

# 33rd Annual Campden Lecture



9 June 2011



## Miles Templeman

Director-General,  
Institute of Directors

IoD Director General, Miles Templeman began his career as a marketing specialist. He gained his pedigree leading such major consumer brands as Daz, Ribena and Lucozade, and was Marketing Director of Levi's jeans. He then moved to general management and, after running Threshers, Miles became MD of the Whitbread Beer Company. He had great success in building those companies, especially with the growth of such brands as Boddingtons and Stella Artois.

Miles then had a series of non-executive directorships and consultancy roles including Royal Mail, Ben Sherman and Accenture before becoming Chief Executive of Bulmers, which was eventually successfully sold to Scottish & Newcastle. Miles was also Non-Executive Chairman of restaurant chain YO! Sushi between 2003 and 2008.

A firm believer in the power of the brand and the importance of valuing your team, Miles is a passionate believer in the values of enterprise. He assumed the role of Director General of the IoD in 2004, at a time when its membership, influence and relevance was steadily increasing, particularly with the growing importance of corporate governance, director standards and entrepreneurship and innovation in business. One of his key objectives is to make the IoD more international and build its reputation as a centre of excellence for directors around the world.

Alongside his IoD role, Miles is Non-Executive Chairman of Shepherd Neame, the Kentish family brewer; a Board Member of Young Enterprise, Enterprise Insight, and The European Confederation of Directors' Associations (ecoDa); and Senior Non-Executive Director of Melrose PLC, the buy-out specialist.

# Current challenges for business

by Miles Templeman

Director-General, Institute of Directors

My Lords, Ladies and Gentleman, I am delighted, honoured and slightly daunted to join you today. I've certainly never spoken to such a multitude of true experts. I've always been a businessman in the food and drink industry in a variety of ways, so I've always come to it as a kind of non-expert looking at the business issues rather than many of the technical issues that you know far more about.

What I thought I'd do, would be talk at two levels. Firstly, about some of the specifics that companies are facing - and all of you are in different ways involved in organisations - and how the recession and the low growth environment that we're in (and will be in for some time) is affecting them. Secondly, to talk more generally about some of the issues facing business in total and to bring into that what we feel the Government should or shouldn't be doing in terms of helping. Because obviously a lot of my time at the Institute of Directors is spent trying to persuade the Government to have a greater business perspective - not just about food and drink but obviously business in general.

But in terms of has the recession and does the current very difficult economic environment change what we as business leaders have to face, my general answer is no - it just makes it more acute. The issues that were there before the recession are there during it and they will be there afterwards in terms of competitiveness. But there are three areas where I think we as leaders have to pay special attention:

- to really examine the processes in our businesses - particularly from a financial perspective
- to look again at our competitive advantage and disadvantage
- and, perhaps sort of all embracingly, to really think about the leadership issues involving that.

## **Business processes**

Firstly, in terms of this question examining processes, obviously for SMEs - and many have already gone under and we shouldn't underestimate the pressure on small companies, primarily because of cash flow issues and here obviously the whole role of the banking community is critical and I don't propose to talk much today about that, but it is a critical issue for a lot of small companies.

How they manage that cash flow, how the leaders of the business really focus on the real attention to detail that is absolutely vital in terms of that and I've seen many companies, particularly small ones, that have really got going and then stumbled and one of the real problems interestingly is actually late payments.

It's not talked about a lot but one of the things any of us know that deal with big, particularly big supermarket chains and big companies, is that they are some of the worst at paying small companies and for big companies, it's a marginal financial transaction, for small companies it can be life or death and that is something that we continually press on the payment issue.

But I think the overall examination of the way the company is operating, and it's something certainly that we've been focusing on at Shepherd Neame, but I think it goes for all the companies that I meet around the country, is how to examine the efficiency of our processes, how to relook at all our purchasing contracts.

