



A RADICAL POLITICS FOR BUSINESS

DAVID BOYLE AND JOE ZAMMIT-LUCIA

FOREWORD BY

The Rt Hon Nick Clegg MP

DEPUTY PRIME MINISTER

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I am delighted to be able to welcome this unusual publication and to endorse its fundamental message: that Liberalism is designed to support the emerging needs of a more entrepreneurial nation. I am grateful to Joe Zammit-Lucia, who instigated the process, to David Boyle who was instrumental in making it happen and in putting this pamphlet together, and to the different groups, firms and individuals who helped organise and who participated in a process in which I was myself involved. Personally, I found it fascinating to be able to talk and exchange ideas freely with senior business people and believe that Joe was right when he said that this kind of dialogue was a critical objective.

The coalition's absolute priority has been rebuilding our economy after the cardiac arrest of the financial crisis. But for Liberal Democrats it was vital that we didn't simply return to business as usual. We knew that if we wanted an economy that created opportunities for everyone that we would need to fundamentally rebalance it, away from its over-reliance on the financial sector in the City of London towards skills, enterprise and growth in cities and towns across the whole United Kingdom. That meant a step change in skills investment, leading to the creation of 2m apprenticeships. It meant freeing up local areas from the grip of Whitehall through the Regional Growth Fund, City Deals and Local Growth Deals. And it meant supporting start-up companies, small businesses and green, high-tech manufacturers through the British Business Bank and the Green Investment Bank.

Liberal Democrats have a legacy to be proud of in this parliament, but the work has only just started. Creating a strong, liberal and open economy in which business and entrepreneurship can thrive is vital to the future prosperity of our country.

We have always been an enterprising nation, and the entrepreneurial process – the ability to see the world differently and to make things happen – must be encouraged and not hindered by government policy.

This is not just about the economy either, but about how we unleash imagination and initiative, in every community and at all levels of society, from the bureaucracy and dated systems that currently hold it back.

This has been the start of a process not the end of it. We are determined to continue our dialogue with business and, together, to shape our country to deliver a stronger economy and a fairer, more prosperous society, where everyone has the opportunity to reach their potential.

A handwritten signature in black ink that reads "Nick Clegg".
Nick Clegg

1. THE NEW POLITICS OF BUSINESS

For the past century or so, business has occupied a similar niche in the political pantheon. It has supported the status quo. It has been a voice for conservatism, allied to conservative parties, cheer-leading conservative victories. But something is happening that has upset that rule. The politics of business is changing.

This pamphlet has been written to explain the unexpected political shift in the way that businesspeople are thinking. In some ways, this is a change which has been a long time in coming – the result of decades of frustration and discontent. In some ways it has been the result of the experience of coalition government. Either way, it is a shift of momentous importance.

What has happened is that the major energy of business has shifted behind radical change.

This is a revolution that has only just begun. It can hardly apply to all business people, and many will not change their vote as a result of it. But the key point is that many of them are doing so, because business is emerging again – as it once was – as a radical force in the way that the future is being shaped.

It is happening paradoxically when the reputation of business, mainly because of the activities of the big banks before the 2008 crash, has been at an absolute nadir – almost as low as the reputation of politicians. It is a shift driven by self-interest, of course, but it is more than self-interest. It is based on the rising frustrations of business with the extreme conservatism of the UK establishment and administrative machinery.

It is so particularly of business people in three areas:

1. They are increasingly outward-looking, internationalist, advocates of open borders, free travel and exchange and fresh ideas, when conservatism around the world is at the very least divided on the issue.
2. They are no longer supporting the status quo in quite the same way. Quite the reverse, they are backing long-term thinking against short-termism, vocational skills not just academic ones, and new institutions which can achieve what the old ones have failed to do.
3. They are overwhelmingly in favour of a new skills agenda which puts confidence, resilience and creativity at the heart of a new relationship between schools and business, when the UK establishment has traditionally failed to look beyond academic elitism.

These three are significant politically because all three are based on a practical ideology which is politically Liberal. It is our contention in this report that business is returning to its original Liberal roots.

There are exceptions to this. Not all business is enlightened and forward-looking in the way we describe. Short-termism has been corrosive of strategic and moral purpose. Also the shift is not yet reflected in the conventional business lobby groups, which have to please even their most conservative members assuming, quite wrongly, that they speak for all business. So you might reasonably ask: 'How do you know this?'

The major energy of business has shifted behind radical change

Business is returning to its original Liberal roots



A Productive Dialogue Between Politics and Business

To explain it, we need to set out the process by which we reached this conclusion.

We had been concerned for some time that politicians and businesspeople were not talking to each other in meaningful ways. We knew, of course, that there is a caricature of a cosy relationship between the two sides, offering privileges and sweeteners on one side and lucrative directorships on the other. Some people regard the inward-looking relationship between business and politics as part of the problem, not part of the solution.

But, to the extent that this is happening at all, it is happening around an elite group of global multinationals, practically government agencies in themselves, certainly more powerful and wealthier than many governments. The vast swathes of diverse business is not involved. Yes, they do talk to politicians now and then, but the conversation is usually confined to two issues – the tweaks in emerging legislation that businesses require and the politician’s endless need for donations.

For the rest, silence.

This matters. Both politics and business are powerful forces, shaping the UK and re-ordering our lives. Their innovation and problem-solving energy is frustrated unless they work together, and work with the population at large, in as creative and imaginative a way as possible. Businesses are the great problem-solvers, operating within the constantly changing rules – the railway lines – which politicians and civil servants lay down for them, endlessly altering the gauge or changing the signals as they do so.



