

NOW IS THE TIME FOR PURPOSE

Putting Purpose at the
Heart of Scottish Business

Report by the Business
Purpose Commission
for Scotland - Jan 2024 Briefing

About us

Prosper (SCDI) is a unique membership organisation, with a proud history of bringing people together from government, business and civil society to effect change. With over 500 members from across Scottish society - from charities to local authorities and micro businesses to multi-nationals - Prosper always considers the big picture and longer term when it comes to Scotland's future.

Our shared ambition is to support economic growth and prosperity for all of Scotland, but our thinking extends beyond economic success to deliver better social and environmental outcomes.

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“Purpose has gone mainstream. It’s no longer a question of whether or why, but what and how what exactly do we mean by purpose, and how should we implement it?”– Dr. Colin Mayer, Co-Chair, Business Purpose Commission for Scotland.

Background

This briefing provides an update for MSPs and stakeholders on the report by the Business Purpose Commission for Scotland. It was prepared for a Scottish Parliament reception on 31 January 2024.

The Business Purpose Commission for Scotland was set up by a partnership of the Scottish Government and SCDI (now trading under the name Prosper). The Commission comprised leaders from large and small businesses, trade unions, the voluntary sector, academia, Prosper and the Scottish Government. They were tasked with making recommendations for how Scotland can become known at home and globally for nurturing purposeful businesses which make a positive impact on economic prosperity, social wellbeing and environmental sustainability. They oversaw a short-life programme of work with their report *Now Is The Time For Purpose Putting Purpose at the Heart of Scottish Business* launched in June 2022. The report can be found [here](#). This presented a Guide for Business as well as the following Vision, Framework and Recommendations:



Clare Reid, Director of Policy & Public Affairs, Prosper; Richard Lochhead, Minister for Small Business, Innovation, Tourism and Trade; Clare Campbell, Tartan Rebel Designer and Founder, Prickly Thistle, Amanda Young, Chief Sustainability Officer, Investments business, abrdn, Robert Thorburn, Partnership Director for Scotland and North of England

Vision

“By 2030, all businesses in Scotland will have become purposeful businesses which profit from finding solutions for people and planet.”

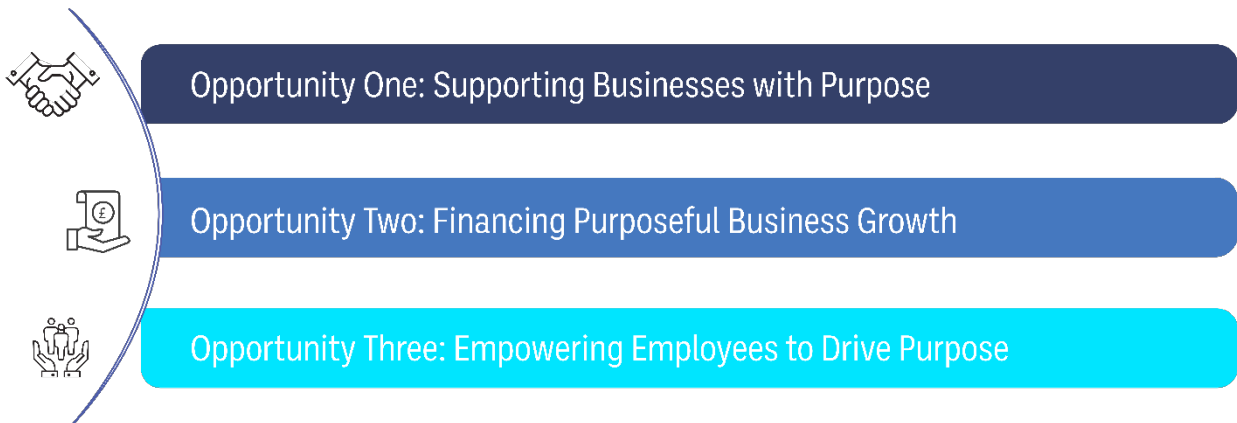
A Call to Action and a Guide for Business



Business Purpose Framework



Opportunities for Scotland to accelerate business purpose



OPPORTUNITY 1: Supporting businesses with purpose. Fostering a world-class corporate governance and business support ecosystem which mainstreams business purpose.

