no longer a taboo subject for a number of reasons. One is the emphasis on the soft skills associated with management such as style, staff and shared values as opposed to hard skills such as systems, strategy and structure. Another is the challenge posed by scandals. The deficit of ethics in the financial sector has led to increasing focus on the values and culture of financial institutions both by bank management and regulators. A further factor is the desire of employees to integrate their faith with their work. In the Abrahamic religions, faith is not restricted to religious ritual and cannot be compartmentalised. It provides the contours of a world view which includes the market place. In addition new legislation which guarantees certain rights at work includes among them, rights regarding religious practice. This in turn raises issue of cultural competence for managers. Most large companies now employ people from many different faiths and a variety of cultural backgrounds. Because of this managers need to understand and be sensitive to the religious and cultural concerns of employees.

I believe that a good argument can be made that because faith is a source of personal virtues and corporate values this is something which strengthens a corporate culture and business principles. Faith is a personal resource for dealing with anxiety, stress, performance and relational issues both outside but also within the workplace. Faith sets standards of personal behaviour for everyone in the market place. All major world religions provide these resources and standards and in this context the Christian faith stands alongside others.

One evidence of the increasing openness to religion is shown by the respect business leaders have given to statements made by religious leaders.

One example is the response given to recent papal encylicals and exhortations which deal with issues affecting the global market place. *Centesimus Annus (1991)* was published by John Paul II following the fall of the Iron Curtain. He had been educated under communism and to encyclical dealt with the religious roots of the collapse of communism. Communism had a defective view of the human person in that people were not valued for themselves but only for their contribution to the socialist state. Benedict XVI's *Caritas in Veritate (2009)* looked at globalisation in the light of the financial crisis, noting the deficit of ethics in modern capitalism and the limited value of short termism and maximisation of shareholder value as a primary goal of business. *Evangelii Gaudium (2013)* is not an encyclical but an exhortation from Pope Francis which examines the challenges that inequality, exclusion and the idolatry of money pose today in the global economy alongside the special place which care for the poor and the vulnerable should have in the lives of all Christian believers and churches. The strength of these documents is that they all have a Christological core, which is set in the context of a Christian view of reality and which has far reaching practical implications for people's lives not least in the market place.

When these encyclicals were published they attracted widespread media comment and formed the basis for conferences, lectures and symposia. Last summer I was privileged to take part in a conference in the Vatican, on the subject of The Common Good of the Global Economy at which Pope Francis spoke. It was attended by senior officials from leading international agencies including the IMF, World Bank, WTO, OECD, ILO the UN as well as business leaders and heads of NGO's dealing with issues of poverty, exclusion, water shortages and public health.

A particular and refreshing example of the role of faith nearer home is the part being played by the current Archbishop of Canterbury, The Most Reverend Justin Welby. Before ordination as an Anglican priest he served as the chief financial officer of an oil company. As Archbishop of Canterbury he is ex officio a member of the House of Lords and in that capacity was chosen to serve on the Parliamentary Commission on Banking Standards, a small group drawn from both Houses of Parliament. The reports of the Commission have had a major impact in driving the reforms of the financial sector. In addition he has himself launched a major initiative to develop church based credit unions in order to compete out of business irresponsible pay day loan companies and to ensure greater transparency in the activities of pay day loan firms.

Last October along with the President of the Methodist conference Justin Welby hosted a day of reflection at Lambeth Palace on the ethical challenges facing the mining industry. It was attended by CEO's from the world's leading mining companies as well as members of NGO's seeking to raise standards in the industry. In the previous month he had taken part in a panel discussion at the annual meeting of the International Monetary Fund and the World Bank which discussed ethical issues in the global market place. Members of the panel included Christina Lagarde, the Managing Director of the IMF and Mark Carney, the Governor of the Bank of England.