***Both politics and business
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shape our lives***

The various attempts to inject entrepreneurial, problem-solving energy into UK administration or public services have not really worked as intended. Privatised utilities look and feel remarkably like state-run utilities. In many ways, politicians in power are insulated from entrepreneurs. The structures of government see them through bureaucratic eyes. They adopt bureaucratic versions of entrepreneurial energy, losing what is most vital about both.

The problem is successful business has a huge amount to contribute to political thinking, administration, services and vision for the future. They are not really being heard, or – where they are being heard – it tends to be for those aspects of business that are already most like government.

So it was our intention to organise a series of events where businesspeople and senior politicians could meet on equal terms, and talk about broader issues. There needed to be dialogue. It needed to be relaxed and as honest as possible. There needed to be some understanding of each other’s worlds.

The discussions led to this report. They included nearly 20 politicians (all Liberal Democrats – we are Lib Dems) and more than 75 business people from all areas of business, from family firms to financial services, from digital to dairy farming.

All the conversations were on Chatham House rules, so we can’t report them directly. Nor were they all sweetness and light. Politicians and businesspeople certainly voiced their frustrations sometimes. But our strong impression was that these frustrations were often because of the failure of politicians to move faster in the direction of radical change – frustrations with the narrow assumptions that the establishment persists with about business: that education has to be narrowly concerned with the 3Rs or that all business wants is a few tax breaks.

There were also misunderstandings about enterprise, traditionally something which politicians regard purely through the lens of money – as if that were the only motivating factor. Of course, entrepreneurs are motivated by money – who isn’t? – but they are also motivated, as the events made very clear, by imagining the world differently.



***Businesses
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Business is a Force for Change

But what was clear is that mainstream business is now an increasingly radical force. They were supportive of the role the Lib Dems have played in the coalition, bringing stability and providing a force for long-term thinking. But they were also supportive of many of the Lib Dem achievements and objectives, especially around education, skills and the apprenticeship agenda.

The businesses were also keen to engage on the following shared objectives:

- Building an economy that allows for long-term thinking, especially one that uses green and digital technology for the long-term.
- Transforming the education system into one that values and supports young people who want a practical or entrepreneurial route to success.
- Finding new ways to build enterprise, creativity and imagination into every level of society.
- Maintaining a liberal, open-minded, outward-looking society that is collaboratively engaged with the rest of the world, embedded firmly within Europe and is capable of shaping the conversation both within the European Union and in the wider world
- Releasing innovation and imagination by devolving power and responsibility to cities, communities and neighbourhoods.



We are all motivated by imagining the world differently

These may not be surprising findings in themselves. We are pretty familiar with the outlines of the way people in business think. But the idea of business as a radical force in politics, however careful they might be not to be political themselves, is unexpected for the following reasons:

First, this is not the way that the official organisations supporting business explain it. The organisations that claim to represent business may be particularly constrained in the way they represent the needs of business since they also have to cater to their most conservative and most institutional members.

Second, this report happens to coincide with the nadir of the reputation of business in the UK, which may have been unfairly blamed for the failures of the banking and regulatory system in 2008, but which has also been tainted by the continuing scandals from Enron to Robert Maxwell's pensions theft, insider trading, Guinness, and so on, where business has suffered for the sins of relatively few – and politicians have failed so far to shape a regulatory system that can distinguish the few bad apples from the bad barrels.

The point is that businesses are not widely understood to be radicals in any way.

Third, businesses have been known – for a century or so – as bastions of support for political conservatism.

Often, it is true, they have done this mainly for fear of the alternative. But it has usually been more than this. Businesses have been a bastion for conservatism in other ways too: business people have dressed conservatively. They have encouraged conservative living, thrift and hard work. They supported the status quo.



Forward-looking business is no longer conservative

You might feel, after a century or so of business walking hand in hand with conservatism, that it would continue like that forever. But the signs are that a big change is happening, and there is no reason to think this is confined to the UK.

Something in that old relationship between business and conservatism has broken. Business wants openness to ideas. They want open borders. They want long-term thinking, not the insane short-termism of the political world. They increasingly want education that promotes practical vocations, rather than suppressing them. They want schooling that looks beyond basic skills – important as they are – and trains people to be entrepreneurial and creative, not just train them to mind machinery. In short, business is emerging as a different kind of political force altogether, and advocating something altogether more radical.

BUSINESS WAS
RADICAL THEN.

It is radical now.



What is interesting about this shift is that it isn't unprecedented. For most of the nineteenth century, business instinctively supported the radical force in UK politics. It was Liberal then, just as it is increasingly Liberal now.

But then, Liberals and Conservatives see business differently. Conservatism regards business as supporting the status quo. For Liberals, business has always been about change. It has always involved allowing new ideas to challenge old ones, for new innovations to challenge the entrenched ways of doing things. It has always meant that the small should be allowed to challenge the big. Conventional wisdom has to be challengeable, by ideas or entrepreneurs, which is why – as Karl Popper put it – open societies tend to be more adaptable than closed ones.

Conservatism wants business to achieve some sort of stability. Liberalism wants them to be resilient, aware that change comes from everywhere and is rarely predictable.

Victorian business, proud of and committed to their cities and towns, steeped in the ideals of self-help, was a radical force – politically Liberal, passionately committed to the idea that people should be able to do business where they saw fit, and determined to tackle the vested interests that prevented them (businesses are aware that there are rival vested interests out there now, just as there were in the nineteenth century). The political force behind 'free trade' has always been Liberalism. Free trade, that is, as it was originally understood – the right of the weak to challenge the strong.