OPPORTUNITY 2: Financing purposeful business growth. Capitalising on Scotland's sustainable finance cluster to stimulate and increase investment in purposeful businesses.

OPPORTUNITY 3: Empowering employees to drive purpose. Creating opportunities through skills development and fair work for everyone in work to help find profitable, sustainable and mutually-beneficial solutions.

Key actions

Lead	Action
Businesses	1. Define, communicate and measure their business purpose
	2. Develop and deliver their purpose through their people strategies
	3. Increase investment in purposeful businesses by establishing a world-leading ESG investment hub
	4. Form purpose-driven private, public or third sector partnerships to share learnings, influence change and increase impacts
	5. Work with Government and stakeholders to inform and mobilise customer and societal expectations of business purpose
Education and Training Organisations	6. Make business purpose a mandatory learning outcome in business education and training
UK Government	7. Amend company law and reporting to require businesses to state and report on their business purpose
	8. Encourage and make it easier for new and existing businesses to adopt purpose-driven business structures
	9. Produce a Tax Framework for Purposeful Business which incentivises purposeful business models and practices
Scottish Government	10. Mainstream and scale-up public and private sector business support for business purpose
	11. Make business purpose a golden thread in the National Strategy for Economic Transformation Delivery Plan
Local Government	12. Develop place-based networks to engage businesses in tackling local economic, social and environmental missions

Scottish Government response to the Business Purpose report

The Scottish Government published its response to the Business Purpose Commission for Scotland's report in January 2023. Its response can be found [here](#). The Scottish Government welcomed the report and supported business leadership. Its response focused on the Commission's recommendations for the Scottish Government. In summary, it said that it would:

- Pursue a knowledge building approach to educate policy makers in the Scottish Government on the business benefits of business purpose. The toolkit and case studies in the report provide resource material to get started.
- Build on our ambitions for a Wellbeing Economy, Fair Work Nation, tackling Child Poverty, improving environmental sustainability and delivering a Just Transition to Net Zero through mainstreaming business purpose language in related policies and promoting this positive agenda at every opportunity. Businesses are essential stakeholders in these strategies with important contributions to make.
- Engage with business support delivery partners to promote the business purpose agenda and seek opportunities to introduce purpose into existing business support and advisory services where possible. There are various potential providers of business support for business purpose. However, further detail on the role for government and future funding is dependent on the outcomes of existing review projects.
- Consider opportunities to link the review of the Scottish Business Pledge (SBP) with business purpose. The SBP review is independent of the Report recommendation, with a broader focus, but can reflect the Report's perspective in its approach.

Following his election, the new First Minister announced the New Deal for Business Group. This was set up to reset the relationship between the Scottish Government and business, and provide a forum to work together to achieve common goals. One of the topics was contribution to a wellbeing economy. The Group reported in June with an Implementation Plan published in October 2023. The Plan can be found [here](#). Key Actions on the Wellbeing Economy would build on the Business Purpose Commission for Scotland's report as follows:

- In the first 6 months (to April 2024) as early examples of Scottish Government engagement with business in support of Wellbeing Economy aims, there will be

a programme of meetings with business organisations, enterprise agencies, sector representatives and employers to seek businesses' views in relation to health and work, and flexible working, and engagement with business to inform the development of sectoral Just Transition Plans.

- In the first 6 months by April 2024, we will agree with businesses, business organisations and other partners, priority actions to implement the recommendations in the medium and longer-term, building on the Scottish Business Purpose Commission report; and over the next 18 months (to April 2025) we will work with them to: develop a description of Wellbeing Economy, in particular the role of business in a Wellbeing Economy; and draw on exemplar businesses in Scotland to produce a summary report of metrics that businesses can use to measure, monitor and evaluate the impact of their actions and that will help inform how they can contribute to building a Wellbeing Economy.
- The Scottish Government is clear on building a Wellbeing Economy, which is central to the National Strategy for Economic Transformation (NSET) and supporting the transition to a net zero economy. The Wellbeing Economy subgroup was tasked with identifying ways for businesses and the Scottish Government to work together towards a Wellbeing Economy. The sub-group presented five recommendations, which build upon the Business Purpose Commission report and focus on creating conditions for transformative change through partnership working towards a Wellbeing Economy.
- The Cabinet Secretary for Wellbeing Economy, Fair Work, and Energy has established a Wellbeing Economy Expert Advisory Group (WEEAG) to provide advice on key areas of the transition to a Wellbeing Economy. The Scottish Government will work with businesses, business organisations and other partners, building on the Business Purpose Commission report and drawing on the expertise of the WEEAG, to develop a programme to work with businesses to implement NDBG recommendations, including developing a simple description of the Wellbeing Economy, identifying key metrics to help businesses understand their needs, and identifying ways to showcase the benefits of contributing to the Wellbeing Economy transition.

