



BETTER BUSINESS BETTER SCOTLAND





ABOUT THIS PROJECT

CAN BUSINESS BE AN EFFECTIVE FORCE FOR GOOD IN SCOTLAND? HAS THE BUSINESS CASE FOR ENVIRONMENTAL AND SOCIAL RESPONSIBILITY BEEN WIDELY ACCEPTED? ARE COMPANY VALUES AND COMMITMENTS TRANSLATING INTO CHANGED BEHAVIOURS? WHAT MORE, IF ANYTHING, CAN COMPANIES DO TO PROMOTE A FAIRER AND GREENER SCOTLAND?

Better Business sets out to answer these questions, identify the barriers to changing corporate behaviour, and suggest ways to encourage more responsible business practices.

Better Business is a project from Social Value Lab (www.socialvaluelab.org.uk), delivered in partnership with Firstport, CEIS, and the Scottish Business Awards. It has been made possible by financial support from CGI, CalMac, Scottish Enterprise, and Highlands and Islands Enterprise.

OUR GOAL IS TO INFORM DEBATE ON THE ROLE BUSINESSES CAN AND SHOULD PLAY IN CREATING A FAIRER AND GREENER SCOTLAND.

The evidence presented in this report is based on research conducted by Social Value Lab between August and October 2015. It draws on information and views from:

- A nationwide **survey of business leaders**, carried out online and by telephone interview. This gathered views from a cross-section of 1,052 businesses registered in Scotland, employing people and operating for at least three years.
- An **analysis of the corporate social responsibility and reporting practices among Scotland's 500 leading companies**. This included a review of publicly available material relating to the Insider Top500 companies, a group of businesses that collectively has a turnover of £191.3 billion and 731,627 employees.
- A series of **34 semi-structured interviews** with established business leaders and several of the organisations that represent and support Scotland's business community.

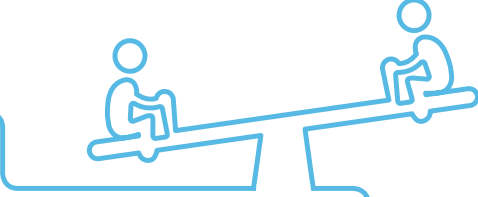
This report offers the most comprehensive account yet of corporate responsibility in Scotland.



THE
WORKSHOP
PROJECT
NORTHERN LIGHTS

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“We are all in the business of making Scotland a better place to live and work, and together we can build a fairer and more prosperous country.”

Nicola Sturgeon, First Minister

INTRODUCTION

Businesses across Scotland are already making a substantial contribution: creating wealth, supporting jobs, serving customers, and benefiting society.

This contribution often goes beyond any legal obligation that companies hold. This has been variously described as corporate social responsibility, corporate sustainability or corporate citizenship –and throughout this report referred to simply as corporate responsibility. It represents the positive outcomes that responsible companies can achieve in their marketplace, for staff, society, and the environment.

However, despite the private sector’s importance to the Scottish economy today, corporate behaviour has increasingly been brought into question. Since the recent recession, trust in business has remained at an all-time low and public opinion has become progressively less tolerant of corporate excess, negligence and wrongdoing. During the course of this research, the Volkswagen emissions scandal has brought these contradictions into sharp focus – a company featured on the Dow Jones Sustainability Index for its progress in addressing sustainability issues and later exposed for its unethical and corrupt practices.

While negative stories about the global business culture tend to dominate media headlines, the full story about what most businesses stand for and contribute to Scotland remains largely untold.

This study takes a fresh look at corporate responsibility in Scotland, the good that companies do and where they must go further.

The following pages set out the evidence in three main parts. The first examines the extent to which corporate Scotland is motivated by more than just the financial bottom line and the influences and expectations associated with this. The second explores the current actions, behaviours and progress of businesses in delivering on their wider responsibilities. The final section examines emerging challenges and trends, and the ways in which more progressive and responsible business behaviours can be encouraged in Scotland.



WHAT BUSINESS STANDS FOR IN SCOTLAND

Various influences and expectations are coming together to encourage companies to consider their wider responsibilities to workers, society and the environment. For many businesses, these forces have led to a clear business rationale for embracing corporate responsibility. For others, the case is less well defined and therefore less likely to be accepted. This section examines the views, influences and expectations that shape the commitment of companies to acts of responsibility.

“Businesses simply don’t get up in the morning to do evil.”

29%

Only 29% state that the sole responsibility of a company is to maximise profits

THE RESPONSIBILITIES OF BUSINESS

A traditional and long-standing view is that businesses exist to make a profit, and that any profit is legitimate as long as companies stay within the law. However, the notion that businesses have wider responsibilities to society has been gaining ground over recent decades.

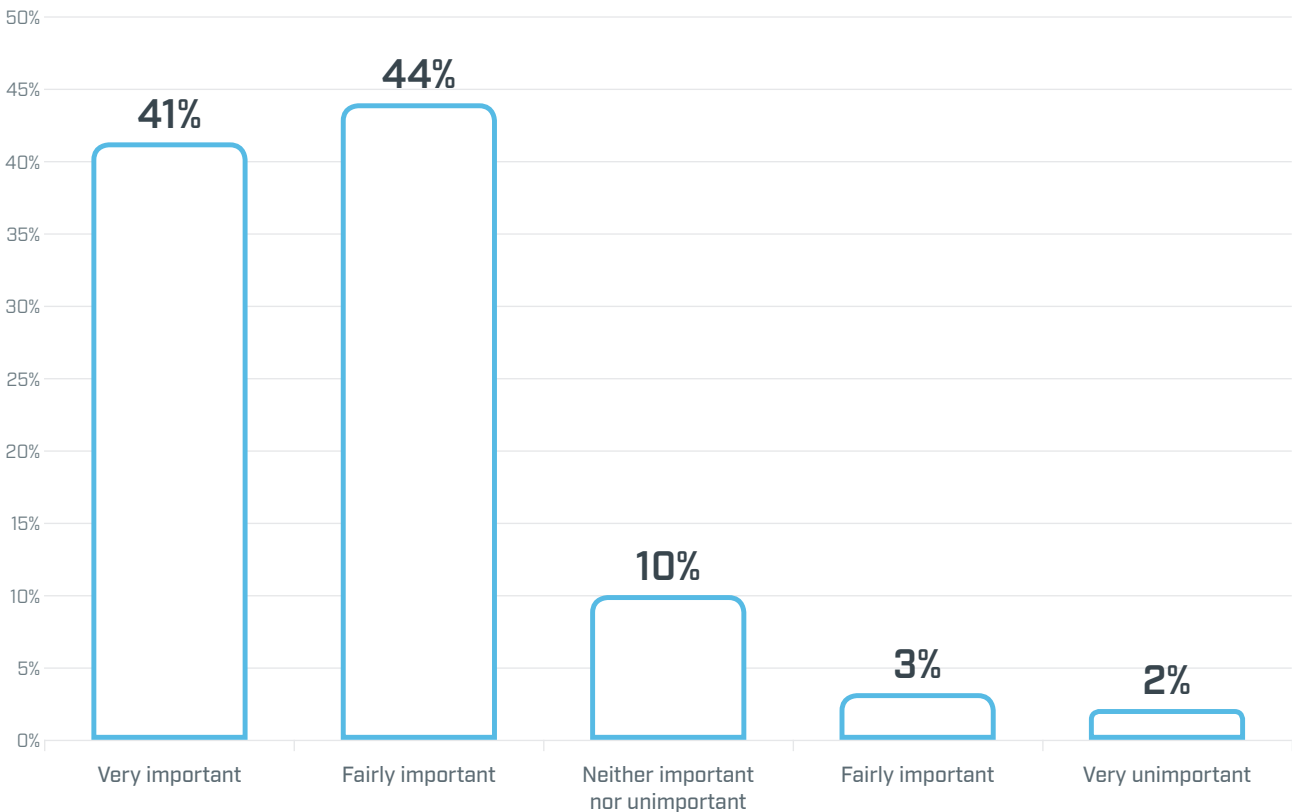
Business leaders in Scotland generally subscribe to the view that companies have some responsibilities to society beyond that of purely making profits.

The survey findings show that less than one in three business leaders hold onto a narrow view of companies as having a sole responsibility of maximising profits.

Generally, business leaders consider social and environmental concerns to be important to their company. In all, 85% have reported community, social and environmental issues as either 'very' or 'fairly' important.