**Free trade is the right
of the weak to challenge
the strong**

“I see in the Free-Trade principle that which shall act on the moral world as the principle of gravitation in the universe – drawing men together, thrusting aside the antagonism of race, and creed, and language, and uniting us in the bonds of eternal peace,” said the Liberal pioneer Richard Cobden, explaining the original doctrine of free trade in Manchester, as part of his campaign against the Corn Laws:

“I believe that the effect will be to change the face of the world, so as to introduce a system of government entirely distinct from that which now prevails. I believe that the desire and the motive for large and mighty empires; for gigantic armies and great navies ... will die away; I believe that such things will cease to be necessary, or to be used when man becomes one family, and freely exchanges the fruits of his labour with his brother man. I believe that ... the speculative philosopher of a thousand years hence will date the greatest revolution that ever happened in the world's history from the triumph of the principle which we have met here to advocate.”



Losing the ability to understand business



Free trade is the antidote to slavery and to war.

The origins of free trade as a political force in the UK lies in the successful anti-slavery movement. Having abolished slavery in the British Empire, people like Harriet Martineau, John Bright and Richard Cobden went on to think about the way that economics can also enslave. Bright and Cobden did as much as anyone else to gather the forces of free trade into one party – the Liberal Party – dedicated to reform. Free trade was not just the antidote to slavery, they said, it was also the antidote to war. The right of free people to trade equally with each other was also the antidote to monopoly, which was the way that the wealthy kept people poor – and monopoly, as Cobden said, “is slavery in another form”.

The economic manacles of monopoly were not the only problem. Business was patronised and sidelined by the power of a landed aristocracy, by a corruption in public administration which allowed people to buy positions, by a gentlemanly but opaque financial system which could not recognise innovation and which failed to support the industrial revolution – or the continuing development of manufacturing.

It was hardly surprising then that the new Liberal Party (born: 1859) should have forged an alliance with the innovative power of business in every area of public life – from the development of local financial institutions to the recruitment to the civil service on merit alone, from busting the old monopolies through to creating a public education system that worked. And all the time, facing down the snobbery that tried to suppress the innovative power of business.

Liberals were out of government from 1916 until 2010 – with brief periods in government as minor players in the Second World War and other coalitions. Out of government, the old radical understanding of business began to atrophy. Business came to believe itself on the side of the status quo.

The shift in the way that the Chicago School understood free trade in the 1930s, from the Liberal Henry Simons to his arch-conservative protégé Milton Friedman, meant that the whole idea of ‘free trade’ as a liberating force became blurred.

The idea of free trade was corrupted to mean industrial colonialism – the power of the strong to expand beyond borders and further suppress, even exploit, the weak. That confusion lies behind the muddle that politicians find in dealing with business, partly hoping to borrow some of their sheer ability to make things happen, partly inveigling them into an alien agenda of processes and impossible objectives, partly praising, partly controlling. It is hard to navigate. It is impossible sometimes to see clearly.

The difficulty is that, all too often, politicians regard the most valuable aspects of business as the parts that are most like the machinery of government. The tendency therefore is for the involvement of business to be filtered through this lens, and for businesses that put their entrepreneurial zeal in the hands of government, only to find themselves increasingly transformed into an arm of government, and increasingly like government.

Of course, the attention is very flattering. Is it all leading to real change of the right kind? Whose agenda is this, actually?

The realities of policy-making, the short-term incentives of the electoral cycle and the endless criticism heaped upon them by the media and others also drive politicians towards small, incremental changes. It is hard to be radical in the real world of politics. If we are to get there, politicians need the support of business and the ability of our society to tolerate, even welcome, attempts at radical change that may, initially, fail – much like we argue that experimentation, trial-and-error and initial failure in business are all vital components of eventual success.

And so it is that, under successive governments, and despite their pro-business rhetoric, those radical aspects of business that are most valuable for the machinery of state get ignored: the ability to see the world differently, to make things happen, to engage and thrill people, to challenge what is inefficient and ineffective, wasteful and patronising. It gets lost in the hubbub.

But that is changing. Business is emerging as a radical force for change again. The rest of this report sets out how – and what the influence of radical business would mean for the UK.

2. THE PURPOSE OF BUSINESS


It all comes down to a question of what business is for. It feeds people, nurtures people, provides them with what they need and want. It pays people – most people – the basic money they need to live. But it isn't static. It doesn't keep still, and it is that entrepreneurial energy which makes all the difference to a radical business view of politics.

Business which underpins the status quo wants schools which turn out potential employees who can read, write and do basic maths. Business which imagines the world differently needs that too, but something much more – they need potential employees who are creative, imaginative and able to make things happen. They need people who can start their own enterprise at some point in their lives. Not everyone will want to do that, but – even if they never to – businesses increasingly want problem solvers, question askers and creative thinkers. They don't want people who can just do what they are told; they want people who can think for themselves.

That is why the entrepreneurial power of business tends to scare traditional government and unnerves the big political parties. It involves thinking differently, seeing the world differently, doing things differently, when government is overwhelmingly concerned with compliance. Politicians don't hear what entrepreneurs say. That means policy has not been getting what it needs from business, and it is impoverished as a result.

We have been through nearly a century where the interaction between business and the state has been reduced to a stale, uni-dimensional discussion. More government versus less government, more regulation versus less regulation, the rights of business versus the rights of the worker, foreigners versus locals. It is an agenda that is outdated, divisive and unproductive. It fails to create the radical manifesto that we need to create a flourishing enterprise society that benefits everyone. Yet both Labour and the Conservatives seem wedded to this stale agenda. Conservatives promise to be 'on the side of business' by maintaining the status quo and cutting public services (on which business is also dependent). Labour seems intent on shackling business and small business in particular. Neither is in tune with the emerging radical force in today's business world.

A RADICAL BUSINESS MANIFESTO



The entrepreneurial power of business tends to scare traditional government and unnerves the big political parties.