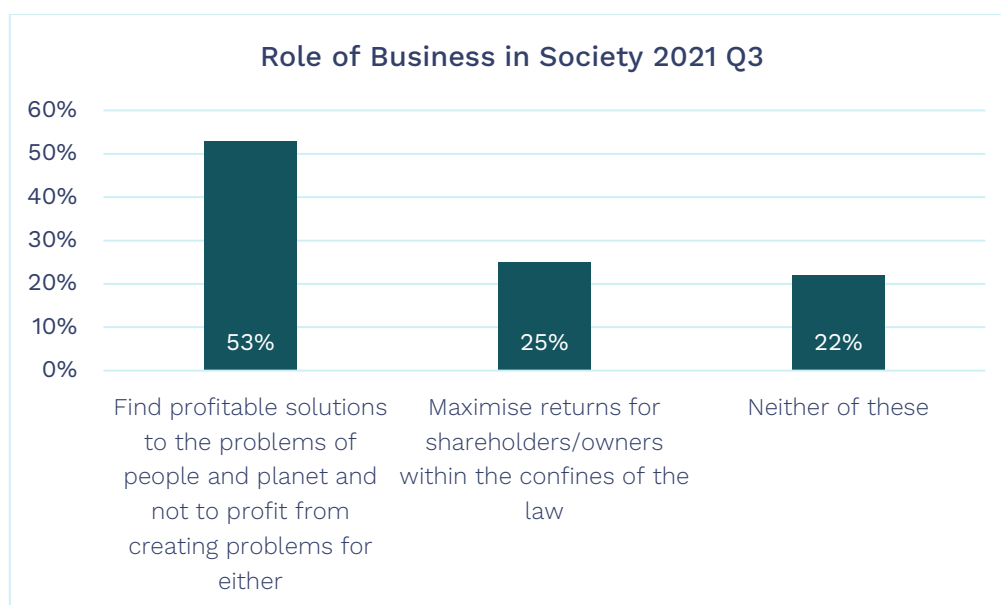
Scottish Enterprise published its new Corporate Plan in January 2024 with support from the First Minister. The Plan can be found [here](#). Scottish Enterprise already uses incentives, support and conditionality on its funding to encourage positive actions. It has said that it will aim to make its purpose-led values an even more prominent condition of its financial support. In the Plan, increased adoption of responsible business practices (business purpose) is identified as a fundamental driver of change with ‘business purpose as a competitive advantage’, ESG and circular and regenerative models also identified as a megatrend and driver of change for a Reinvented economy. Social enterprise Elevator was recently awarded funding from Scottish Enterprise for [IMPACT!](#), a purpose-led business support programme.

Latest evidence about Business Purpose

Impact of Economic Challenges and Costs Crisis

The Business Purpose Commission for Scotland worked with the Fraser of Allander Institute to survey businesses in Scotland in late 2021 about the role that they play in society.

More than half of businesses thought that the purpose of business is to find profitable solutions to the problems of people and the planet and not to profit from creating problems for either. This compared with a quarter of businesses who said that it is to maximise the returns for shareholders/owners within the confines of the law and just under a quarter who did not agree with either of these options.



