

**Hugh Kay Lecture 2018**  
**Ethics and Fairness – Bringing them together**  
**Sir Tim Melville-Ross CBE President, Institute of Business Ethics**  
**Tuesday 30 October 2018**

### Introduction

Philippa Foster Back CBE, Director of the IBE, opened the event by welcoming guests. This is a special evening in honour of CAGE. The Christian Association of Business Executives (CAGE) was the founding charity of the IBE. Sadly CAGE reached its end of life recently, but the IBE is to take over CAGE's individual subscribers and annual main event, the Hugh Kay Lecture. Hugh Kay was a highly respected gentleman, Jesuit and journalist. He was instrumental in setting up the IBE, but sadly passed away on the 14 June 1986, just a few months before the IBE was launched at the Mansion House. The first Hugh Kay lecture convened in 1990 and was entitled 'A Can of Worms?' given by Clifford Longley journalist with The Times newspaper, but the subject of this discussion is not certain. Since then prominent names have featured in these annual lectures, including the former Archbishop of Canterbury, Bishop of Liverpool, Sir Stuart Hampson and Lord Stephen Green. When it came to the IBE deciding who to invite, Sir Tim Melville-Ross CBE was an obvious choice. His long career in business and board memberships of a variety of organisations make him the perfect speaker for this event, combined with his long association with CAGE and the IBE, and now as its President.

### Presentation by Sir Tim Melville-Ross CBE

Sir Tim Melville-Ross CBE thanked Philippa for the generous introduction. While not sure whether storytelling was fit for a CAGE lecture, he explained that he would explore the themes of ethics and fairness through situations he has encountered throughout his career. He emphasised that always being fair and ethical is important in order to be at peace with oneself. At the end he would try to draw these experiences into a commentary on three of the issues of the day, equality, education and Brexit.

While working in Libya for British Petroleum (BP), he was woken up by heavy gunfire, but was luckily left unharmed. This was the start of Muammar Gaddafi's revolution in 1969. As a result, alcohol was banned and with BP having staff working in the hot desert, this was not well-received by them. When asked to be given a licence to import alcohol, the response was that a licence could be granted on a monthly basis. In order to renew the monthly licence a case of whiskey would need to be given to the Major in charge! This is an example of an ethical dilemma concerning bribery. While ensuring that BP staff remain happy was of importance for the Libyan economy, bribing officials in Libya would have been wrong.

Back in the UK, he realised that there was limited potential for him at BP and decided to leave in favour of working at a stockbroking firm. In October 1973, the three-day week and miners' strike happened. This meant that half of the employees at his firm were made redundant. However, he was not fired because he was an oil expert. Following this, he was not just expected to research, but also to deal in stocks and shares. Doing so meant encouraging clients to sell. But the lack of turnover in the market meant that he had to sell on the same shares to other clients, which was an unethical thing to do. Unfortunately, too much business is still conducted in this way which undermines people's values.

At Nationwide, other moral dilemmas came to the fore. He worked at Nationwide for 20 years, starting as a company secretary and spending his last 10 years there as the CEO. He was part of defining Nationwide's values and continuing its strong social purpose. Throughout his time there, the importance of being fair was made clear time and again, and particularly three different stories come to mind in relation to this.

The first of these surround the process of Nationwide effectively becoming a retail bank. None of the executives were clearing bankers, so it was decided that a clearing banker should be hired. Once hired, a meeting was convened on how to reduce costs for the business. When asked what he considered to be a good solution, the clearing banker smiled and said "all we need to do is screw the customer". Unsurprisingly, this banker was quickly fired and banks have changed a lot since then. However, this story highlights some of the risks of unregulated capitalism, and traditional building societies were then very different from retail banks in this sense.

The second story highlights issues related to gender inequality. While he was at Nationwide, a lot of managers were offered early retirement as a result of a major merger and many opted for a highly desirable early retirement scheme. This meant that there was a shortage of managers, and it was suggested that those posts were filled with women, many of whom had left the bank to have children. Before this initiative was put in place, there was only one female branch manager. Ten years later, the majority of branch managers were women.

The final story surrounds Nationwide's changed approach to lending. Owing to then current poor economic conditions more people were struggling to keep up with repayments on their mortgage. Previously, people struggling to pay were only sent letters about their house potentially being repossessed if payments were not kept up. Nationwide reformed this policy and instead started sending people out to tell home owners of this news and offer financial advice. As a result, the number of people able to keep their homes increased dramatically and this story demonstrates the significance of human contact.

As Director General of the Institute of Directors, he was instrumental in changing the political tone of the organisation. The Institute had long been dominated by right-wing views, and he sought to change this. When commenting to a senior Labour politician about how much the organisation had moved politically since he became Director General, he was told that it had passed the Labour party going in the opposite direction.

Since becoming a chair, it became clear to him that CEOs are the real leaders who make change. As a result, any influence he has had since stepping down is through giving CEOs advice and support.

There have also been ventures in his career that have been less successful. This is particularly true of when he was involved with the voluntary liquidations of Manganese Bronze and DTZ at the time of the 2008 financial collapse.

Respecting and protecting the autonomy of higher education institutions is important. In his role as Chair of the Higher Education Funding Council for England, he sought to maintain this, but was effectively legislated out of a job after the passing of the new Higher Education Act in 2017, which led to a tighter regulatory environment. As a result, the previous use of soft power to support institutional autonomy and academic freedom less significant.

As Chair of the Homerton University Hospital NHS Foundation Trust, he is pleased to see more money going to healthcare in the newly announced budget. But, as the fifth wealthiest nation in the world, the UK still has incredibly varying life expectancy across different parts of the country, and this is unacceptable in terms of fairness. At the Trust, and no doubt elsewhere, there are still unacceptable differences in the way white and BAME staff are treated.

He then concluded by touching on the three key issues mentioned earlier.

We do still live in a very unfair and unequal society, and income distribution is steeper in the UK and the US than in other developed nations. He believes that higher levels of expenditure should go into the health and education sectors. The austerity regime is fundamentally damaging to public services generally. There needs to be a different way of funding public services and this has to start by raising taxes.

On education, far more effort and funding have to go into lifelong learning. More than half of the workforce in 20 years' time are already in work and large numbers do not have the necessary skills to contribute to a successful modern economy. Democracy itself will be undermined if these issues of fairness are not addressed.

In terms of Brexit, it is fair to assume that many Brits voted for the same reason as many Americans voted for Trump, namely to vote against the establishment and because of their sense of a lack of engagement in society. It is important to shake off the paranoia of Brexit, regardless of whether you voted to remain or to leave, and instead focus on tackling the broader issues. What is for certain is that we would all be worse off if it was not for the IBE and their work.

## Q&A

The presentation was followed by questions from the audience. Among the issues raised were:

- Are conflicts of interest in the public sector being properly managed?
- How do we limit the reliance on fossil fuel nations while at the same time limiting the effect of fossil fuels on developing countries?
- What are your thoughts on the Norwegian Sovereign Wealth Fund investing ethically and excluding companies that show signs of gross corruption or produce products like tobacco?
- Will British business get a fair Brexit deal?

## Close

Philippa closed the event by thanking Sir Tim. It is a great honour to host this lecture and to keep it going. It is important however, to keep up the standard of CAFE lectures too, and this evening's presentation has certainly managed that. Those in the audience who are not yet CAFE members might consider subscribing to the IBE, and information on how to do so can be found on the IBE's website. The next IBE open event, which everyone is welcome to attend is the Festive Event which will be held on Thursday 06 December from 15:00-17:00 at 24 Greencoat Place.