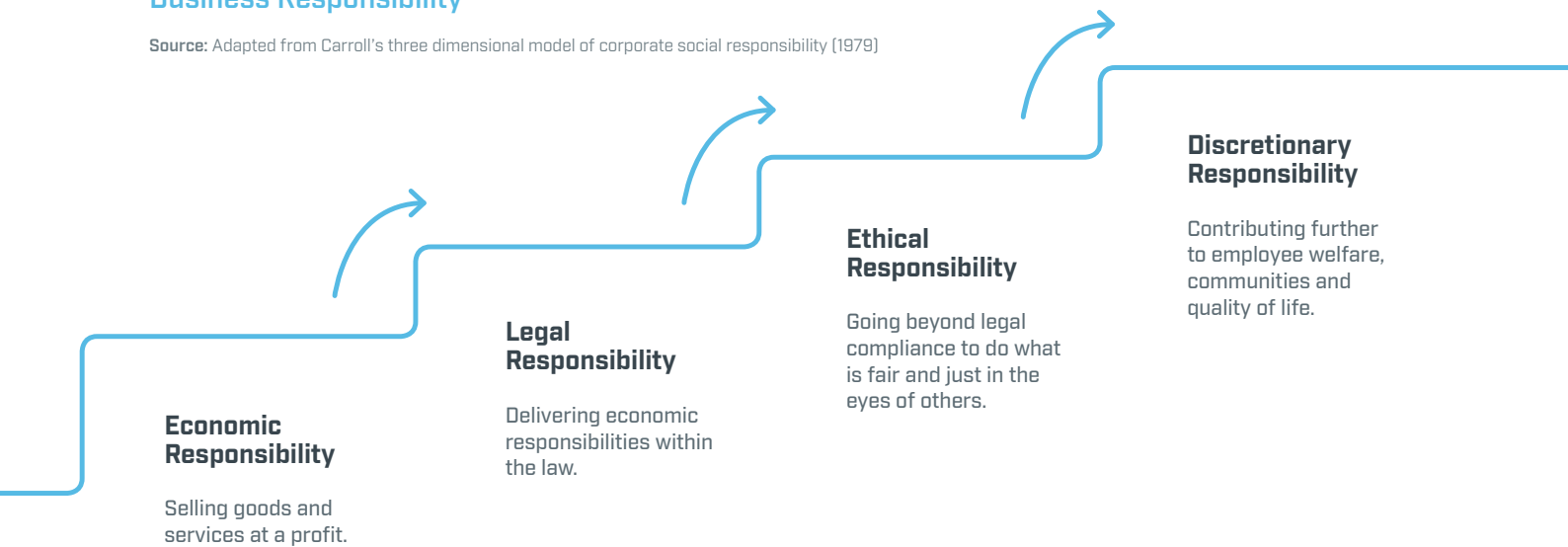
How important are community, social and environmental issues to your company?

Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland



Business Responsibility

Source: Adapted from Carroll's three dimensional model of corporate social responsibility (1979)



It is common to look at the responsibilities of a business as a hierarchy. These are built from the fundamentals of being a sound business. Socially responsible businesses are those that demonstrate ethical and discretionary behaviours that go beyond these basic economic and legal responsibilities.

The business leaders and representative bodies interviewed pointed to a trade-off between profitability and doing good. They talked about values such as honesty, integrity, fairness and respect that should be expected of all business activity. They also revealed various characterisations of business and different ways of balancing financial and social returns:

- The **profit-maximising business**, where the pursuit of profits dominates decision-making and non-financial matters are secondary.
- The **responsible business**, driven primarily by commercial considerations but which strives to deliver profit in a responsible way.
- The **mission-driven business**, which sets out to achieve a triple bottom line, and lock in its social mission while ensuring profitable growth.
- The **social enterprise**, which exists to deliver social and environmental objectives, and locks in both mission and profits for the good of society.

79%

79% say that companies can choose to behave more or less responsibly

THE FREEDOM TO CHOOSE

Often the assumption is that companies have it within their gift to go the extra mile, going beyond legal compliance and contributing further to employee welfare, communities, and quality of life.

Most business leaders believe that companies have the freedom to choose how they act and how they make their commitments.

However, choice is often constrained. The business leaders interviewed highlighted real limits as to what most companies can take on. Citing examples such as the Living Wage, they have described the commercial reality that separates what a business would like to do from what it can do. Others described the challenges of public ownership and shareholder expectations, with associated pressure to place short-term profits and share price above non-financial considerations.

Business leaders described the pressures and compromises inherent in running a company in a highly competitive market. Some talked about the daily struggle for survival faced by companies and the ethical choices that presents. Others talked about unscrupulous competitors which, while operating within the law, do not bear the full costs of social and environmental responsibility and make it difficult for others not to follow suit. This was said to lead to a race to the bottom within some industries or companies that adopt particular business models.

In part three of this report we return to the obstacles and challenges facing companies as they strive to think and act beyond the financial bottom line.

“Running a business pressures and narrows you. It forces you to get the job done and to see the financial consequences in everything. Unconsciously it can lead to amoral behaviour in some cases.”

89%

89% state that their company is socially and environmentally responsible

COMMITMENT TO CORPORATE RESPONSIBILITY

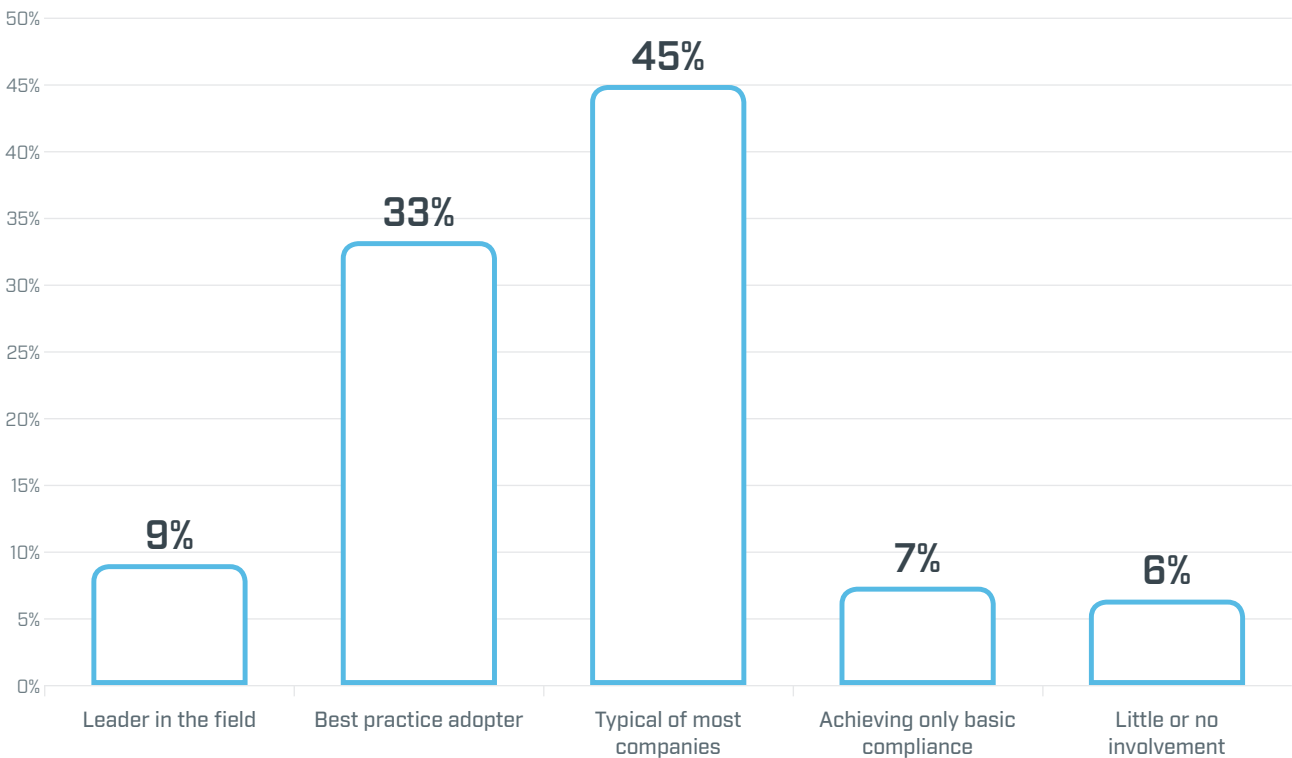
Companies, like people, can be thought of as members of Scottish society that are expected to embrace certain responsibilities in order to be considered good citizens.