It is important, however, not to confuse faith and especially the Christian faith with some vague notion of spirituality. The Christian faith, or more correctly, the Judaeo-Christian faith, holds to certain cardinal truths. One is the nature of the human person, created in the image of God, and for that fact alone, worthy of infinite dignity and therefore freedom. Human beings are enterprising, creative and innovative, with a built-in desire to want more and to be more. They are also relational and so a partnership, a company, a corporation is a natural context in which work. A key to human responsibility is the mandate to:

> "Be fruitful and increase in number; fill the earth and subdue it. Rule over the fish of the sea and the birds of the air and over every living creature that moves on the ground" (GEN 1:28)

In the next chapter of Genesis we are told that God placed man in the Garden of Eden "to work it and to care for it" (GEN. 2:15)

Let me sum up what I have tried to say about faith.

- modernisation does not lead to secularisation
- nevertheless modernisation does imply pluralism
- one typical institution of modernity is the public corporation. Here religion was once a taboo subject. No longer. Faith, and that means all faiths, have a contribution to make.
- and I have given examples of the respect shown by business leaders for the teaching and work of religious leaders and institutions.

The Hebrew bible was Jesus' bible and it is impossible to read it without recognising that while we differ from each other in ambition, talents, opportunities, background and temperament, in important ways we are created equal before God and the law. We have a responsibility to see that justice is done and that those who have least in material terms receive special attention, something of which Pope Francis is at present an outstanding spokesman. There must always be the prospect of a second chance for those who have failed or lost out for whatever reason. This is the basis of much of the economic legislation of ancient Israel, which reached its high point in the year of Jubilee.

These comments on the place of faith in the global market place today lead to a number of observations.

The Christian church is growing worldwide. One troubling question is whether the growth in breadth is marked by a growth in depth. If I were to make a judgement based on the limited knowledge I have I am afraid I would have to say that depth is lacking. The theological understanding by lay people of their faith leaves huge room for improvement. And, therefore, of course great opportunity for seminaries and churches.

This is a big subject and many in this audience know far more about it that I do. I have one suggestion. Take the analogy of a game such as, rugby or American football. The players are on the field, the coaches are on the touchline. The coaches tend to be former players who apart from coaching are always on the lookout for new prospects. I believe that lay people of faith are the players in the global market place. They have standards, work hard and show professional competence. Pastors, teachers, seminary staff and theologians are not players. They have a coaching role. The most effective coaches however are ex-players and I could name many, some of whom are here in this hall today. It is because of their experience in business as well as the way they are able to relate their faith to business that they are immediately accepted by players as coaches.

Theologians, pastors and teachers need people with practical business experience alongside them in the seminary. Which leads me to pose some further questions. Should the De Pree Centre be developing a Harvard business school advanced management style programme for business leaders who will move into senior positions in business? Should Protestant seminaries be exploring more rigorously and in greater theological depth the issues tackled by Catholic Encyclicals? Because of the importance of business in our society and its relevance to increasing social areas, should the De Pree Centre aim to become a place of undisputed academic excellence in the field of theology and business?

One further observation is that I believe the Roman Catholic church has done a better job of relating Christian theology to issues such as wealth creation, business, the environment, inequality, exclusion and the poor than Protestant churches. Catholic social teaching which in its modern form started with the encyclical *Rerum Novarum* (1891) is an impressive body of Christian teaching from which I have benefited enormously. Should there be a distinctive Protestant equivalent? The influence of the Dutch Prime Minister Abraham Kuyper at the beginning of the twentieth century is perhaps the best example of Protestant theology in this field, something which perhaps needs to be further explored.

I should also add, lest I be misunderstood, that this is not to underestimate the influence of individual churches or of the more than 1000 charitable organisations in the US which seek to integrate faith and business. Christians in business in the US have thought deeply and set high standards in practical terms of what a Christian world view means for their companies.

Faith-based Leadership in the Global Marketplace

I would now like to turn to the third aspect of this lecture, namely the place of faith-based leadership in the global market place.