Creating a more entrepreneurial nation

What would a radical business manifesto look like? It would set out plans to build an education system that produces people with an entrepreneurial spirit. It would train people to think differently, and to make things happen. It would shift the snobbish and ineffective imbalance in our universities and training systems which has traditionally rewarded the academic and ignored the creative, the vocational and the humanities – the subjects that are concerned with how we live as a functioning society.

It would revitalise the digital potential of the nation, and it would build banks that were fit for purpose.

Above all, it would shift the mindset of the nation to emphasise enterprise, problem solving, creativity, self-help, reasonable risk and positive change. A mindset that sees change as an opportunity to be encouraged rather than threat to be avoided. In other words, a mindset that is open and liberal rather than closed and conservative, or stuck in the class warfare rhetoric of the last century. It would ask what kind of society, and what kind of schools, would produce entrepreneurs – and would fearlessly pursue the ideas that emerged.

It would also use the full power of government, not just its hit-or-miss ability to legislate, but its soft power and influence too – its rhetoric and leadership and its enormous influence. It needs to hail entrepreneurs of all kinds, inside and outside conventional business, to make sure they are honoured alongside those with the traditionally ‘important’ jobs – the mavericks alongside the elite, to show what the government values and to celebrate those skills and their education.


Above all, maybe, it would embed in our society the idea that the primary purpose of business is not to make money. Rather it is to play a full part in the creation of a successful society, to provide products and services that enhance people’s lives and a well-functioning society and, in doing all that well and effectively, provide good financial returns for owners, shareholders and others as a result.

Imagine that politics began to grasp what it means to be entrepreneurial, and began to model government around the idea of fast-moving, creative and strategic thinking. Imagine that, instead of modelling themselves on huge bureaucracies or databases, or great military machines, the departments of state could understand themselves and their individual staff as creative, enterprising, capable and fast. Imagine that, instead of modelling themselves on the old business megaliths of the past, they might begin to learn the lessons of social and business entrepreneurs – determined to make a difference.

It isn't a short jump then to imagine what would have to change to put the vital needs of the nation's entrepreneurs at the heart of the agenda of government, and to shape more of them, so that entrepreneurial skills – the ability to shape your own life and the lives of others – become the centre of the school and training system, and the business and trade support system, and the banking system too.

The truth is that politicians with a conventional mindset have paid lip service to enterprise, but have done little to turn the UK into a nation where enterprise and creativity is at the very heart of our ambitions and objectives.

They have concentrated too much on university education – for the academic elite – and not enough on practical training and a rounded, elite vocational education. They have produced tickbox business support rather than mentoring for entrepreneurs. They have weighed down the imaginations of entrepreneurs with bureaucratic hoops and organised their business support institutions so that only the biggest multinationals could use them. Until recently, they colluded with the banks in a situation where small scale enterprises were starved of the investment they needed, and where business was often forced to look overseas if they wanted to expand.



A radical government would use its full power not just its ability to legislate.

The truth is that the UK needs to educate young people

to be entrepreneurial, creative and resilient, even if they don't want to start their own businesses. They need to help them understand a broader range of career options and financing possibilities.

They need to link them with potential mentors as early as possible - teachers, fellow students, business networks and investors – understanding that our entrepreneurs are Britain's future wealth creators, and that SMEs drive the economy and employ more people than ever before. The OECD recently found that 64 per cent of new private sector jobs are created by small enterprises. They need to be at the heart of policy in every area.

In the rest of this report, we examine some more specifics as to areas that need to be put at the centre of policy development if we are to create a more entrepreneurial nation.





**Scale-up companies could contribute
a million new jobs and an additional
£1 trillion to the UK economy.**

3. ENHANCING SCALE-UP POTENTIAL

If the future of the economy is to have thriving small-scale enterprises alongside the larger multi-national businesses, then that is the life our education system needs to prepare people for.

There needs to be particular systems in place to spot businesses with the potential to scale up rapidly in every area. A recent report found that 'scale-up' companies could contribute a million new jobs and an additional £1 trillion to the UK economy by 2034.

The evidence is that scale-up potential may not have the kind of problems finding investors that some SMEs do, but they need to get to the stage where they can scale. They also need local authorities to identify them early, to link them up to the right agencies that can speed them through the bureaucracy – it can take six or seven months for applications for EIS to clear HMRC. There need to be ways that the equity houses and the entrepreneurs can meet more easily and on more equal terms.

The business people we met said that the government's Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) are both helping to increase business angel investment in earlier stage businesses. But they are bureaucratic, not widely understood and clearly not a priority for the agencies charged with making them work. As one accountant put it, "HMRC always seem to be looking for reasons to say no."

The people we met are also pleased with Vince Cable's British Business Bank and its investment programme. At last, a UK government is going in the right direction, but it's still a long road.

New businesses have to fall back on their family all too often to get the investment they need. In fact, family investment is an absolutely vital potential source of funds, but the government needs to relax the rules around investment tax relief to unlock this resource for UK enterprise in a more formal way.

The scale-up 'gap' is one of the most important areas of enterprise where the UK falls behind the USA and other big economies. It means that our most exciting companies fail to reach their own potential, getting bought out by larger foreign companies – losing the vital edge of the most important future drivers of the UK economy.

The recent Scale Up report identifies the most intractable problem for these companies as access to the talent they need to fulfil orders. If they can't hire the staff they need, they can't take on the new business. There are about a million open job positions in the UK and the skills gap is still getting worse (see below). The related problem is that the leaders of the scale-up companies lack the experience they need. It is hard growing companies very fast and they need the right kind of support and advice.