Most Scottish companies perceive themselves as delivering on these responsibilities. This was the case for nine in ten of the companies surveyed.

While many companies regard themselves as ahead of the curve, most see themselves as merely part of the crowd, attempting to do the right thing where they can. Just over two in five companies view themselves as either a 'leader in the field' or 'best practice adopter'. Most, however, consider themselves as typical of other companies.

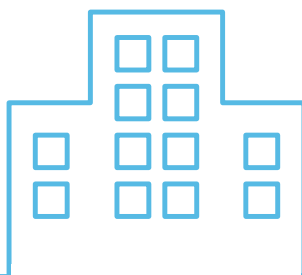
Where would your company place itself regarding its community, social and environmental commitment?

Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland



While most business leaders view social and environmental responsibility as the default position, there is a question mark about how companies define their responsibility and the bar that they set.

Some consider themselves as responsible simply by complying with their legal duties and acting in an ethical way.



The situation is complex and subjective. Interviews have suggested that the degree of responsibility evident can depend on a variety of factors, including the type of company, the nature of the industry and the social and political context within which it operates. What is seen as the norm in one industry, or for one type of business, might be viewed as highly altruistic or unnecessary for another.

Some interviewees have asserted that ethical behaviours and acts of responsibility are more likely to form part of the DNA of some companies. This includes small companies and family businesses

that operate in a way that is more attuned to the values of founders and the expectations of local families and communities. With regards to family businesses, reported factors include: their close affiliation to a particular community; their perceived responsibility for employees; the importance attached to maintaining the reputation and legacy of businesses locally; upward pressure from younger generations within the family to address social and environmental concerns; and the desire by family owners to 'give something back' to their community.

“I do not envisage ever being involved in community or social issues. We are busy striving to improve efficiency and reduce costs in order to compete with companies overseas. We do not avoid or evade taxes and pay high taxes for our size. That should be enough contribution.”

DRIVERS OF RESPONSIBLE BEHAVIOUR

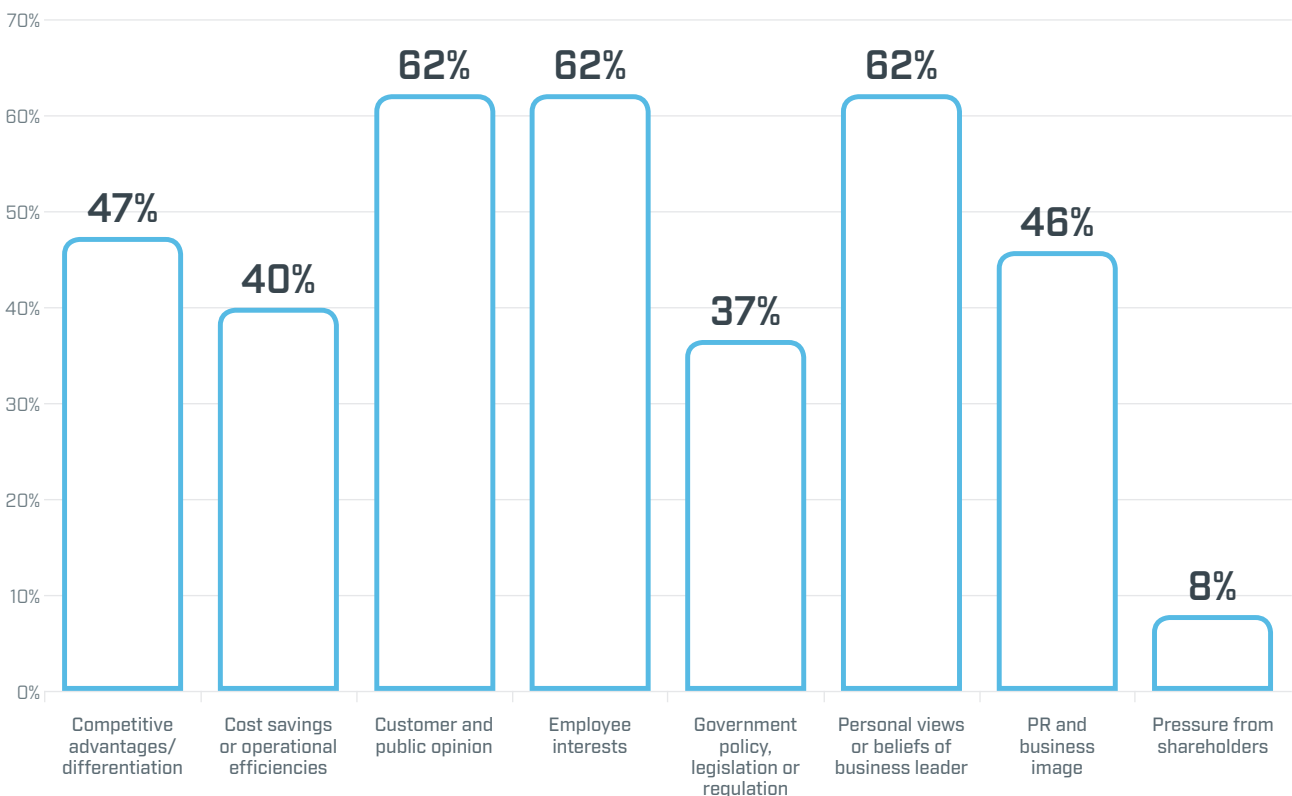
The type of corporate responsibility described throughout this report is voluntary in nature. These acts of responsibility are driven by a complex array of motivations and influences. They may relate to a defensive reaction to perceived irresponsibility or wrongdoing, enlightened commercial self-interest, or simply a desire to do good.

The research has identified three main factors that tend to place moral duties on companies. In equal

measure, these are: the expectations of customers and wider public opinion, which shape the market; the influence of employees, whose interests can create internal demand; and the personal beliefs and value systems of the business leader, which often determine which issues the company becomes involved in. There are also various other factors including the importance of brand values and competitive differentiation in driving responsible behaviour.

Which factors would tend to influence your company's involvement in community, social and environmental issues?

Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland



“There is a great desire on the part of our company to do more. This is partly because it is the right thing to do and partly because it sets us apart from the competition. Involvement in social and environmental issues also tends to be viewed positively by customers and employees.”

The survey research has also revealed notable differences between businesses of different sizes. Small businesses are influenced most by the personal views or beliefs of the business leader (owner). Medium and large businesses are significantly more influenced by both the interests of employees and customer/public opinion, together with issues such as business image.

In discussions, business leaders described two main ways of thinking about this range of influences.

First, they alluded to the fact that companies, like people, have values that guide their actions. This is most vividly illustrated in the case of the owners of small and local businesses motivated by a desire to ‘give something back’. Second, they recognised that to succeed, companies need to carefully manage their relationship with various stakeholder groups, including shareholders, employees or customers. In particular, those leading major companies acknowledged the importance of retaining or (for some) rebuilding public trust.

BETTER BUSINESS

A QUESTION OF TRUST: PUBLIC ATTITUDES TO BUSINESS

Since the recession, trust in business has remained at an all-time low and public opinion has become progressively more negative about the behaviour of businesses. Research elsewhere has suggested that the general public now expects more from companies and that expectations are not being realised¹:

- 55% of people believe that expectations on business to do the right thing are higher than they were ten years ago
- 32% of people think that the majority of British businesses behave ethically
- 53% believe that business makes a positive contribution to society
- 68% believe industry scandals have impacted on their confidence in business as a whole

The main issues of concern among the general public have remained largely unchanged over recent years, with issues relating to fairness in tax and remuneration continuing to dominate.

The top five issues of concern are²:

1. Corporate tax avoidance (35%)
2. Executive pay (34%)
3. Employees being able to speak out about wrongdoing (20%)
4. Bribery and corruption (19%)
5. Exploitative labour (19%)

While the basic issue is one of trust, it is important to note that not all businesses are viewed the same way. The evidence shows that the public overwhelmingly considers teachers, doctors, nurses and engineers as being trustworthy (respectively net +61%, +77%, +80%, +67%), but among businesses only ‘managers of small businesses’ receive a net positive rating (+8%), while ‘managers of big businesses’ and even ‘entrepreneurs’ score net negative (at -56% and -27% respectively)³.