My starting point is that the Judaeo-Christian faith is not simply something for us as individuals. It is a worldview with a vision for the whole of life including economic matters. It is a vision of an inclusive not an exclusive system, a vision of an inclusive not an exclusive market economy and a vision of an inclusive not exclusive global economy. It is not a vision of an economy in which despite the recovery from the worst recession since the Great Depression, only a minority are winners. It is not a vision of a world economy in which some remain desperately poor and others are comfortably rich. It is not a vision based of economy based on a libertarian ideology of free choice and free markets.

We cannot have growing and seemingly permanent inequality in a society which lays claim to Judaeo-Christian foundations.

Ancient Israel was a far more egalitarian society than its neighbours. In the Old Testament the covenant which dealt among other things with social justice was established between Jahweh and the whole of the people. It was not between Jahweh and some autocratic ruler, a Pharoah, a Caesar or a lesser Deity. The people were themselves granted dominion over God's world. They were not mandated to serve an oriental despot.

The metaphysical basis on which equality is founded is the Old Testament is that each member of the Israelite polity was "endowed with the status of subordinate King before the sovereign King of Kings" (Joshua A.Berman, p.169, Created Equal, Oxford University Press 2008). Each person was equal in their standing before the law. While economic equality in terms of outcome was never set out as an ideal, the laws of land tenure were structured to ensure that no person or family was permanently excluded from sharing in the benefits of God's creation.

In the New Testament the ideal of the church as the body of Christ, Gods new society, challenges us with the question of its implication of the way we live our life together now. Paul in his letter to Christians in Galatia emphasises that "there is no longer Jew or Greek, there is no longer slave or free, there is no longer male or female for all of you are one in Christ Jesus" (Gal. 3:28). This is the basis for the Christian church being a radical inclusive institution which cuts across conventional boundaries of race, class, wealth and gender.

Is this confined only to the Christian church? For me the crucial question is the following: does New Testament teaching regarding the nature of the church alongside Old Testament teaching regarding the nature of social justice Israel, set out some ideal for the life we should live here and now and the economic structures we should aspire to build in our communities and countries?

In the debate over the challenge posed by growing inequality words matter. I believe the challenge today is how we can create a more inclusive form of democratic capitalism. It is tempting to suggest that the primary target of social and economic policy should be the reduction of inequality. However the objective of policy must be to help real people in real situations rather than simply target statistics. We could reduce numbers for inequality, as Piketty the French economist recommends, simply by raising taxes on capital. But how would that help more people own their own homes, create more apprenticeships to help young people out of work, help those in work build up some personal wealth by participating as owners in the firms for which they work, establish new kinds of schools which enable children to better realise their potential and provide opportunities for lifelong learning starting with intervention in the early years? Tackling exclusion is a far better route to tackling inequality than simply focusing on changes in taxation.

A Christian vision for an inclusive economy is about far more than economic opportunity. Fairness, social justice, opportunity for all are important. The reason they are important is that at the heart of a Christian world view is a biblical anthropology: a unique perspective on what it means to be a human person because we all share the divine stamp. We are more than flesh and blood. We are living souls with an eternal destiny. We have a spiritual thirst. We have not been created to be slaves to any kind of economic system. The human person is the subject of economic life not its object. Our economic system must be made to work for us and not us for it.

In this respect we have already seen remarkable changes in the way the nature of work has changed over Twentieth Century: the conditions facing workers underground in mining companies, concerns over health and safety standards, the Japanese approach to tapping the skills of the whole person and the increasing concern by management with people, environmental responsibility and the culture of the organisation.

A vision for inclusive capitalism is not only relevant at the national level. It is also a vision at the level of the firm. At a time when there are so many start-ups, when most new jobs are created by high growth small to medium sized businesses, most of them privately owned, the opportunity for inclusion at the level of the firm is immense.

Faith based leadership should provide us with a vision for a more inclusive form of market economy than we have today.

Next I believe that faith based leadership will place an emphasis on business as a calling.