A radical UK business manifesto for enterprise would have to include:

- Organising practical education in enterprise in all schools for all pupils, not just to learn how to be an entrepreneur in theory – but to make things happen in practice. There are already elements of a curriculum out there (see for example Learning to Lead, which began in Somerset).
- Reforming investment tax breaks to free up corporate venturing, including a fast track system through HMRC, EIS for crowdfunding and family investments, and new innovations like export tax credits – and linked to a hands-on system of regional business mentoring.
- Making Local Enterprise Partnerships and cities report regularly on how much their top 50 scale-up prospects are performing. The Scale Up report suggests they need to increase the proportion of scale-ups with more than 250 employees by three per cent by 2025.
- Allowing a 'Scale-up Visa' to be made available from LEPs to their top scale-up companies so they can recruit staff from overseas within two weeks of applying, with the objective of expanding the distribution of local scale-up companies' existing products to foreign markets and help introduce new products and services.

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We must take students out of the classroom and into the real world.

4. TURNING THE EDUCATION SYSTEM INSIDE OUT

While politicians have believed themselves to be shaping a school system for the needs of business, what they have actually been doing – certainly before the coalition took office – has been shaping a school system for the needs of the previous century, even the century before that.

Education for a rapidly changing world

We don't need machine minders any more. But then nor do we just need coders. We need people who can have confidence, adaptability, creativity and imagination to every area of business endeavour. We need people who combine skills with academic rigour, and we can no longer waste the talents of those who prefer vocational education but who are wastefully let down and condemned by the education system.

We need young people able to start businesses – if possible through access to mentors and loans at university or college. But we also need to reassure young people that joining or launching a business is just as good a career option as joining a big organisation, and working their way up as their parents and grandparents might have done, and which careers guidance seems determined that they should still do.

That means a big shift in the way we organise our education system, which has always lagged behind the needs of the nation. We need to educate for delivery skills and what has been described as 'learning agility'. The nation, and businesses in particular, need people who are not just problem solvers, but confident that they can solve problems. And problem solving, as anyone who can do it will know, means being able to hop from one speciality and discipline to another. We need people who can imagine a better future for themselves, their families and our society and have the self-belief that they go out and create it – people who see business as a vital way of improving our societies rather than as a purely financial enterprise.

Business needs people with this kind of flexibility far more than it needs specialisation from an early age. Above all it means education for creativity and not conformity.

There is also a need to educate for resilience, partly because it will support people through life and partly because that is what they will need as entrepreneurs.

Among the other attributes which schools are only just beginning to understand is the need for team-building and other soft skills. Being ready to do business isn't all about competition – only the ideologues think that. If you're not just as able to co-operate as you are to compete, then you won't succeed at either. As the entrepreneur Sherry Coutu puts it: "It's vitally important that children acquire skills for the opportunities that will be there for them when they graduate – the most effective way to do this is to bring entrepreneurship into the classroom."

But that will only take us so far. There is already a movement to bring business people into the classroom (although it is not yet co-ordinated). A radical business manifesto would set out ways that we can take pupils out of the stifling atmosphere of the classroom and into the real world. We should ask ourselves, is the organisation of schools around the classroom primarily designed to deliver the best education or is it simply the most convenient way for schools to organise themselves? We should aim for a world where classrooms and schools are empty most of the time because the students are out learning about life, and feel confident that they can live it. Is it time for hot-desking for pupils?

Part of the problem is that teachers tend to have very little experience of the world of enterprise, and are often suspicious of it. There are exceptions to this, as the success of Teach First demonstrates. But it does flag up the importance of accelerating the links between schools and local businesses.

A radical business manifesto for education would have to include:

- Launching new kinds of partnerships and brokerages between schools and businesses, funded centrally but administered either by local businesses or local authorities.
- Shaping a much broader education that teaches creativity and resilience and confidence, and encourages questioning and entrepreneurship, with entrepreneurial skills – for life in new and existing enterprises – firmly on the curriculum at every level.
- Building new links between local universities, businesses and schools, so that leaders of local companies with serious scale-up potential are brought regularly into contact with students.
- Setting up a baccalaureate system, encouraging students to take a mix of technical and creative disciplines.

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We should be nurturing people who are able to hop from one discipline to another.

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Education needs to build confidence, adaptability, creativity, imagination and breadth of skills.



Nurturing creativity and skills

Up to 500 businesses around the country have been partnering with local schools, in a series of relationships forged by Business in the Community as Business-Schools 'Clusters' and managed by a local business that brokers the relationships.

It is largely informal, and that lies behind the strength of the scheme. It also means that businesses can support the school, mentor the staff, provide opportunities for the pupils, help with the HR and other management tasks and reveal to children what life at work can be like – and how satisfying.


The result is that children who might have known precisely how much they will get on the dole when they leave school, and might have known little or nothing about the world of work – and never witnessed for themselves what self-discipline might work in practice – get an experience of work and an opportunity to work too.

In return, the businesses get a stream of potential apprentices and future employees, and it often helps with staff morale as well.

But there are a number of pre-conditions for this kind of scheme, not just to work, but to be turbo-charged to cover every school and potentially every business too. It has to stay informal – you can't run this from Whitehall – but there does need to be a regional brokerage between schools and businesses to set up the clusters and support them.

We also need to have the vast majority of businesses committed to taking on apprentices and to training them, rather than letting the bigger ones get an unfair advantage by cutting training, putting staff on zero-hour contracts and shipping in foreign labour. A radical business policy for the UK would reward the companies which train and penalise the ones that don't, or which force staff unwillingly into self-employment.

But most of all, it requires a government which is absolutely committed to putting vocational education at the heart of elite schooling and on making apprenticeships central to UK business life, at every level. And such outcomes cannot, and should not, simply be encouraged by providing businesses with public money to take on apprentices – though some pump-priming may be necessary. Yet continued subsidies only encourages the worst types of businesses to game the system, threatening to pull training programmes unless they are allowed to feed at the trough of public subsidy.