¹ Source: CBI/YouGov public opinion surveys based on the views of a representative sample of UK adults, 2014

² Source: Institute of Business Ethics, Survey of Attitudes of the British Public to Business Ethics, 2014

³ Source: YouGov survey of public opinion on businesses, 2014, based on views of a representative sample of UK adults

THE EXPECTATIONS OF STAKEHOLDERS

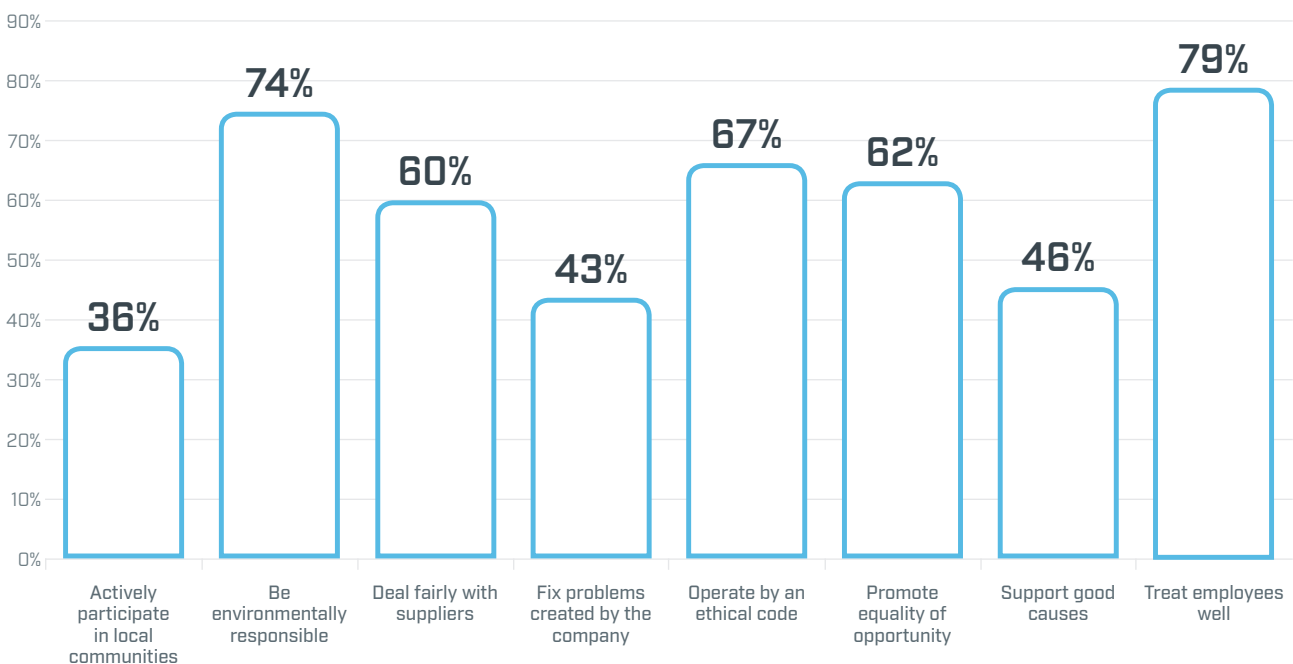
Good companies recognise that their values and approach must be consistent with the expectations of important stakeholders.

This research finds that the moral duties most widely reported by companies relate to the welfare of employees and the environment. Four out of five companies cited the expectation that they should

‘treat employees well’ and three-quarters to ‘be environmentally responsible’. There is then a mix of less widely held expectations relating to ethical, equitable, and fair behaviour. The expectation that companies should become involved in acts of philanthropy (i.e. contributing time to community initiatives and giving to good causes) is less widespread.

Which of the following expectations, if any, are being placed on your company?

Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland



Different types of companies have different expectations and relationships to negotiate. Company size is important in this respect. The survey research shows that the larger the company, the more likely it is to report various moral duties. This is unsurprising given the range of stakeholder groups that legitimately influence or have an interest in the actions and performance of major

companies. The business leaders interviewed emphasised the importance of recognising and reconciling competing pressures. For example, where short-term shareholder/investor expectations potentially conflict with the longer-term interests of employees, the local community, or the environment.

“For a people business, it’s the smart thing to do. It’s a win-win situation.”

THE CASE FOR CORPORATE RESPONSIBILITY

On many levels the case for involvement in responsible policies, activities and practices is now well established.

The business leaders and representative bodies interviewed indicated that acts of responsibility typically arise from a belief that it is in their companies’ (enlightened) self-interest. Others recognised that it is simply the ‘right thing to do’.

More widely, this research has served to clarify the main building blocks in the case for and against voluntary acts of responsibility.

The Case For...

- ↑ These actions are vital to create a healthy climate for long-term success

- ↑ Voluntary commitments can avoid prohibitive and costly regulation

- ↑ They help attract, motivate and retain high quality employees

- ↑ They can reduce costs to the business and encourage resource efficiency

- ↑ They can help to increase legitimacy, reputation and mitigate risks

- ↑ Competitive advantage can be gained through differentiation

- ↑ It is consistent with the expectations of customers and stakeholders

The Case Against ...

- ↓ It is a time-consuming distraction from ensuring a successful business

- ↓ Such issues are the responsibility of the state not companies

- ↓ Resources allocated to this are being diverted from shareholder dividends

- ↓ It involves trade-offs that detract from the competitiveness of the firm

- ↓ It is more about charity than contributing to the bottom line



The evidence suggests that the case for socially responsible business behaviour has largely been accepted. Nine in every ten survey respondents agreed that responsible behaviour drives business success.

The leaders of some of Scotland's leading companies have described how business thinking has moved on. Corporate responsibility is reportedly shifting from merely an add-on to a more authentic expression of the values and the brand of companies. These business leaders recognise that the general public are more likely to admire, work for, buy from and advocate on behalf of companies that they perceive to share the same values. These issues go to the heart of companies' ability to compete.

The direct relationship between investment in socially responsible activities and bottom-line financial performance is less clear-cut. Only half of business leaders agreed that there was a clear business case for investing company resources in discretionary acts of responsibility.

The survey evidence indicates that the business case is more widely accepted among large companies. The costs and benefits are reportedly better understood within these major companies and they are increasingly looking to secure tangible benefits from their investment in social and environmental activities.

“Your moral compass tells you it’s the right thing to do but the more you can do to link this to the interests of employees, shareholders and customers the better. The business case needs to be demonstrated in clearer terms.”



89%

89% of business leaders agree that responsible behaviour drives business success

52%

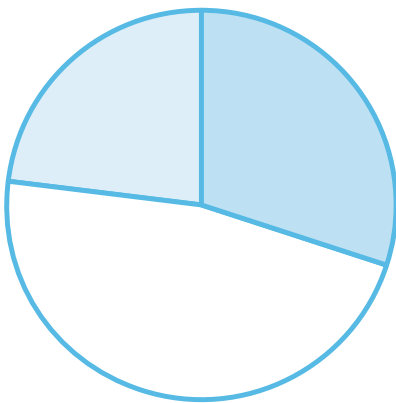
52% of businesses say there is a clear business case for investing company resources in community, social and environmental issues

“There’s still a huge disconnect or divide. Those that believe in it and take the long-term view are really making good progress on these issues. Beyond this the business case isn’t widely understood, with efforts often met with a mix of cynicism or embarrassment about trying to mix financial return with doing good.”

Is there a clear business case for investing company resources in community, social and environmental issues?

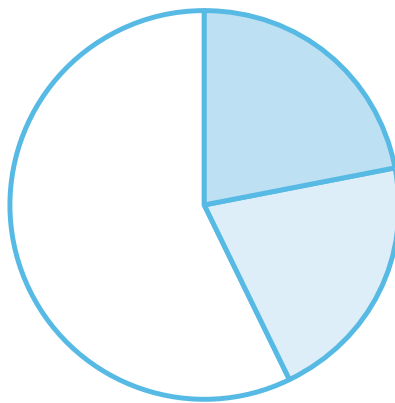
Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland

Small Companies



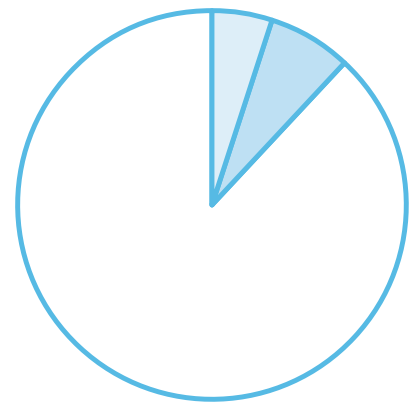
Yes	47%
No	23%
Undecided	30%

Medium Companies



Yes	57%
No	21%
Undecided	22%

Large Companies



Yes	88%
No	5%
Undecided	7%

The business case, however, still appears to be unproven among a large minority of Scotland’s companies. This reflects the ongoing difficulty in establishing a positive correlation between corporate responsibility and commercial

performance. Some business leaders have voiced a lack of clarity about which voluntary actions – and under which circumstances – can lead directly to financial returns and which actions can help to create a more favourable business environment.