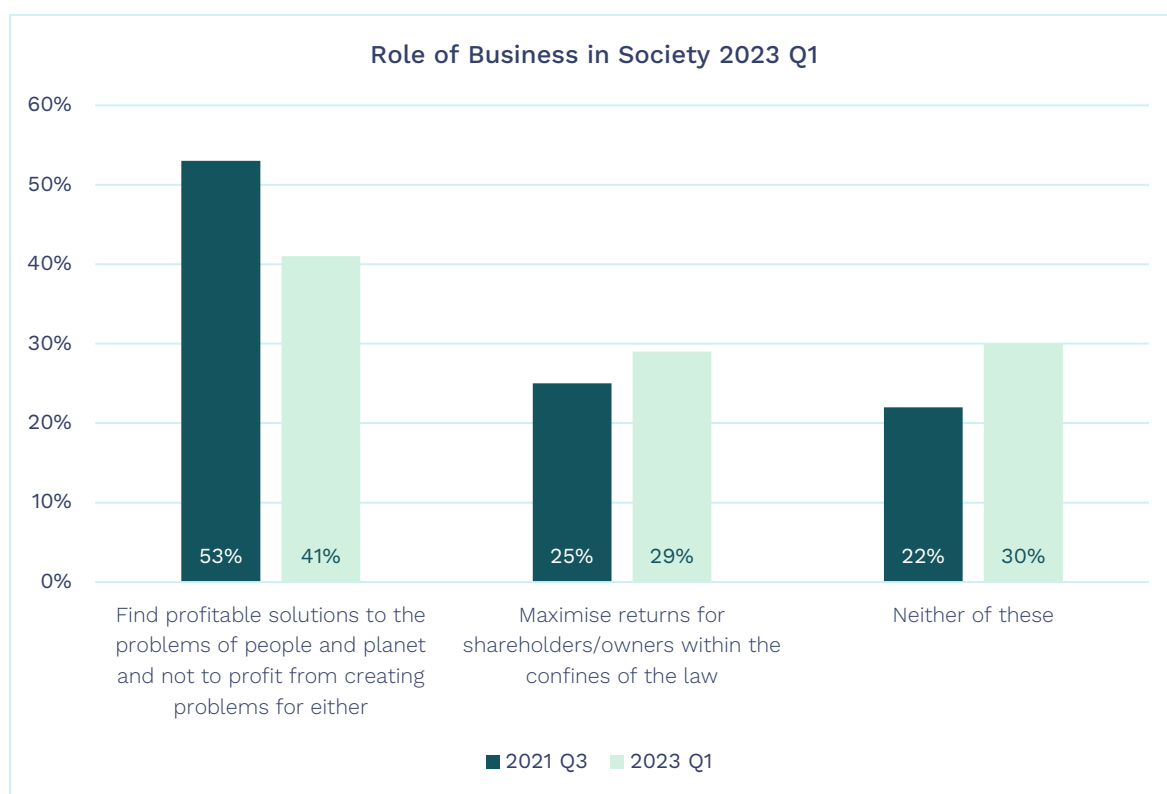
Source: Scottish Business Monitor, 2021 Q3. Responses from 475 businesses.¹

¹ [Scottish Business Monitor, 2021 Q3 | FAI \(fraserofallander.org\)](#)

Most businesses in all sectors of the economy said that the role of business is to find profitable solutions to the problems of people and the planet and not to profit from creating problems for either. More than half of the businesses in all size categories also agreed that this is the purpose of businesses.

Prosper again partnered with the Fraser of Allander Institute to ask a similar cohort of businesses this question in Spring 2023. We wanted to understand the impact of economic challenges on their views.

Two in every five firms (41%) thought that the purpose of business is to find profitable solutions to the problems of people and the planet and not to profit from creating problems for either. This remained the most popular options, but the share of businesses agreeing with it had decreased by 18%. This compared with 29% of firms who thought that the purpose of business is to maximise returns for shareholders/owners within the confines of the law, up by 4%. This option had been overtaken by the share of firms (30%) who did not agree with either of these options, which had risen by 8% since 2021.