Training and education must be at the heart of policy making and of every business's list of priorities.

Nothing has held the UK business back so much as the classic UK snobbish attitude to education – that all attention, resources and praise should be heaped on academic education while, despite the rhetoric, vocational skills have been swept under the carpet.

It is precisely this shift which the Lib Dems in coalition have begun.

The revival of vocational education has only just started. But it has been so successful that more young people applied for apprentices at BAe Systems and Rolls-Royce last year than applied to Oxbridge – though that also flags up the desperate need for more, improved opportunities. There is a long way to go before we have the kinds of networks of medium-sized businesses, and the training institutions that support them, that have been such a feature of life in Germany.

But there is still some way to go. Small businesses find it particularly hard to provide apprenticeships. The process is too bureaucratic and too time-consuming – and outside their comfort zone when it comes to linking up with local schools.

We also need a new kind of political language. We need to show how vocational and academic education have been integrated – so that even the academic specialists have the opportunity to think about how they will apply what they learn, and even the vocational people get academic rigour. So that both learn from the new agenda of creativity, confidence and making things happen.

Continuous Learning

Neither should the skills agenda be confined to the school and university system. In a fast changing world, everyone's skills are soon outdated. Continuous learning, re-training and making the previously retired productive in a contemporary world are initiatives that are just as important as appropriate training of new generations yet they receive considerably less attention. It could be argued that such initiatives will yield quicker results. They will prepare us for an economy that will remain productive as the population continues to age.

This requires a shift in mindset by the educational establishment to consider their role as one that covers the whole population not just the young. It also requires a change within businesses – to stop seeing mature employees as a high cost that can be reduced and start seeing them as valuable people who can be re-trained, made continuously more adaptable and more productive and who can combine experience with adaptability to extend their working life.

5. THE DIGITAL REVOLUTION

A radical business manifesto would need to propose;

- Setting up regional or local authority intermediaries to deal with the bureaucracy so that SMEs can start providing apprenticeships.
- Organising a massive expansion of the apprenticeship programme, including more vocational qualifications, and new kinds of careers guidance, from business people and for potential entrepreneurs, provided through similar business-school relationships.
- Make sure that the companies which fail to provide apprenticeships and training pay to support those that do via a voucher system.
- Drafting a new curriculum that teaches and encourages entrepreneurship in all areas of life, that builds confidence and dovetails seamlessly with the real world of work.
- Encouraging volunteering in the classroom by third-year maths and science students, involved in schools as part of their graduation process.
- Expanding the focus of education to the creation of a culture of life-long learning that focuses on adaptability and the learning of new skills, encouraging people continuously to reinvent themselves so as to remain productive members of society for longer
- Developing a culture of celebrating 'excellence' rather than job position, so that those who have the confidence to be entrepreneurs are not constantly sidelined by those who have management positions in the biggest companies.

Digital technology is not just a technology, or a different way of doing things – it is a major driver of cultural change. Only six per cent of teenagers are now using email, and – despite the reform efforts of the coalition – public services during the Blair and Brown years were reshaped using the digital solutions which were a decade or more behind the times, which tends to wrap them in concrete and makes them inflexible.

There is a huge task ahead to look outside the UK, and to use the home grown imagination we have, to reshape government services in a flexible and human way. We need to find ways of bringing together the flexible energy of small business with the knowhow about using big data analysis, so that we can make progress on these objectives – and to innovate in business all the faster.

If the UK can do digital right, then we can create new types of value in which the physical product combines with the way it is bought and sold. This requires the UK digital industry to operate across the rest of the business sector, rather than all by itself. It means that people going into digital careers need to do more than coding. Do this right, and we can increase the capacity of the transport network without building more physical capacity, we can disperse powers to smaller units, and we can provide incentives for people and organisations to share data between them. We can gain substantial efficiencies in energy distribution and use. Do it wrong, and we risk replicating the imbalances in the world now, but in a more concrete and insidious way.

But this isn't just about putting coding into the national curriculum important though that is. In the digital world, as in so many other business sectors, the division so early in life into creative and technical, academic and vocational, is extremely damaging. The UK's digital industries need creative people as much as they need technical people. We need to combine two UK success stories: scientific research and our creative industries.

*Digital is a major driver
of cultural change*

CAN WE TRUST THE DIGITAL INFRASTRUCTURE?

↓
*People are starting to
opt out of the digital
world because they
find it intrusive and
threatening.*

There is also a looming problem of trust. People are beginning to choose to opt out of the digital world, not because they lack the skills but because they find it intrusive or threatening, and because they don't trust those in control of it. This becomes an even greater problem as digital innovations allow others to burst out of the boundaries of the nation state. Not only are digital skills scarce and expensive in the UK, and financiers are particularly conservative here when it comes to digital enterprises, but there are obvious disadvantages when digital snooping by governments appears to be uncontrolled. If people lose trust here, the digital entrepreneurs will go abroad and data also becomes less useful if people opt out. The most innovative digital techniques will not be effective if people don't trust the motives of the people who designed them. As the land of GCHQ, the UK is fast becoming one of the countries where digital entrepreneurs will think twice about making their base for any substantial digital infrastructure.

We should control our own data

Clearly, future governments need to think about how to give incentives to people for keeping their data up-to-date. But there are more fundamental things that need doing. If the future success of companies like Google depend on marketising our data then it is only right that we should own it, licence its use and be paid for other organisations using it. That is the critical reform which is now needed.

Personal ownership of one's own data will enhance business opportunity. Those who own and control their own data are much more likely to share more of it - and be more truthful about data they share. It also opens more opportunity for new business innovation by preventing incumbents from using people's data to create monopolistic positions.