2

HOW BUSINESS IS CONTRIBUTING TO A BETTER SCOTLAND

Ethical and socially responsible behaviours are evident in the way that companies behave in their marketplace, their acts of responsibility towards staff and suppliers, their wider commitment to local communities, and the environmental measures they take. This section examines the way in which the values and responsibilities of companies in Scotland are defined, managed and acted on.

“When Scottish business succeeds, Scotland succeeds.”

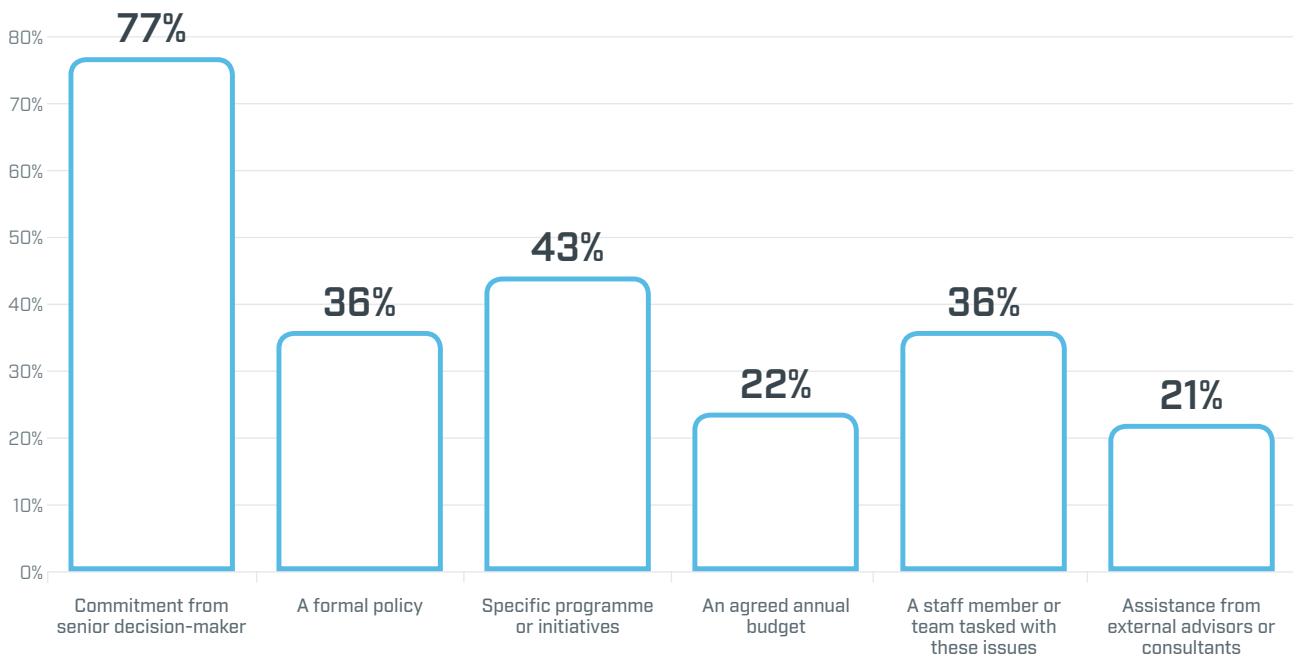
“Small business owners often rely on their own instinctive morality rather than any formal strategy, procedure or programme.”

MAKING THE COMMITMENT

Companies take forward their corporate responsibilities with varying degrees of commitment, planning and co-ordination. The survey evidence points to widespread commitment from the top. In just over three-quarters of cases, respondents have reported ‘commitment from the senior decision-maker’.

Does your company currently have any of the following in place to support its involvement in community, social or environmental issues?

Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland



This commitment from the top is sometimes, but not always, reflected in formal measures. Most commonly it is expressed through a particular programme or initiative, adherence to relevant standards or certification, the establishment of a formal policy, and associated tasks for a staff member or team.

Company size is an important determining factor. The survey research shows that the larger the business, the more likely it is to formalise its

commitment in the ways described above. For example, 32% of small companies have reported specific programmes or initiatives in place, rising to 62% of mid-sized companies and 90% of large ones.

The findings confirm the widely held view that corporate responsibility tends to happen intrinsically and in a largely unplanned way among small businesses. Normally this is determined by the values of the business owner, the choices they make, and therefore the activity and practices of the company.



GOOD PRACTICE CASE STUDY

NAIRN'S OATCAKES

Nairn's is a company with a proud heritage in Scotland, baking oatcakes since 1896. It has remained faithful to the family principles on which the company was founded and delivers on its responsibilities in a considered and planned way.

WORKPLACE

Nairn's has demonstrated its commitment to a diverse and inclusive workplace. Its partnership with award-winning social enterprise Haven has enabled it to provide employment each year to people with disabilities or experiencing disadvantage in the labour market.

COMMUNITY

Nairn's has been proudly playing its part in the community for many years, supporting and sustaining a wide range of local activities. This includes its support for the Craigmillar Literacy Trust and the Nairn's Challenge, an initiative inspiring the chefs and master bakers of tomorrow in its local high school.

ENVIRONMENT

Nairn's takes its environmental responsibilities seriously. This is evident in every stage of the production process, from the way that oats are grown, to the bakery itself, all the way through to ensuring packaging is sustainable and ethically produced. Its ISO 14001 Environmental Management Certification and Carbon Management Plan has ensured a comprehensive approach to driving down energy consumption and reducing waste to landfill.

SUPPLY CHAIN

Ethical and lasting supply chain relationships are also important. Nairn's has been working with John Hogarth Oatmeal Millers oat mill in Kelso since 1978, sourcing the best oats from the Scottish Borders and ensuring a fair deal for local farmers.



COMMUNITY ACTIVITIES

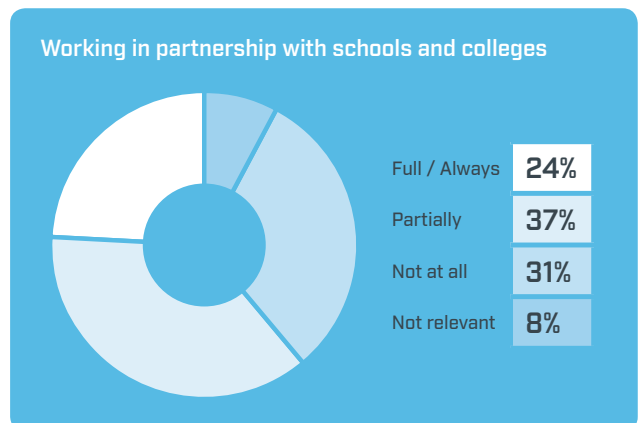
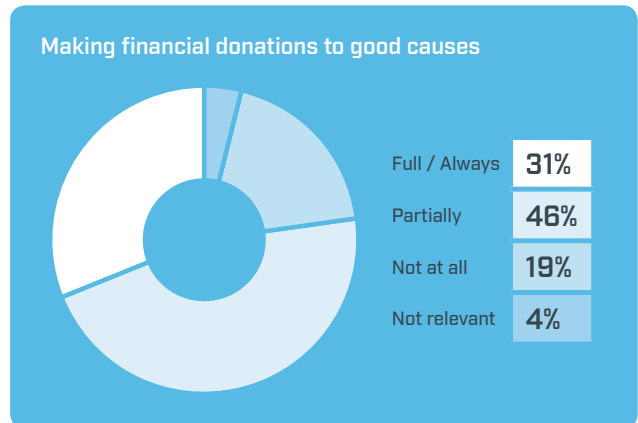
Traditionally philanthropy – giving back to communities – has been one of the central tenants of corporate responsibility. This includes differing forms of engagement with community groups and charities and various types of giving.