The word *vocation* is derived from the Latin *vocare*, “to call.” In the past a prerequisite to enter a vocation was to have sensed “a calling.” Such professions were considered superior to trade, commerce or business because they entailed an element of public duty. The highest calling however was to a life of contemplation which was best pursued in the tranquility of a monastery and so the highest form of "calling" was not even to the priesthood but to a monastic life.

It was this which Martin Luther rejected and which led him to leave his position as a monk in the Augustinian Order. For Luther a vocation was the call of God to a station in life in which daily work was to be an expression of our love of neighbour.

It was therefore not possible to categorise some activities as 'holy', 'sacred', or 'spiritual' and others as 'worldly' 'secular,' or 'material.' Manual work, domestic service and commercial life were seen as spheres in which one could honour and serve God just as much as one might by being a trappist monk. "However numerous and arduous they (vows of monkery and priesthood) may be, these works in Gods sight are in no way whatever superior to a farmer labouring in the field, or a woman looking after her home."

Daily work for Martin Luther was a high calling and business was as much a place in which to pursue a divine calling as a monastery. In examining the relationship between capitalism and religion Max Weber devoted a whole chapter to “Luther’s concept of the Calling” because of its significance for “the spirit of capitalism”

One pre-condition for business to be a calling is the rejection of a “divided life”, the separation of faith from work, the sacred from the secular, life on Sunday from life on Monday. The Lutheran concept of calling is a rejection of dualism.

A sense of calling implies responsibility which in turn raises more questions.

For what am I responsible in my daily work? To whom am I responsible in my daily work? Am I responsible only for the execution of the particular tasks which I am required to perform? Or do I have responsibility for what the business as a whole does? What responsibility do I have for the sector of the economy in which I work? Who decides the boundaries of my responsibility? If I know colleagues were acting unethically what should I do? Do I have a moral responsibility to speak out? Before doing so what rules should guide me?

One person who wrestled with the place and limits of responsibility in his daily work was Dietrich Bonhoeffer. Indeed it cost him his life. As a pastor in the Lutheran church he saw his calling in daily work as part of the more general calling of God to a life of faith. "In the encounter with God man hears the call of God and in it the calling to life in the fellowship of Jesus Christ…It is only the call which I have heard in Christ, the call of the grace which lays claim to me that as a slave or a free man, married or celibate I can live justified before God. From the stand point of Christ this life is now my calling; from my own stand point it is my responsibility."

In his book on *Ethics* Bonhoeffer set out to explore the implications of responsibility. He did it by considering the duties of a physician. At the bedside of a patient a physician has a clear responsibility to care for the needs of the patient. But does a physician not also serve medical science and truth in general? What if medical science or human life were to be threatened by government legislation? Would he then have a responsibility to speak out publicly and take action?

Bonhoeffer resolves these dilemmas by arguing that it is only if he took responsibility for the whole that he would really fulfil his calling.

> "Vocation is responsibility and responsibility is a total response of the whole man to the whole of reality. It is impossible therefore to restrict one's responsibility to a narrow definition of one's professional duties."

Indeed for him any arbitrary restriction would be an act of irresponsibility. One can only speculate what might have happened in the run up to the crisis in the bubble years if Bonhoeffer's concept of responsibility had prevailed.

Faith based leadership will provide a vision an inclusive economy and at a personal level will view business as a calling. It will also encourage business leaders to view the firm as a moral community for the development of human character.

For some business people this may sound hopelessly idealistic and far-fetched. However every business has some set of values, norms or ethical principles which hopefully are a benchmark for all who work within the company and which will guide and influence their behavior. This is not just that certain kinds of behavior are deemed acceptable or unacceptable, but something stronger: namely that certain kinds of behavior are seen as good and others bad, some are right while others are wrong. Such a moral standard will make demands on all who work in the firm. Such a standard is set out in the business principles or mission statements of the corporation and reinforced by statements from the chairman, the chief executive officer and others in positions of leadership. These are the binding principles which enable the corporation to act as a corpus, unified in attitude and practice. It is because of the emphasis corporations place on establishing values and maintaining ethical standards that modern corporations can and should be conceived of as moral communities which help develop human character.