All too often purchasing is not optimal, it doesn't mean it always has to be the cheapest, but it certainly has to be the best optimal deal that can be got. Many of you will be involved in that side of it directly and indirectly and it's absolutely critical that it is re-examined. The sources of supply are now totally global and it's up to us as leaders and up to you when you are involved in it to really address how we can improve albeit marginally, those purchasing processes. And obviously, the overall financial efficiencies operating in the company. All too often you still see companies, even when they are under intense pressure, not really examining their cost base. There are all sorts of reasons why one doesn't until they're absolutely desperate and then all too often the wrong decisions are made. And that's a topic I think not just for us but for the public sector in general. So that's my first key message - really go through all those internal processes, look at the way the company is operating again and with the intense pressure from the outside are there ways we can do that better, more efficiently, more cost effectively and so on.

## **Competitive advantage**

The second area which I think fundamentally affects me particularly with my marketing background is about competitive advantage. Because there is a bitter irony that just at the time when you most need your customers, when you're really struggling to survive lets say, your customers get more discerning than ever. I don't know quite why that is but when they're under pressure, customers make even more demanding decisions, they want more from their suppliers. One of the best examples of this differential that occurs is under recession - because what I've seen is that differences get magnified. A company or a brand that is okay, but perhaps rather indifferent, can survive along the road. But once recession bites, unless it is much better than indifferent or okay, it will go under.

If you look at the pub trade, which many of you will know well, it's a perfect example. You hear a lot of people talk about the pub trade suffering - that's not true at all. What is interesting is good pubs are doing better than ever and poor pubs, of which there are still far too many, are disappearing totally and should. They've survived a long time, so that's painful if you're involved in one of those small local pubs, but nevertheless in the long run that process of sorting out has to go on. And what the recession does is force companies, brands and so on to genuinely say "where is our competitive advantage? Where have we got a distinctive positioning that really can count?".

One of the great things about the internet is that it opens up new opportunities, but as we also know it brings in every competitor on to our doorstep so there is no corner of the world that is now exempt from international competition.

So all of that competitive advantage issue has to be looked at internationally - not just locally or even nationally - and I think that is one of the most acute things that companies again don't always face up to totally. Are they really looking at their products and services in terms of how distinctive are they? Because if they're not really distinctive, they don't really have an advantage, and then customers will not just 'not buy many', they won't 'buy any'. And that's as true in food and drink as it is in any other sector and I see that all over the place. So I think that focus on competitive advantage and disadvantage is crucial.

But one of the interesting things in the recession - if I call it that, I know we're technically out of it, but we all know things are pretty tough still - is that there are great opportunities. It's very difficult to make significant product developments - although companies still should go on doing it clearly - but there are opportunities out there in the marketplace. We are acquiring good pubs at the moment, because they're available. Companies look at different opportunities and see marketplace advantages. I spend a lot of time, we've got a house down in Cornwall, which overall has suffered greatly, but I was very interested two years ago when the whole property thing was under tremendous threat and one of the local estate agents - totally different field to all of us - actually started buying up some of its competitors and opening new branches in anticipation that actually they would be able to get them cheap and be very ready as and when properties started to move forward again. In fact in the part of Cornwall that I know well around Rock, property prices hardly went down anyway. If you were trying to buy somewhere, it didn't seem to change much. So I think that looking at competitive advantage and disadvantage is something that is absolutely critical.

## **Leadership**

The third area that really I think all of us should consider more, think about more, and so on - and endless things are said about it and written about it and I'm sure nothing I'm going to say is totally new - is this whole question of leadership. Because I think leadership in whatever aspect of the company or organisation you're talking about, again comes under intense pressure when times are hard. Some people say actually, and they are right in some respects, that leading in a crisis is easier because everyone knows they've got to pull together. There is a tremendous focusing of action because people know there is a kind of common enemy and I think that's true up to a point.

On the other hand, the way that leaders perform in these critical times is absolutely essential. And there are two or three key things that I would draw attention to and I think this audience would be very receptive to the first one which is always about looking forward. However tough today is, it is vital that the leader, or those close to the leader, are thinking about how are we going to improve our business for tomorrow. If we try and stand still and just lock on to "As long as I solve everything today I'll be all right" is not the philosophy that will make the business succeed. In fact it's almost destined that you will never get there.