Source: Scottish Business Monitor, 2023 Q1. Responses from 292 businesses.²

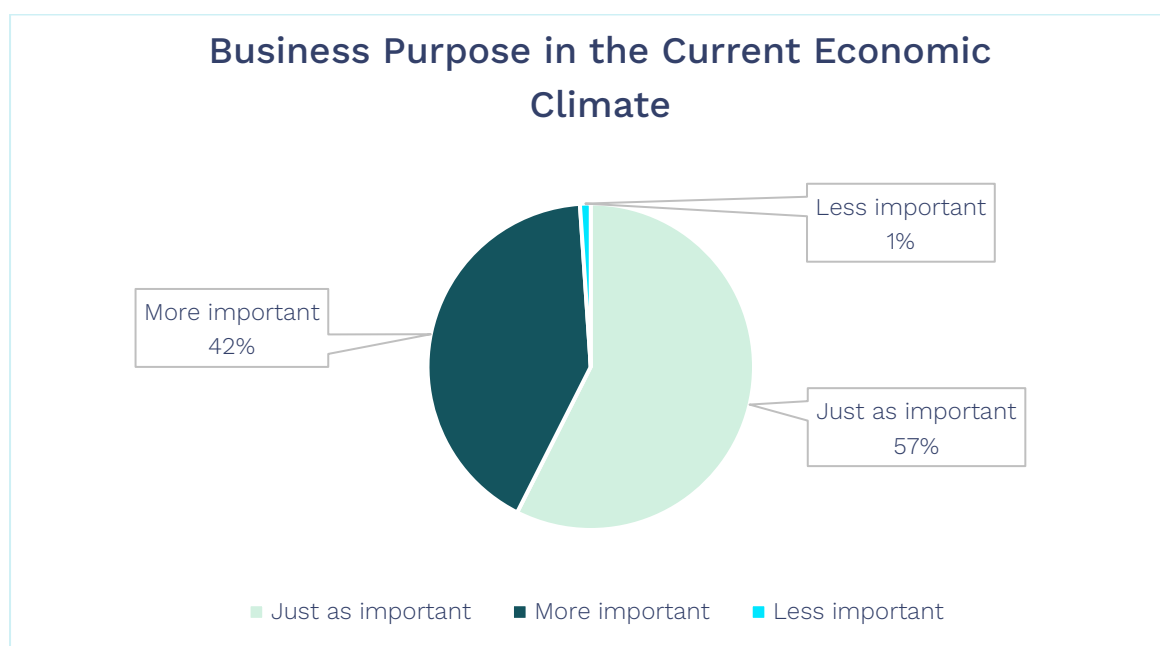
As with our previous survey which took place in the COVID-19 pandemic, we found that those sectors which were most affected by economic challenges (such as

² [Scottish Business Monitor, 2023 Q1 | FAI \(fraserofallander.org\)](https://www.fraserofallander.org/)

Accommodation & Food Services and Wholesale & Retail) were less likely than other sectors to agree that the purpose of business is to find profitable solutions to the problems of people and the planet and not to profit from creating problems for either. In our previous survey, we found that a higher share of small businesses opted for neither option, a finding which may be explained both by larger businesses being more sure of their aims and having the resources to implement them, and the impact of the pandemic on small businesses' margins, which owner-manager and self-employed businesses may need to meet their living costs.

Given the notable rise in the share of businesses opting for neither option, we think that the latest results are an understandable response to economic uncertainty and cost pressures on businesses.

However, we also found that for businesses which said that the purpose of business is to find profitable solutions to the problems of people and the planet and not to profit from creating problems for either, 54% said that it is *just as* important and 39% said that it is *more* important in the current economic climate. Only 1% of those businesses thought that it diminished this role for businesses in society.³