The French philosopher Jean-Francois Lyotard explained as long ago as 1979 that our data is a new kind of currency, so there is a vital political choice to make. Do we allow more power over our own personal data to fall into the hands of the internet companies or government, or do we make sure that information solutions stay in the hands of the people it describes. There are arguments both ways about which arrangement will lead to most innovation, but there is no argument about which arrangement will underpin trust in the system, trust which the system so badly needs.

6. HOW TO BE A LONG TERM PLANNER

A radical business manifesto would have to include:

- Giving people control and explicit ownership of their own personal data - including their personal health data - so that they can give access to it to professionals rather than the other way round.
- Backing new open source systems for big data analysis, which can put powerful tools into the hands of a whole range of new businesses.
- Setting out a presumption in favour of disclosure. That means committing to a substantial increase in the amount of the public's data that is currently held by government being made available to the public, so that entrepreneurs of all kinds can use digital to access services and build their own, spawning a whole new area of enterprise.
- Making sure the government takes personal data privacy seriously and holds both private companies and all government agencies publicly - and convincingly - to account.
- Using the potential of the new digital culture to reinvent how we deliver public services and the relationship between citizens and their government rather than merely to digitize the old ways of doing things

The central problem of the administration of the UK, as far as business is concerned, is the way that decisions are taken on a five-year cycle - and the cost-benefit calculations, and the data information on which they are based, are hopelessly locked into the electoral tide. That was one of the reasons that the coalition has set up the independent Office for Budget Responsibility, to bring in some much needed stability in the basic information.

Of course, the situation is actually much worse than that. As anyone knows who has spent any time there, Westminster tends to work on a weekly, daily, and minute by minute schedule that derives from the news agenda. Politics is desperately, chronically short-termist. As we have outlined earlier, politicians alone cannot change that. It requires a broader effort.

The financial markets also impose an equally short-term agenda on businesses, when what creative investors need more than anything else is to know not just where they are now - but where they will be in ten years time or over the investment horizon. One of our events, organised by the Institute for Family Business, heard that one of their members has a 400-year outlook. Not every organisation could boast so much as a century-long strategy, but business as a whole could do with something which allowed them to think long-term.

They also need to deal with trusted financial institutions which are effective, not because of what they claim to do, but because they encourage long-term planning.

What business wants most of all is a stable set of assumptions which can make it safer for them to invest. The trouble with 'stability', in the old conservative sense, was that it simply preserved the privileges of the status quo. Stability may also not be possible in an increasingly uncertain world, but we can plan for resilience, and for stable government - especially removing uncertainty about the continuing membership of the European Union. A stable politics provides business with the space to think ahead for resilience in an unstable world.

The launch of the British Business Bank and the Green Investment Bank, both Lib Dem creations, are only part of what needs to happen. These are permanent, independent institutions which rely on government but which are not subject to its day-to-day whims. Meanwhile, many of the checks and balances built into business evaluation, the markets and many other institutions can still be damagingly short-term.

Governments have traditionally been dependent supplicants to the short-termism of many of our key market institutions, arguing – rather disingenuously – that competition and long-termism could not co-exist, that long-term institutions were somehow protectionist. That was a dereliction of their duty to nurture a competitive UK business sector, so the work to achieve both remains to be done.

A radical business manifesto will include underpinning family businesses, the sustainable spine of UK business, and defending the Business Property Relief which allows them to think long-term from one generation to the next. It will include support for long-term innovation against the narrow thinking of short-term financial markets – it means, for example, more rigorous evaluation, including a careful but not heavy-handed assessment of national interest when successful UK businesses are being taken over by poor performing foreign competitors for short-term tax advantages, or for short-term tweaks to their position in the financial markets. It will include measures that give more scope for companies to provide stable employment for good people, rather than the frustrations of the corporate jobs market – and penalising the bad employers who shuffle off their employment and training responsibilities onto their competitors.

A long-term policy background suggests long-term business partnerships with universities, which are already the backbone of the revitalisation of local skills, local development, local economies and local life. Otherwise our manifesto would have to include:

- Assessing the success of universities should be based, not just on the number of peer-reviewed articles their academics manage to publish, but how they demonstrate their involvement in the nitty-gritty of their local community, their local economy and their local business life.
- Diversifying the financial system, so that the UK can grow effective alternatives to the mainstream banks, not just for investment but also for basic financial services, both in innovative forms of finance and more responsive forms of local finance.
- Developing public services which can reach out and prevent school failure – as the coalition's Pupil Premium tries to do – or ill-health or crime or any of the other drains on the public purse, so that services become more stable and less crisis-driven.

Towards a finance system that supports the UK economy

Here is a radical idea: that our large and very successful financial sector should support the UK economy.

We have developed a financial sector in the City of London which just happens to be housed in London, but its business is global and it has no expertise in, very little understanding of, and very little interest in the UK economy. A radical business manifesto means an end to the paradox of having the biggest financial services sector and no effective financing for our economy.

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How about a financial services industry that actually supports the UK economy?

It is hard to over-estimate the cynicism with which ordinary people now treat what were once the heroes of high finance. But the blame for the 2008 crash needs also to rest on the shoulders of the regulators who turned a blind eye and the legislators who just couldn't imagine what could go wrong. As the coalition has so many times expressed it, it isn't in any case, just the crash which the rest of the business world resents – but the way the big banks failed the business community, and how they vacuumed up the available talent over the past generation.

The coalition has gone some way to tackling the problem of risk. But there are still two vital tasks which need doing.

