



By Tony Hambro
+44 7785 36 88 56

Address to the Institute of Directors, India October 25th 2018

Good morning, Ladies and Gentlemen,

First, thank you all for coming today and my thanks to the IoD for inviting me to speak at this 18th Global Convention. According to the Programme, our theme today is:

“Board’s Transformational Strategy for Building a Sustainability Paradigm”.

To my shame, I’m still not entirely sure what that means, so I’m going to share with you with a few thoughts on the enduring value of **decent behaviour** and **good corporate governance**, particularly in a global economy undergoing such **rapid change**.

This is particularly important for those clever folk who have the technical skills to harness change and so to **disrupt** traditional ways of doing things.

Some of them suddenly become worth a billion. “Unicorns”, they are called. On Tuesday this week, the Daily Telegraph reported that the UK has so far produced 54 of these magnificent creatures and I expect there are many, many more in India.

But in a world of constant change, they may find that **keeping a fortune** is **just as hard making one**.

Change brings uncertainty, frustration, temptation and, often, **moral dilemma**. This means that a leader in business can never rest on **her** laurels.

To sustain strategic success, she needs constantly to know three things

- where she is now;
- where she wants to get to; and
- how she can get there.

To quote Alice in Wonderland:

“If you don’t know where you’re going, any road will get you there”.

Now, to steer the best course to one’s chosen destination, you need a reliable compass. In this case, **a moral compass**... Where can you find one?

Well, I’m no saintly corporate guru with all the answers. I could be called a corporate dinosaur. I started my business career in the 1960s at a merchant bank in the City of London, a much simpler world.

In those days, you were still expected to **behave as a gentleman**, that is to say, generally **putting the best interest of customers, and others, before one's own**; above all doing nothing to be ashamed of, nothing that would look bad in Private Eye.

My Dad's advice was:

"Doing the right thing is, generally, the right thing to do".

Not as silly as it may sound.

In those days, you knew that if your behavior was such as to **cause the Governor** of the Bank of England to **raise an eyebrow**, your career-ending punishment might be the **"cold shoulder"**, meaning exclusion from the City.

True, it was a **privileged, sclerotic world**, stultifying for those impatient for success; but, by and large, **it worked rather well**, and without the massive cost of compliance departments.

Then came the 1980s, and dear Mrs Thatcher invented **"Regulation"**. So now we have literally thousands of pages of rules for clever professionals to game and huge compliance departments to try to stop them doing so.

Along the journey, **greed became good**. And the **moral compass was lost overboard on the voyage to the tax haven**, where smart consultants had dreamed up complex international corporate structures and tax deductible charity organisations, to avoid tax liabilities.

Then, worse, in the 1990s, Mr Blair engineered the **demise of shame** as a driver for good behaviour; so, staying within the letter of the law became just fine.

True, that attitude became a bit less acceptable after the 2008 crash, and that was briefly encouraging.

But, since the 2016 US election, I see a new danger, with clever people now busily **undermining the concept of truth** itself. "Two plus two equals- Well, let's see now, how many would look best?"

So **where is the moral compass for you**, as the business leaders of today?

It is within you.

Listen.

It is that **still, small voice of conscience**.

It means recognising and accepting your own **personal responsibility for what you are doing**, and so doing the right thing; it means **building this attitude into your corporate culture**.

Until recently, I had the honour to represent Tata Capital Plc where, like everyone else in the Tata Group, I had to sign up to the "Tata Code of Conduct". Here's a couple of quotes from that excellent document:

"We will be fair, honest, transparent and ethical in our conduct; everything we do must stand the test of public scrutiny".

“We will integrate environmental and social principles in our businesses, ensuring that what comes from the people goes back to the people, many times over.”

And the pitch to our Tata Capital customers was “**We only do what’s right for you**” and we meant it. I certainly slept better as a result.

In the long run, **leadership behaviour** is closely linked to the **value of the corporate brand**.

Quality, value for money and fair ways of winning market share will lead to a favorable public image and win consumer trust.

So be patient and **ethical conduct** will itself give you a **competitive edge**, in the end.

Now a brief word on governance: **Good governance** is not the same as being **politically correct**.

Does good governance require, for example, that the components of your workforce reflect in percentage terms the diverse constituents of society- by gender, race, religion, age etc?

I don’t think so. -

But of course demanding this sort of diversity is a signal of virtue, so we hear it a lot of it. But we should not mistake **equality of opportunity**, which is a laudable goal, for **equality of outcome**, which is just not how the world works. **Meritocracy** is part of good governance.

So, to the young would-be Unicorns here today, three bits of advice:

- Right at the start of your professional life, a wise first step is to **decide to conduct yourself with integrity, dignity and grace**. This will at least stop you from sending any more naked photographs of yourself over the internet.
- Another good step is to decide that you will **avoid doing harm to other people, or to our long-suffering spaceship Earth**. This will prevent you, for example, from developing the kind of computer games that are deliberately designed to be addictive for youngsters. Making money by doing good is the better way to live.
- Finally, consider yourself a **trustee of the finance to which you may be given access**, whether by family, friends, venture capital or private equity.

Good governance and sustainability will be the likely results.

This is not an infallible recipe for success and even ethically run businesses may fail. But honest failure can be acceptable, whereas bad, selfish, greedy or dishonest conduct is not so easily pardoned.

To paraphrase what we heard at the I IoD dinner at the House of Lords last night: “Behind every successful business leader is a surprised mother”. My simple message is that you should also make her surprised at **how well you behave**.

Ladies and Gentlemen, **thank you for listening**.