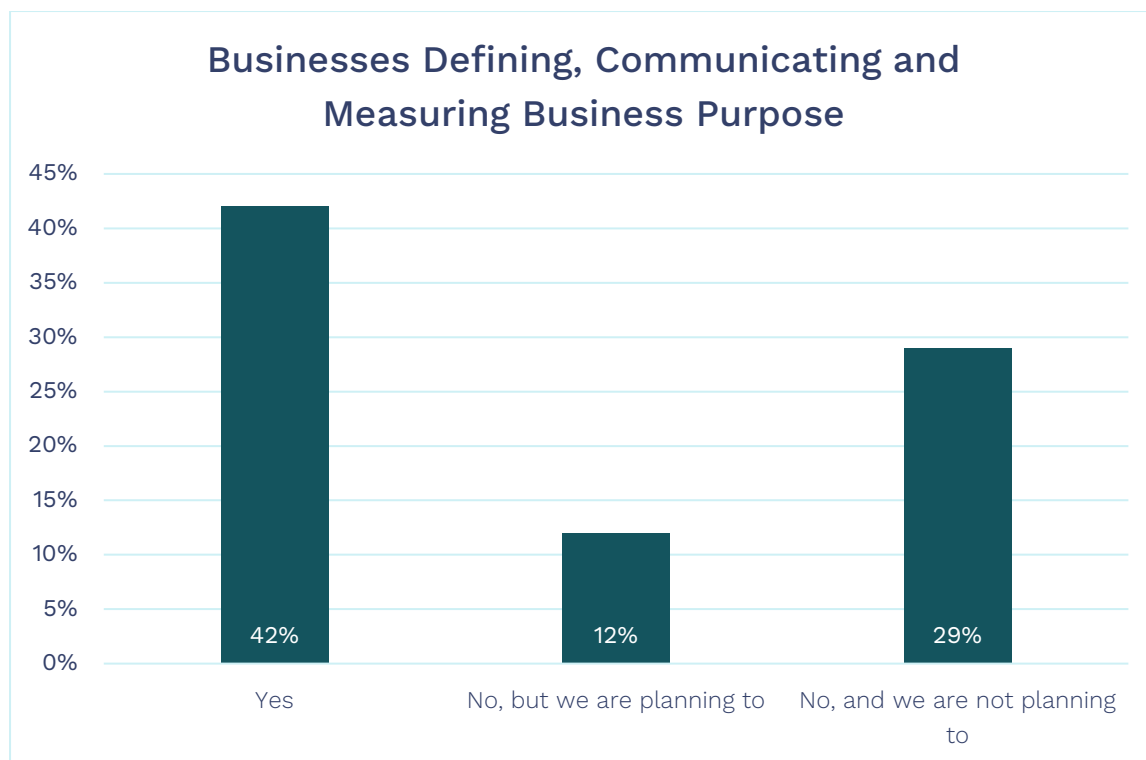
Source: Scottish Business Monitor, 2023 Q1. Responses from 105 businesses.⁴

³ Of those businesses which said that the purpose of business is to maximise returns for owners/shareholders within the confines of the law, 77 responded to a question on whether, given the economic climate, this role in society is more or less important. 53% said that maximising the returns for owners/shareholders within the confines of the law is *just as* important, 30% said that it is *more* important and 7% said that it is *less* important.

⁴ [Scottish Business Monitor, 2023 Q1 | FAI \(fraserofallander.org\)](https://www.fraserofallander.org/)

We also wanted to understand more about where companies are on their business purpose journeys. We asked them whether they currently define, communicate, and measure their business purpose.

We found that just over half of firms either already (42%) or have plans in place to (12%) define, communicate, and measure their business purpose, while 29% do not and have no plans to do so. Businesses in the Manufacturing sector were most likely to do so (67%), while firms in the Wholesale & Retail sector were divided between those who do so (44%) and those with no plans to do so (41%).



Source: Scottish Business Monitor, 2023 Q1. Responses from 275 businesses.⁵

This is a welcome finding which suggests that there is the opportunity for most Scottish businesses to make progress on their business purpose journeys. It will be important to support those businesses which do not yet define, communicate, and measure their business purpose but have plans in place to do so, to implement their plans effectively given the many priorities in the current economic climate.

⁵ Scottish Business Monitor, 2023 Q1 | FAI (fraserofallander.org)

The Purpose Dividend Report and UK Public Opinion

The think-tank Demos, with support from B Lab UK, published the report *The Purpose Dividend* in November 2023. The report can be found [here](#). The report found that a purpose-led economy creates a “game-changing purpose dividend for the UK economy”:

- £149bn boost to the UK GDP per year - a 7% boost to UK GDP
- A seven-fold increase in R&D expenditure - around £116bn a year
- £86bn increase in capital investment - four percentage points higher levels of capital investment as a percentage of our GDP compared to today
- £5.3bn pay rise for the lowest paid - worth £44 a week for the average person on the national minimum wage

The Better Business Act campaign, a business-led campaign supported by over 2000 businesses, continues to campaign for a change in UK company law to ensure that every company in the UK aligns their interests with those of wider society and the environment by establishing a new principle of fiduciary duty. It commissioned Opinium to produce a UK public opinion poll, the results of which were published in April 2023 and can be found [here](#). The poll found that 77% of people believe that business should have a legal responsibility based on people and planet, 9% of people believe that business should have a legal responsibility based only on profits, and 14% of people don't know.