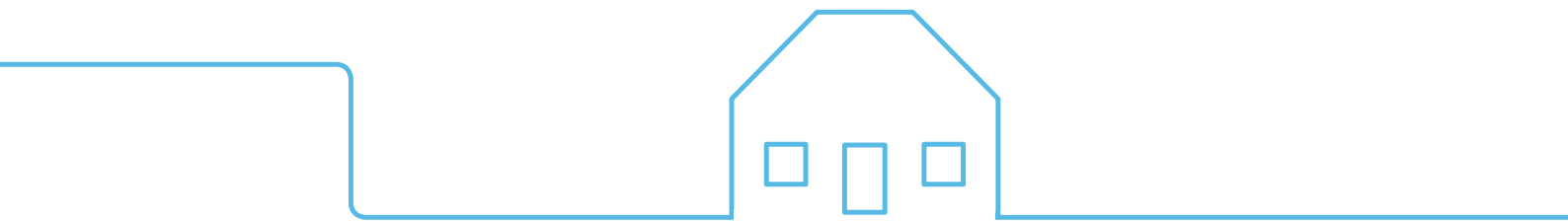
The survey evidence shows variations both in the type and extent of business involvement in communities. The most widespread and systematic

act reported was financial donations to good causes (regularly undertaken by almost one-third of companies), closely followed by the donation of goods and services. Almost one-quarter of companies have also reported active partnerships with local schools/colleges. This drops to less than one in five companies that claim to fully support volunteering during working hours.

To what extent is your company involved in community initiatives?

Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland. May not add to 100% due to rounding.





The survey evidence suggests that these forms of community involvement are significantly more likely to occur among large companies than SMEs. For example, while just 15% of small companies have reported fully supporting employee volunteering, this rises to 22% among

mid-sized companies and 51% among large companies. Discussions with business leaders and representative bodies have highlighted real limitations to the ability of hard-pressed small firms to give back but also increasing involvement on the part of major businesses.

BETTER BUSINESS

CORPORATE GIVING

Corporate giving describes the donations made by companies to charitable causes, including cash and in-kind donations as well as the monetary value of employee volunteering time. It is estimated that corporate support to communities in the UK has been dropping steadily with £1.7 billion donated in 2012/13⁴. Currently the 600 main UK corporate donors are giving £655 million annually, with 451 of these major companies donating to activity in Scotland⁵.

Top 5 Areas of Company Giving in Scotland

Source: Directory of Social Change

1. Education
2. Children & Young People
3. Community/Social Welfare
4. Health
5. Environment

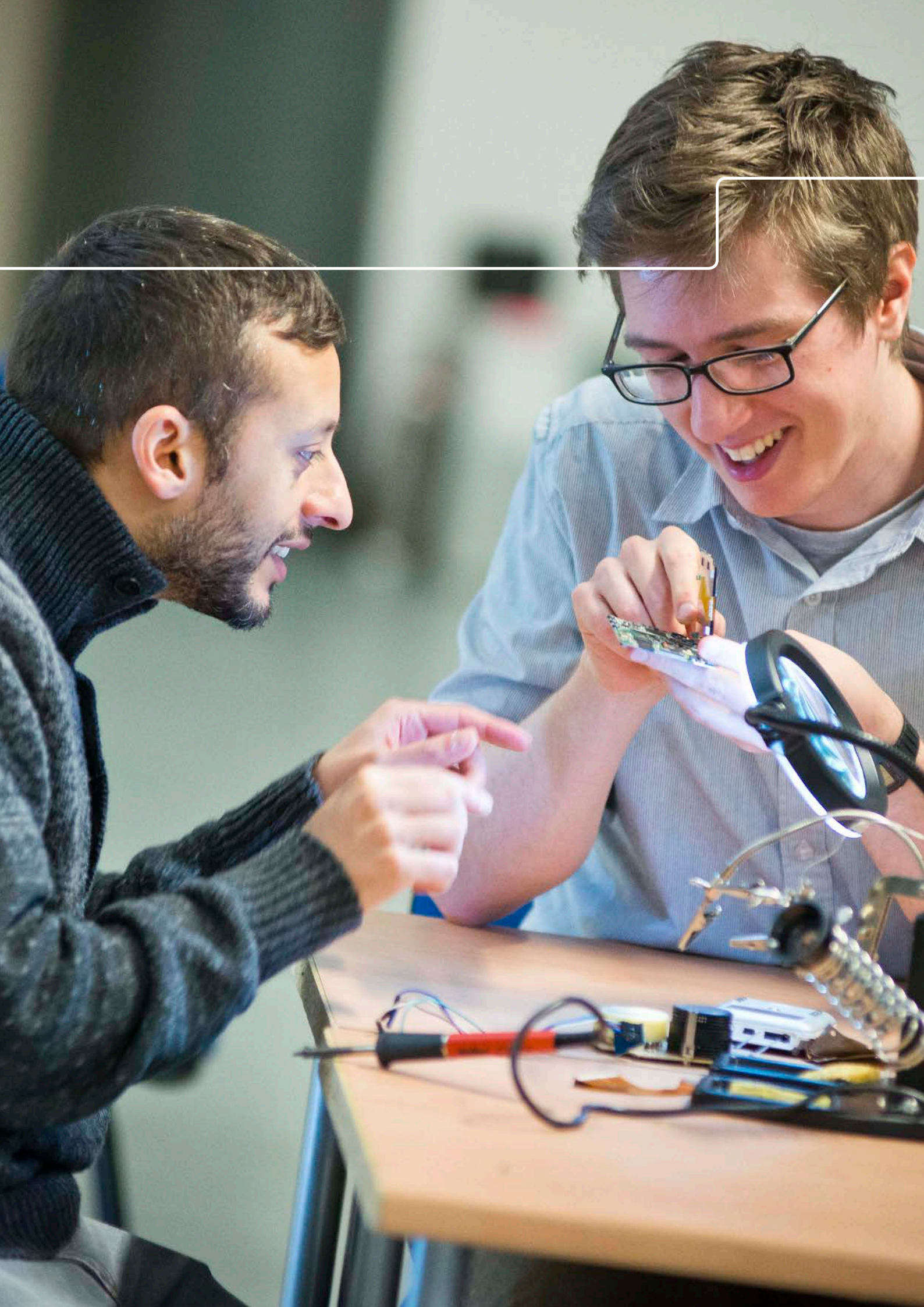
The benefits of corporate giving for companies are now reasonably well established. It has been shown elsewhere that 87% of companies who evaluate their corporate giving say it has a positive impact on their reputation and 64% note it has a positive impact on customer engagement⁶. Other research has shown that half of British adults (51%) would be more inclined to buy a product or use a service from a company that donates to charitable causes and 45% would be more inclined to work for one⁷.

⁴ NCVO, UK Civil Society Almanac 2015

⁵ Directory of Social Change, Company Giving Database, www.companygiving.org.uk. Accessed September 2015.

⁶ CAF, Corporate Market Study, 2012

⁷ CAF, Public Perceptions of Corporate Giving, 2014





GOOD PRACTICE CASE STUDY

CGI

Founded in 1976, CGI is the fifth largest independent information technology and business process services firm in the world, with a growing footprint in Scotland, one of over 40 countries in which it operates.

Since founding, CGI has based its operations on the belief that success comes from the strength and commitment of employees. Its unique model of employee ownership stands out in the industry and means that more than 70% of its 65,000 employees are also company owners ('members') who share in the challenges and rewards of building the company. As members, CGI employees embrace their social responsibilities and, as a company, CGI makes investments in the communities in which members live and work.

As part of its substantial seven-year programme of community investment in Edinburgh, CGI has set the bar high. It is now working with City of Edinburgh Council to make the city one of the most digitally included places in the country. One of its first investments is in the Digital Skills Academy, an established initiative from well-known local social enterprise Cre8te Opportunities. Through ongoing financial support and specialised employee volunteering support, CGI is helping to significantly increase digital access and training for elderly, unemployed and socially isolated people across the city.

This is the beginning of a long-term commitment to transforming public services, bridging the digital divide, and supporting communities across Scotland.



“Acting responsibly as a business is the starting point to everything we do.”