What good leaders are doing is all the time understanding those short term pressures, grappling with them, making the changes that they have to make and focusing on them as appropriate but not overdoing it. Not spending all their time looking down and inward. They are spending more time looking outward, more time thinking about the big picture and about the direction and certainly the good companies that I've been involved in, however tough today has got have always managed to keep that perspective of looking outward and looking forward. It's absolutely vital clearly, that the leader has that perspective because you're the one person who does. Others in the company are inevitably going to be more focused inward, it is your role as a leader to say that I'm the one that's going to make sure we lift our eyes onto the horizon and we do look

about where we're going. Because there is a significant danger that you could make a lot of short term decisions that could harm you in the longer term.

I talked about competitive advantage, and one of the biggest decision areas for any product business and indeed many of you are involved in them, would be pricing decisions. Pricing decisions made in the heat of the battle are very difficult. When you're really struggling with the pricing, a discount decision, a way of pricing could be absolutely critical to survival in the very short term, and absolutely disastrous in the longer term. Not only in terms of when you're trying to rebuild margins but reputation and so on. So, making those decisions in the context, not only of today but of tomorrow, is absolutely vital and that to me is the critical role of the leader - to maintain that kind of longer, broader perspective and not lose sight of it, even if everyone else round him is kind of running round as they often are when things are really tough.

I think the other thing that is critical to leadership in these sorts of difficult positions is this whole question of the team and making sure that your team directly below you and their teams below them, are very informed - that there's a lot of communication about what's happening, there is a good flow of communication. Because, as we all know, some of the best ideas come up the organisation, they don't just come from the middle or the top, they come up and you've got to have the ability to let those ideas come through. But most importantly, it's that sense of team involvement.

I had a nice comment a couple of weeks ago that "Good leaders inspire followers, great leaders inspire their followers to become leaders". I think that's the concept we should all have. How can we make those around us into leaders. They will automatically be inspired by us if they have that sense that they are leading in their own right. Always looking at our teams as leaders in themselves, not necessarily followers of the Board or the Chief Exec, is a perspective that I certainly try and sustain. I think it is absolutely critical and I've seen it in all the best leaders that I see around, be it politics or in business. So that sense of really thinking of how to nurture and develop the team is also critical.

And I think the other thing that leaders need to be aware of, and I'm always surprised by this when you hear it fed back to you, is how much people look at you. It seems funny that they notice the smallest thing. But the way the leader behaves is absolutely essential. He thinks he's not on duty when he's wandering around this or wandering around that, but actually people are always watching. People in your organisation are looking at how you are behaving, responding, looking, acting in particular circumstances and it's something worth remembering. I've had endless examples of people, when you leave a company, who tell you all the things that they noticed and you're amazed they noticed that but they did. Even the suits you were wearing, and all sorts of things - "Why did you always wear that suit on Mondays?". You never even knew it, but they watch you, they look at you. So how you behave and how you treat your staff and your people and those who work with you is absolutely critical.

And the last thing about leadership, which is sort of obvious but fundamental, is one thing a leader is, is he's not a follower. And I think that drives everything. The leader should always be looking at their way of solving the issues. It's no good copying and following others, it's no good reading what the book says and this is how to be a great leader. You will never find the answer in a book. You can learn from others by all means, but it's actually how you do it that is fundamentally critical. How you express your personality in the way you lead, is something that again you see it so transparently in really good leaders. They are themselves, and they are leading in their own way. There's lots of common principles and we've touched on a few today, but ultimately they find their own way of doing it.

## Government and regulation

So those three things - business processes, competitive advantage and leadership - are, again none of them changed by economic environment, they are just made more acute and the pressure on all of us gets greater.

In terms of the bigger issues that face business in general, and in particular, "Does the Government have a particular role to play in some of these?" - well it does. On the whole I'm a great believer in the Government getting out of the way and letting us do it. Which isn't often what happens as we know. But that's my basic philosophy and I'm always telling leading politicians just do less and the one thing they don't like you telling them is do less because they all think they can and should do more.