The first is that the new regulation of banking, designed to rein in the biggest banks, has also undermined the ability of all banks to operate as we need them to. The new Basle III regulations have particularly undermined the ability of banks to provide support, banking and lending services effectively to small businesses. We urgently need more innovation and that may – if it works – paradoxically require less regulation, because there are institutions which are providing services to the markets which are not now very well served, especially to entrepreneurs.

The other issue is that the mainstream banking system may no longer be viable in its current form. They have backed themselves into a corner where they have to provide free banking services, though the interest they can earn on current accounts is negligible. They also have to employ investment bankers at unviable salaries when investment banking is hardly earning enough for reasonable salaries, let alone unreasonable ones.

At the same time, the UK economy is still unbalanced enough to cascade money into a dysfunctional housing market, unbalancing it further and making it hard for businesses in the south east to attract staff – because of the cost of renting or buying a home.

And still some of the biggest banks have failed to tackle the culture that exists in their organisations, partly because of their reward systems. The chairman of the New York Federal Reserve has urged banks to align their organisations' cultures with the public interest and with regulatory intentions, instead of viewing the law as a problem to manage and, if possible, evade.

The superior status of bankers in the UK has meant that the way in which dysfunctional banking cultures have undermined UK enterprise have not been adequately debated. Neither have potential solutions.

The coalition's Funding for Lending Scheme was evidence that they were thinking along the right lines, although this scheme was not very successful. The problem is that most traditional banks use measures to assess business viability that are not really relevant for young or innovative or digital companies. They lack the granular local information about context that they need. The result is that so many businesses that could grow don't have the supportive banking relationship they need.

The UK is beginning to get the kind of innovation in banking and investment that we need, but it is slow. And the growth of the local, relationship-based banking that supports competitors in Germany and North America has been slower still.


↓
*Is the mainstream banking system
viable in its current form?*



Does UK finance have enough of the right kind of entrepreneurial skills?

The business people we talked to all applauded the Lib Dem role in unlocking people's pensions, setting investors free from the tyranny of the annuity providers. They felt more could be done to unlock investment. People are often hungry to invest in start-ups, if they can, but it needs to be made easier for them, and the incentives so far are not strong enough to develop this on a major scale.

This also needs to be extended so that people can invest in effective market ways of solving society's problems if they can – which requires better measurements so that the social impact of investments can be recognised and rewarded with tax relief.



The social impact of investments should be recognised, measured and rewarded with tax relief.

But some of the change needs to come from within the finance community itself. Early stage businesses exploring equity or debt financing – especially in innovative areas like digital and biotechnology – still struggle to find investors who are willing to support businesses that don't fit easily understandable, traditional business models that generate early stage revenues. Finance for such businesses is easily available on both coasts of the United States, but is almost impossible to come by in the UK.

Maybe this is because the UK still lacks a cohort of entrepreneurs who have, themselves, been successful and are now willing investors in early stage businesses. But it is more likely to be that too much of our finance industry is still populated by financiers who believe the truth lies in spreadsheets and who have never, themselves, started new businesses and made them successful.

A radical business manifesto would have to include:

- Support for the banks to find ways out of their current impasse, so that they can charge for current accounts if they need to without fear that they will be prosecuted for collusion. This may happen as a result of the current investigation of the domestic banking market.
- New kinds of banking rather than over-regulating the old kind, including a new infrastructure of regional banks – paid for if necessary by the big banks – and encouragement and tax breaks for angel investing on a much wider scale, as the USA is doing.
- Tax breaks for social impact investment, helping to tackle the most intractable big social and environmental issues.
- Developing a new independent UK development bank along the lines of the German KfW, merging the development lending operations of all the Whitehall departments together, to give them greater reach and to encourage innovation outside day-to-day political control.
- Encouraging new kinds of finance institutions run by business people rather than finance specialists and willing to invest in the radical new ideas that the UK needs to develop its enterprise culture.

7. THE REVIVAL OF RADICALISM

This is not a pamphlet written by independent academics, aloof from the world. We are both committed members of the Liberal Democrats and that influences the way we see the direction of the nation. On the other hand, neither of us are part of the Westminster establishment or the political bubble there, or the hothouse of Westminster debate. We both of us work in a diverse range of activities – including business and investing – which are part of the world outside Whitehall. We are reporting in that respect on what we see.


From that standpoint, and from the meetings and conversations we witnessed, this is what we see. That UK business is an increasingly radical force, no longer committed either to the status quo or automatically to the Conservative Party. Quite the reverse. They stand increasingly bravely for open borders, vocational education, foreign and multicultural influence. They stand for diversity and enterprise. They have also seen the role that the Lib Dems have played in government, and – although they may not be Lib Dems themselves – they approve of it.

We accept of course that there are exceptions to the rule – businesses which see only their own narrow interests, businesses overwhelmed with short-term regulation, or the short-termism of the financial markets. We see narrow-minded, short-sighted business which constrain their employees, or wash their hands of their workforce to avoid the responsibility, the training or the HR overheads.

But that is not what we have seen. We have talked to business people who are increasingly seeing a broader picture – where the issues of keeping the UK free to think broadly and open to the outside world really matter. These are business people who recognize and encourage innovation every day, and who regard the long reign of low interest rates, not as a drain on their income, but as a once in a lifetime opportunity to invest in the new productive, greener infrastructure that the nation so badly needs – both hardware and the people who need a different kind of education system to prepare them.

This is not a short-term shift. It is a re-awakening of the radical conscience of business, aware – as they were in the nineteenth century – that they represent the future of the nation, and must rise to the responsibility.

That may mean they support the Liberal Democrats. It may not. But it does mark the beginning of a new alliance between business and the reforming liberal forces of UK society. We hail it and we welcome it.



*UK business stands, increasingly bravely,
for open borders, vocational education,
foreign and multicultural influence*

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