Finally a faith based approach to business should lead to a distinctive style of leadership. The 'tone at the top' of financial institutions was frequently found to be wanting in the run-up to the financial crisis. As culture reflects the ethos and character of senior leadership, so the crisis raised questions regarding the style of leadership in financial institutions and more generally in business.

I first came across the expression servant leadership in the US in the early 1990's. After having worked for five and a half years for Mrs. Thatcher and met with many senior business executives, the expression servant leadership seemed to me at first to be something of an oxymoron. I could imagine a vicar or a bishop practicing servant leadership because they were familiar with the example and teaching of Jesus. The same might hold for those in the caring professions. But I could not imagine a prime minister or a chief executive ever practicing servant leadership. I was deeply skeptical that the concept of servant leadership was anything other than a cliché. I was forced to question my view however when I recognised that chief executive officers and senior executives of US companies such as Herman Miller, Pepsi, ServiceMaster and Walmart with whom I sat on boards, took this concept seriously and that it influenced the style of leadership they adopted in their companies. I also found to my surprise that the inspiration for the servant leadership movement in the US was not the Gospels but a short story by Herman Hesse, *Journey to the East*, published in Germany in 1932.

I was reminded of the significance of servant leadership recently in an article which appeared in Forbes magazine by Professor James Heskett, professor emeritus at Harvard Business School. It recalls an incident at a ServiceMaster board meeting in the early 1990's (at which incidentally I was present) when the Chairman and CEO, William Pollard spilled a cup of coffee prior to the board meeting. Heskett then says that "Instead of summoning someone to clean it up, he asked a colleague to get him a cleaning compound and a cloth, things easily found in a company that provided cleaning services. Whereupon he proceeded to get down on his hands and knees to clean up the spill himself. The remarkable thing was that board members and employees alike hardly noticed as he did it. It was as if it was expected in a company with self-proclaimed servant leadership." (Forbes 5/01/2013. "Why Isn't Servant Leadership More Prevalent?")

None of the people with whom I sat on these US corporate boards would have been considered weak leaders. Each one was a strong personality. Yet their leadership style was different. They were tough about performance and meeting targets but they were compassionate at the same time. They led by example. They demonstrated humility. They made a point of listening. They were concerned to develop the people who reported to them. They were modest in taking credit for results even when they deserved it. As a result I was left to conclude that the respect which they engendered as leaders was because of their commitment to the concept of first serving and then leading, whether to clients, employees or members of the communities in which they operated.

Let me conclude with a quotation. Some years ago I gave a public lecture at the Graduate Management School in Claremont, California on The Business of Values. The response was by the late Peter Drucker in which he emphasized that in every organization the true and real values of its leaders are judged not by a speech at the annual picnic or the shareholders meeting, but by who gets promoted and who gets fired, who gets rewarded and who gets punished. And then he told a story.

> "Many, many years ago, at the very beginning of my working life, I had the good fortune to work for a year for a man of rare integrity and great wisdom. I had tremendous respect for him; and so I was quite shocked when he did not promote an older colleague – let's call him Tom – who had clearly done an outstanding job. I was so troubled that I took my courage in my hands and went and asked the boss why he had so pointedly passed over our department's top performer. He looked at me with a smile and said: "I know you are too young to have a son – I was in my early twenties – but I understand you have a younger brother". Yes, I did. "Would you," he then asked, "want to have this younger brother work for two or three years under Tom and try to become like Tom?" He continued: "You are right, Tom has the performance; but does he have the character?" It is when an organization asks this question and takes it seriously that its values become action".

Exactly the same can be said of faith based leadership in the global market place. It is when people see the difference that faith makes in our lives, and the way in which we treat colleagues and clients, that they will begin to realize the potential faith can have for good in the workplace and not just in the workplace but in the whole of life.

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