I've had lots of discussions with the Chancellor, who actually I think is a very good guy with a very good understanding of the business issues - which is good because he's never worked in business, but at least he has business connections. And the one thing I notice and I would say the same would be true when I was talking to Blair, or to Cameron less so in a way, is that they don't want you to tell them do less. They all think they can pull all the magic levers that will make everything great.

So that apart, what are the critical issues that face business and them. I think the first thing is about the public expenditure plans. You can't not address that now and we absolutely support the fairly hard line - it's not as hard as some people say of making expenditure reductions that the Government is planning. They have to be done. They will be painful. It's affecting many businesses. But for many organisations - and I talk to some that once they get out of the sort of headlines and talk about a 20% reduction over 4 years - well most of us will say that's tough but not austerity. Going back to an expenditure level that was around 2006/2007 - well I don't remember thinking in those years that we were living in an age of austerity. So I think there's almost too much hype about the impact of the cuts but, having said that, they are severe, they're necessary and as many of you know from particularly outside the South East, they will have a significant effect and have a significant effect on businesses who are very involved with public sector expenditure.

So, stick to it. And the other side of that equation is absolutely not to increase taxes any further. We are already over taxed. The Government will claim relative to some countries we're not, and actually we're still pretty high and we want to be in an environment that is under taxed not over taxed. Again we've had discussions, one of the things that's sort of symbolically important is the 50% tax rate. It's not actually economically that critical, but it's seen as a kind of attack on wealth creators and so on and I'm pleased to hear the Government is talking about the desire of reducing it.

We've also had a go at them from our beer point of view on excise duty - which is excessive on beer as indeed on many products. And they've absolutely no sympathy with us at all, so I made zero progress on that. "Next please" was the comment I got, "we're not interested, we're going to go on doing that" so unfortunately for us in the beer industry, that's one reality we've got to face.

I think the second big area and all of you will know more about this in your field than I is the whole thorny topic of regulation and what is the appropriate level of regulation. I'm sure in your world there are many areas where it is excessive and many areas where it is essential and so on. We have to find the right way through it. There is no doubt that we've been on a path now for some years, and in too many areas, of more and more regulation and restriction. Often with the best of intents, but in total making a burden, particularly

on smaller businesses, that is excessive. This is very true in employment law, one of the key areas where if you're trying to take on staff, the burden it involves is too high. And again we've got to work with the Government to say what is the appropriate level, sure we need protection for employees, but we don't want to be a point where employment is deterred because of those regulations. I think the sort of noises we get back from the Government is that they kind of understand but I have to say I had exactly the same noises back from the Blair/Brown Government and yet the progress we made was almost minimal. So maybe the noises from Cameron and co. are a little bit more positive. But I have to say I'm not overly encouraged by the ability - because somehow built into the whole culture of the civil servants, and indeed the politicians, is regulation and control: 'the avoidance of the problem'.

Clearly in health and safety there are critical areas, clearly in food and drink there are critical areas, but there are many areas where they could take a much more risk-orientated approach and say if the risk is minimal, perhaps we shouldn't regulate everyone for it. And that's certainly true in certain parts of the business law and employment law. So regulation to me is a big topic but progress is not very encouraging.

### **Planning, trade and education**

Another area where I am more, I suppose, optimistic - because I think it can be done - is planning. I think it is absolutely one of the UK problems. When you go to France and Germany you sense it and indeed you go to China, they don't worry at all - they just do it. We are competing with these people and we have to again find the right balance between looking for consensus on planning decisions and not over reacting to a vocal minority. All too many small and indeed big decisions are endlessly delayed as we know by this very British process of saying everyone's got to agree before we can move forward and it's almost impossible to get that agreement.