Research by BSI has found that close to half (47%) of UK consumers consider a company's purpose when making a purchasing decision and that two-thirds (66%) will abandon a product or business acting inconsistently with its purpose. This rises to 74% of 18- to 24-year olds actively considering purpose in buying decisions and 80% saying they will abandon products or businesses acting inconsistently with their purpose. BSI also polled young business leaders between the ages of 18 and 34 and found that three-quarters of them said that they lead organisations with a purpose beyond profit. The research can be found [here](#).

What is happening internationally?

In the EU, the European Council and European Parliament reached a provisional deal on the corporate sustainability due diligence directive in December 2023. The press release can be found [here](#). The directive will set obligations for large companies regarding actual and potential adverse impacts on human rights and the environment, with respect to their own operations, those of their subsidiaries, and those carried out by their business partners. This covers the upstream business partners of the company and partially the downstream activities, such as distribution or recycling. It defines the different financial penalties and compliance could be qualified as a criterion of public procurement. For non-EU companies, it will apply if they have over

€150 million net turnover generated in the EU. Once the directive has been adopted, Member States will have two years to implement it in their legislation.

In the US, ESG has become increasingly politically polarised. The Biden Administration's Inflation Reduction Act has supported a wave of sustainable investment. However, some Republican Governors and legislators have legislated against ESG. President Biden's first Presidential veto of Congress legislation was to defend a rule on ESG investing. [Public opinion is divided on whether companies should take political/social stances.](#)

The Business Purpose Commission for Scotland was internationally recognised as the first Government-commissioned, business-led report on Business Purpose.

Prosper has been working with the [Canadian Purpose Economy Project](#) and with Government of Canada policy officials who have developed a comprehensive group of recommendations for their Ministers. In October 2023, nearly 100 CEOs of leading Canadian companies published a *Call to Purpose*. This can be found [here](#).

In the last year, Prosper has also met Singapore's National Volunteer & Philanthropy Centre to discuss its *Company of Good Strategy Purpose at the Core of Business*. This is aligned with the Government of Singapore. The Strategy can be found [here](#).

BSI recently published '*PAS 808 Purpose-Driven Organizations Worldviews, Principles and Behaviours*'. This is the world's first standard offering guidance to organisations globally on what corporate purpose is, what the principles and behaviours of a successful purpose-driven organisation are, and how organisations can align their decision-making with their stated purpose. The standard can be found [here](#).

Purpose and Productivity

Over the next year, the University of Glasgow and Prosper will collaborate on an ESRC and Productivity Institute funded project, *Purpose in business empowering employees and enhancing productivity*.

This project will explore what purpose means for a range of employees, what would empower them to drive purpose and what skills they need. It will also identify what businesses need to do to support them, including changes in work organisation, job redesign, people management, worker voice practices within fair work principles. It will undertake interviews with 70 employee and 22 business managers from small, medium, and large businesses with various ownership models in a range of sectors. It will then undertake secondary analysis of 14 businesses who have adopted business purpose.

This evidence-base will provide knowledge about empowering workers to drive purpose and provide recommendations for business and Governments.

Since 2019 Prosper has been supporting, in collaboration with the Scottish Government, productivity improvements in small and medium sized businesses and third sector organisations through Peer Works (formerly Productivity Club Scotland) a free regional peer-to-peer learning forum. This has included learning about business purpose and Peer Works will be incorporating the knowledge from the research project into its support for businesses.

Conclusion

Thank you for your interest in Business Purpose and the work of the Business Purpose Committee for Scotland. If you would like to discuss this briefing, please contact the Prosper Policy Team.