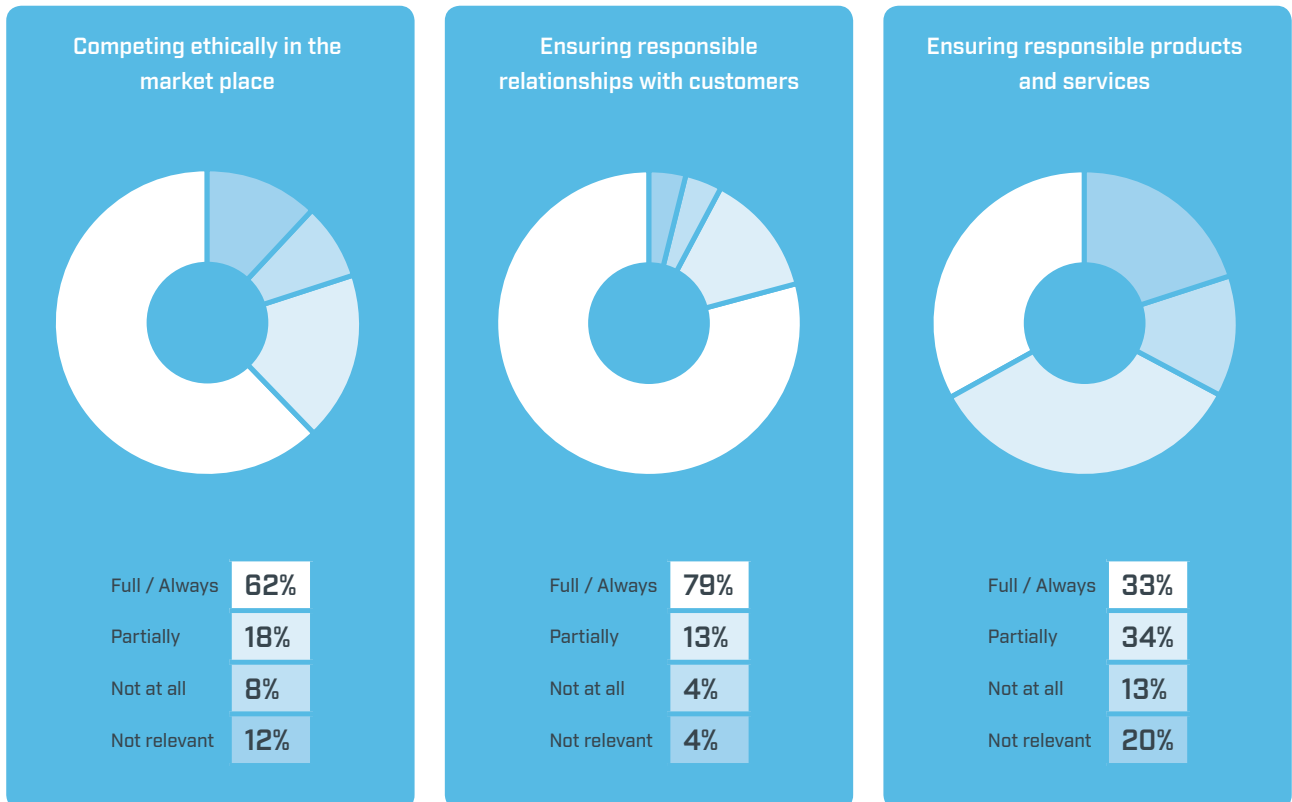
MARKETPLACE ACTIVITIES

Consumers expect companies to act ethically in their marketplace. This means being aware of the value that their goods and services create and any costs they impose on society. It also means approaching the selling process with integrity and honesty.

Survey results are encouraging in this respect. Just over three-quarters of companies have reported always 'ensuring responsible relationships with customers' and somewhat less in 'competing ethically in the marketplace'.

To what extent is your company demonstrating ethical practice in its markets?

Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland. May not add to 100% due to rounding.



Companies have, however, acknowledged that further progress is possible when sourcing and supplying products. Just one-third have reported always 'ensuring responsible products and services'.

The Fair Trade movement demonstrates one way that businesses have committed to sustainable, responsible and fairer standards in production.

BETTER BUSINESS

FAIR TRADE IN SCOTLAND

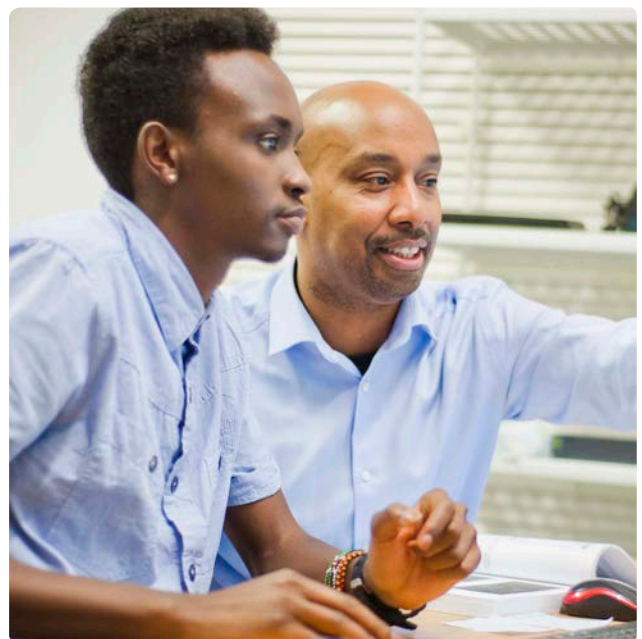
The achievement of Fair Trade Nation status in 2013 signalled to the world Scotland's leadership in challenging global poverty and recognising the dignity and rights of producers through a commitment to fairness in international trading.

Fairtrade products fulfil the ethical commitments to fairer wages, improved working conditions and community investment in the developing world.

Scottish businesses have been getting involved in many ways, including:

- Carrying certified products (licensee of Fairtrade)
- Registering as a trader (selling produce to other businesses)
- Stocking separately produced Fairtrade products
- Serving products to employees (catering, tea, sugar, coffee etc.)
- Selling finished Fairtrade products (furniture etc.) to other businesses

For more information see www.scottishfairtradeforum.org.uk





GOOD PRACTICE CASE STUDY

GREENCITY WHOLEFOODS

Greencity Wholefoods is a wholesaler of fine food and drink based in Glasgow. It burst onto the wholefood scene in 1978 and has been a leading light in the Fairtrade movement in Scotland.

Greencity operates as a co-operative business, democratically owned and controlled by its 41 employees. This structure ensures that all staff subscribe to a common set of values, achieve equal pay and have an equal say in how the business operates.

Greencity also works to create the conditions in which producers can earn a fair reward for their labour in an environmentally sustainable, ecologically sensitive way.

It goes to great lengths to source only fairly traded, organic, ethical and natural products. It actively manages its supply chain and ensures only fair and equitable trading relationships. It does not trade with companies involved in environmentally damaging or socially irresponsible practices or in animal exploitation. It demonstrates ethical leadership through involvement in campaigns that promote a more sustainable food system. It provides charitable donations that further the values of the business and commitment of employees.

Taken together these behaviours serve to differentiate Greencity Wholefoods from the competition and are fundamental to its continuing success.





WORKFORCE ACTIVITIES

Businesses rely on their people for their success. Some of the most familiar aspects of corporate responsibility are therefore evident in the workplace.

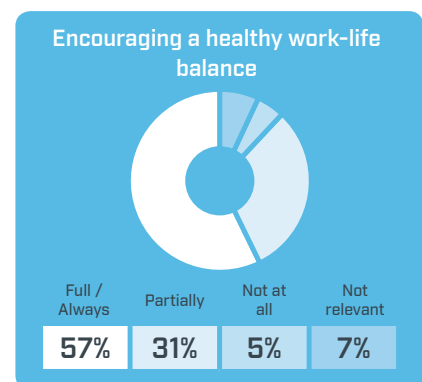
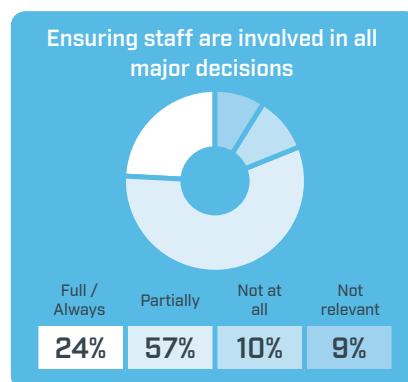
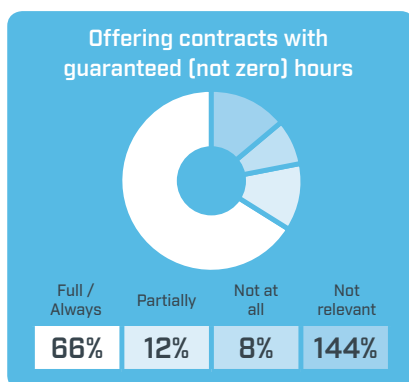
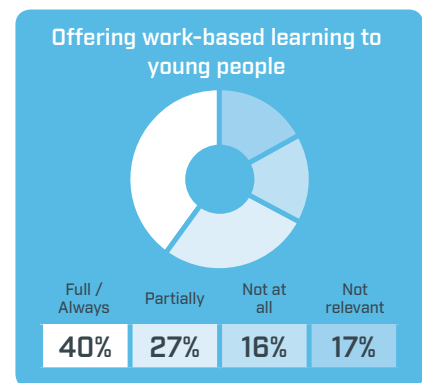
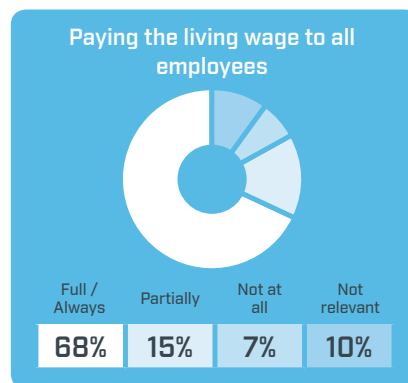
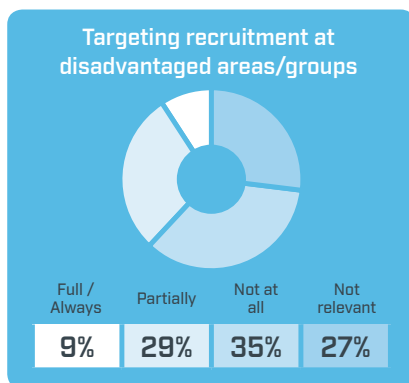
Many companies are making considerable efforts to improve workplace conditions and improve employee welfare. The survey research shows for example, just over two-thirds of businesses report paying the living wage to all employees. Many businesses are also making positive progress on contracts of employment, work-life balance, and workplace learning. In other respects, there is