We all know the story of how we built Terminal 5 in the same time period as China built 300 airports - and I mean this is the comparison we have to be looking at all the time. What are these others doing? And I think the planning issue - and again I know the Government is worrying about it, they haven't yet got a solution, both at local and most importantly at the big national infrastructure - planning decisions, they've got to be made. We've got to be bold and say we will make long term decisions. There will be short term pain and of course the one thing our politicians don't like is anything that causes short term pain - even if there is long term gain - because they know they'll probably be in a different position or maybe not even in Government by the time that decision comes home to roost.

So that whole short term orientation, I'm always amused when they criticise the city for being too short term, because in my experience in this role, there is no group that is more short term than politicians. They are absolutely looking at today's or tomorrow's headlines as being the real measure of success and the longer term, well we'll worry about that in due course. They've got to be braver and make these longer term decisions, particularly in transport and energy where we are way behind where we should be and way behind some of our competitors on the Continent. And if you go round the country, one of the biggest issues I get from businessmen are transport issues, and yet it's never really talked about at the top political level.

The other area I think that the Government does have a role - I'm pleased they're playing this one right which is nice to say sometimes - is that of leading trade. Cameron, Osborne and Cable, who as we know can be a

bit of a mixed blessing, are really leading the charge for British business abroad. I'm very impressed. I've been with them on these trade things and Cameron is brilliant. He really is, you'd be proud to be with him when he goes and visits these countries, and he's very business focused. He sees his role in a way that funnily enough Brown, even with all his economics didn't, and Blair for all his other reasons didn't. Cameron in my time has been much better at saying one of our critical roles is to be an ambassador for business and I do believe they are doing that and I do believe that they are fighting hard for free trade and avoiding protectionism which is absolutely fundamental for us as a trading nation.

And the last area which in a way, and I'm sure you'd be concurring with this from the sort of skilled audience here today, is actually the need for the UK to really address its education issues - which we all remember how Blair when he came in talked about education, education, education and never really delivered, like a few other things. But he really didn't focus on it. I do believe Gove and the team are focused on really transforming critically the bottom end of British schools which most of us don't come across in our normal lives at all. And yet you look at the SATS and of 40% of kids leaving school at 16 with virtually no qualifications and you think how can that be. But that's where we are - and 20% not being able to properly read.

How you can go through eleven years of schooling at least and not be able to read kind of defies us, but that's what's going on. I think at last there is a recognition that we've got to really understand how to stimulate a change in that. There's lots of resistance as you know, I can't quite understand why but the Unions are very strongly resisting some of these changes going up to Academies. And I'm also very pleased that it's happening in Primary schools now which increasingly are recognised as a critical stage.

So on that front, to end on a very positive note, I do think the Government has embarked on a big - and perhaps the UK in the long run the most fundamental - challenge of how we raise our skills level. Not so much at the top end, because I think we are world renowned at the top end, be it our best schools, our best universities, our best scientists and so on. The problem is our bottom end which is much bigger and a much bigger problem than many other countries that one sees. So I'm encouraged by the Coalition - they will do what they can, we don't want them to do too much. We want them to let us get on and run the business.

I'm delighted to join you here today to discuss these issues.

Thank you.



## Previous Campden Day Lectures

### Recent European legislation on foods

R.F. Giles (Clerk Advisor to the Select Committee on European Legislation). 17.5.79

### Food research in the UK in the 1980's

Professor R.F. Curtis (Director Institute of Food Research, Norwich). 22.5.80

### The problems of the food industry in the 1980's - can technology help?

K. Durham (Chairman, Unilever). 21.5.81

### Talking is profitable

A. de Angeli (Editor of the Grocer). 19.5.82

### The structure of the food industry

Sir Adrian Cadbury (Chairman, Cadbury Schweppes). 2.6.83

### The UK food industry - has it anything to learn from Europe?

M.G. Heron (Operations Member and Deputy Co-ordinator Food and Drinks Co-ordination, Unilever N.V.). 30.5.84

