

New Year Message from Richard Lambert, Director General of the CBI

2009 is going to be a year for strong business leadership.

The challenges of the recession are obvious. But there are going to be opportunities out there as well, along with a set of broader issues that effective business leaders will want to tackle.

Economic conditions have deteriorated so rapidly, in the past few months, that many businesses have had a struggle just to keep up with what's been going on. For some, a short term battle for survival will now be all that matters. But for most, there will be important choices to be made in the months ahead, between the need to conserve resources over the short term and yet seize the opportunity to build up a stronger position to benefit from recovery when it comes.

For example, I've visited companies, in the past few weeks, that have chosen to cut back their output in the face of falling demand, yet retain their labour force and take the opportunity to step up their training and development programmes. Their decision is that investment in human capital today will pay dividends tomorrow.

And there are other reasons for taking the longer view.

As one CBI member wrote to me last week: "Business leaders must retain their own sense of perspective, and ensure they encourage their firms not to become completely defensive. They must not lose sight of how to push forward on issues where their judgment tells them to do so."

Businesses are also going to have to deal with a broader set of stakeholders in the year ahead. Across the developed world, the credit crunch has driven governments to intervene, much more directly, in the way the economy works. The UK is no exception. Our Government has already acquired a significant shareholding in the banking sector, and is likely to go further in coming months as it uses taxpayers' money to get credit flowing around the economy once more.

Business leaders are going to need a clear agenda for how best to work with these new political relationships – and to develop an exit strategy in order to get the private sector back in control of its own destiny when normal times return.

What kind of economy do we actually want the UK to have in five or ten years' time?
What are we going to need in order to be competitive – when it comes to education, tax, energy security, the environment, infrastructure and a host of other vital issues?

With these questions in mind, politicians of every stripe are beginning to sketch out big and challenging ideas about a more activist approach to industrial policy in the years ahead. It's very important for business to join in this debate to set out its own ideas of the best way forward.

These arguments are just too important to let go by default.

As well as with governments, businesses are going to have to build new kinds of relationships with regulators. That's obvious enough in the financial sector, where the events of the past couple of years mean a fresh approach to regulation at home and internationally is more or less inevitable.

But it's also likely to apply more broadly as well.

A painful recession is going to test public support for the market economy, and for robust competition policies. Rather than indulging in public punch ups in these more testing times, regulators and companies of all kinds will do better to work together to develop evidence-based analysis and pro-growth regulatory policies. That's going to require new thinking on the part of many businesses.

Finally, recessions are a time when business leaders have to work extra hard to earn the trust of the people who work for them, and the societies in which they operate. That means frank and consistent communications with all interested parties. It means a strong commitment to responsible business practices – which are much harder to sustain in tough times than when the going is good.

Companies which succeed on these fronts will be those which are best placed to prosper when the recovery comes.

What's the CBI's role in all this?

We have three main responsibilities.

One is to be absolutely clear about the issues that matter most to our members.

The second is to develop strong pro-growth policies based on that understanding and – with the necessary mandate from our members – strain every sinew to persuade policymakers that they represent the best way ahead.

And the third is to provide the networks and other flows of information through which ideas and best practice can be shared among businesses of every shape and size.

Everything I have seen in my time at the CBI tells me our members are well up for this big leadership challenge.

I thank you all most warmly for your commitment and support, and look forward to working with you to help develop the pathway to recovery in 2009 and beyond.