### The case for publicly funded agricultural and food research

The Earl of Selborne (Chairman, Agriculture and Food Research Council). 5.6.85

### The challenge of change

G.T. Pryce (Chief Executive, Dalgety). 5.6.86

### The scientist in contemporary society

Professor D.M. Conning (Director General, British Nutrition Foundation). 27.5.87

### Towards a food policy

Sir Dennis Landau (Chief Executive Co-operative Wholesale Society Ltd). 8.6.88

### The food industry: past, present and future

R. Buckland (President of the Food and Drink Federation). 7.6.89

### The role of the Priorities Board in the 1990's

Dr B. Smith, CBE (Chairman of the Priorities Board for R&D in Agriculture & Food). 13.6.90

### Food safety and nutrition: burden or opportunity?

Dr A.J.F. O'Reilly (Chairman, President and Chief Executive Officer, H.J. Heinz Company, USA). 5.6.91

### Europe 1993 - risks and opportunities

Lord Plumb DL MEP for the Cotswolds. 3.6.92

### Science and technology: matching the market

Professor W. Stewart (Chief Scientific Adviser, Head of the Office of Science and Technology). 9.6.93

### Current issues in a major European food company

A. Riboud (Chairman, BSN (Danone), France). 8.6.94

### Consultation not confrontation in food-related policy

Professor M. Gibney (Director of Institute of European Food Studies at Trinity College, Dublin). 7.6.95

### What's ahead for the global food industry

W. MacMillan (retired Chairman, Cargill). 12.6.96

### What biotechnology can do for the food industry

Professor Derek Burke (Chairman of the Advisory Committee on Novel Foods and Processes). 4.6.97

### Food and the public interest

Christopher Haskins (now Lord Haskins) (Chairman of Northern Foods). 3.6.98

### Partnership and innovation in food supply: key ingredients for success

Sir Richard Greenbury (Chairman, Marks & Spencer plc). 9.6.99

### Science advice, policy making and public confidence

Sir Robert May (now Lord May) (Chief Scientific Adviser to the UK Government). 7.6.00

### Is food safe?

Professor Sir John Krebs (now Lord Krebs), Chairman of the Food Standards Agency. 6.6.01

### Whither food and agriculture? - trade and technology

Dr. Robert L. Thompson, Chairman of the International Policy Council on Agriculture, Food and Trade; Senior Advisor, Agriculture Trade Policy, World Bank. 12.6.02

### Globalisation: opportunity or threat?

Sir Donald Curry, Chair of the Sustainable Farming and Food Group. 12.6.03

### The role of food in social change

Iain Ferguson, Group Chief Executive of Tate & Lyle plc. 9.6.04

### Creating the European Food Safety Authority

Geoffrey Podger, CB, Executive Director, European Food Safety Authority. 8.6.05

### Serving customers

Sir Terry Leahy, Chief Executive, Tesco plc. 7.6.06

### The science of food regulation

Dame Deirdre Hutton CBE, Chair, Food Standards Agency. 6.6.07

### Food and health

Justin King, Chief Executive of Sainsbury's Supermarkets. 4.6.08

### Sustainability through food security

Jonathon Porritt, Founder Director of Forum for the Future and Chairman of the UK Sustainable Development Commission. 3.6.09

### Food in the future

Ross Warburton, President of the Food and Drink Federation. 10.6.10

Information emanating from this company is given after the exercise of all reasonable care and skill in its compilation, preparation and issue, but is provided without liability in its application and use.

The views expressed in this publication by non-Campden BRI contributors do not necessarily represent the opinions of the Campden BRI.

Campden BRI • Station Road • Chipping Campden • Gloucestershire • GL55 6LD • UK  
Tel: +44(0)1386 842000 Fax: +44(0)1386 842100 e-mail: [info@campden.co.uk](mailto:info@campden.co.uk) [www.campden.co.uk](http://www.campden.co.uk)

Campden BRI • Centenary Hall • Coopers Hill Road • Nutfield • Surrey • RH1 4HY • UK  
Tel: +44(0)1737 822272 Fax +44(0)1737 822747 [www.bri-advantage.com](http://www.bri-advantage.com)