considerable scope for progress, including ensuring the involvement of employees in major business decisions and the active targeting of employment opportunities to disadvantaged areas and groups.

While businesses across Scotland wrestle with the challenge of ‘engaging’ employees routinely in decision-making, co-owned or employee owned businesses represent a progressive alternative. Such businesses are structured in a way that locks in the commitment of employees and gives them a genuine say.

To what extent is your company demonstrating its commitment to employees?

Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland. May not add to 100% due to rounding.



“Most business owners have a real commitment to their workers. This is often seen in the small things that they do in the workplace, but also in things that are atypical of the established practices of their industry.”

BETTER BUSINESS

THE CO-OPERATIVE WAY OF DOING BUSINESS

The co-operative economy is thriving in Scotland. The latest evidence shows 567 co-operative businesses generating a turnover of £4.2 billion, including 105 co-operatives in the Highlands & Islands⁸. Whether under the structure of consumer, worker, enterprise or mixed ownership, relationships with those involved are at the heart of the co-operative business model.

Within this, co-ownership or employee ownership has become very significant. The logic is that where employees hold a majority interest and really share in the benefits of their efforts, they are more committed to producing successful outcomes. Where combined with a culture of engagement, respect and involvement in decision-making, the business becomes more

productive and competitive. Research elsewhere demonstrates that this combination of shared ownership and employee participation can deliver superior performance and sustainability for businesses⁹.

A small but growing number of companies across Scotland are embracing the co-operative business model and making use of employee ownership structures.

For further information, contact Co-operative Development Scotland.

www.cdscotland.co.uk

⁸ Co-operatives UK, The Co-operative Economy 2015.

⁹ See for example, Employment Research Institute, The Growth of Employee Owned Businesses in Scotland, February 2013.

Scotland’s business leaders have talked about the considerable commitment of some companies towards workforce development. This was considered both good for business and good for

workers. This recognition of the business benefits has led a growing number of businesses to formalise their commitment through established programmes and certification arrangements.

401

401 Scottish Living Wage Accredited Employers

905

905 Investors in People Accredited Employers

193

193 Employers achieving the Investors in Young People standard

36132

36,132 Modern Apprentices receiving training

556

556 Employers holding the Scottish Healthy Working Lives Award



GOOD PRACTICE CASE STUDY

FORSTER GROUP

Forster Group started 25 years ago and has developed into one of the largest family-owned providers of roofing and solar services in Scotland. Since taking on their first trainee, the company has recognised the value in investing in the workforce of the future.

Starting early and building lasting relationships with local schools and colleges, the company has collaborated on many initiatives to bring through young people with the skills and commitment that meet the 'Forster Standard'. This has led to the establishment of the Forster Skills Academy, a custom-designed training centre delivering innovative Modern Apprenticeship qualifications geared specifically for new-build housing and solar PV. In 2014 the company committed to taking on 24 Modern Apprentices over a four year period, who have already made a substantial business contribution.

These efforts have positioned Forster Group well for the future. Now 32% of the workforce are aged under 25 years old. The measures taken have ensured an injection of new ideas and fresh thinking in the business, the development of a pipeline of talent, as well as improved capacity to react to customer demand. The company has now been accredited as one of the first wave of Investors in Young People employers in Scotland, further formalising its commitment to tomorrow's workforce.

"We look beyond our own interests by pursuing opportunities to nurture young talent and improve communities, as well as our industry."



BETTER BUSINESS

ACHIEVING GENDER EQUALITY AT THE TOP

There is increasing interest in what companies can do to ensure they reflect the breadth of Scottish society and provide opportunities for all. This is no more evident than in relation to gender diversity, given women's historic under-representation in corporate leadership in Scotland.

This study has examined gender diversity in the boardrooms of Scotland's Insider Top500 Companies¹⁰. The results show that while women make up almost half of the workforce in Scotland, they remain significantly under-represented at senior positions in business. Only 13% of all board posts in Scotland's leading 500 companies are held by women and 56% have no female appointments at all. Just 4% of CEOs are women.

These findings come despite a variety of independent evidence showing that greater diversity of thinking and talent in the management team and on boards leads to better performance.

The FTSE100 companies offer a useful comparator. Among the FTSE100 companies, female representation on boards has doubled from 13% in February 2011 to 26% in October 2015 – achieving a voluntary five-year target of 25% – and there are now no all-male-boards (down from 21% all-male boards in 2011)¹¹. However, this means that the UK still ranks sixth in Europe behind Norway, Sweden, France, Finland and Belgium, many of which – including Norway, where women make up 35% of board members – have set formal quotas for female representation.

As the Scottish Government now encourages companies to sign up to its *Partnership for Change*¹² – making a voluntary commitment for gender balance on their boards of 50/50 by 2020 – there is clearly more that Scotland's leading businesses can do to encourage and nurture a broader range of talent.

¹⁰ Scotland's largest companies ranked by a combination of turnover and profit.

¹¹ Davies Review, Women on Boards: 5 Year Summary, October 2015.

¹² <http://onescotland.org/equality-themes/5050-by-2020/>.

13%

13% female representation on the boards of Scotland's leading 500 companies

SUPPLY CHAIN ACTIVITIES

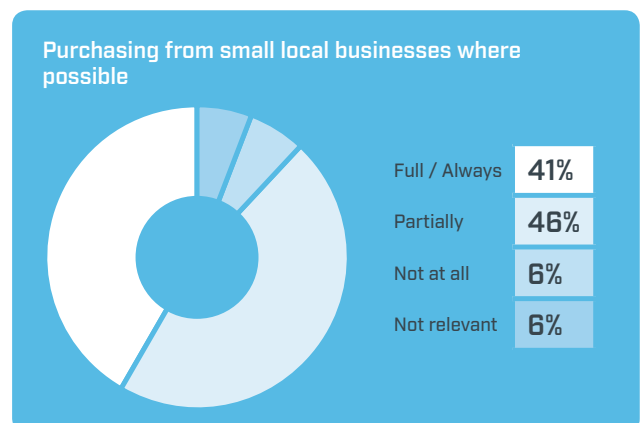
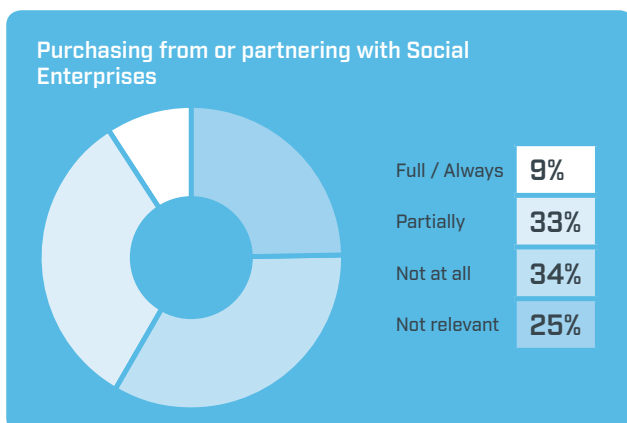
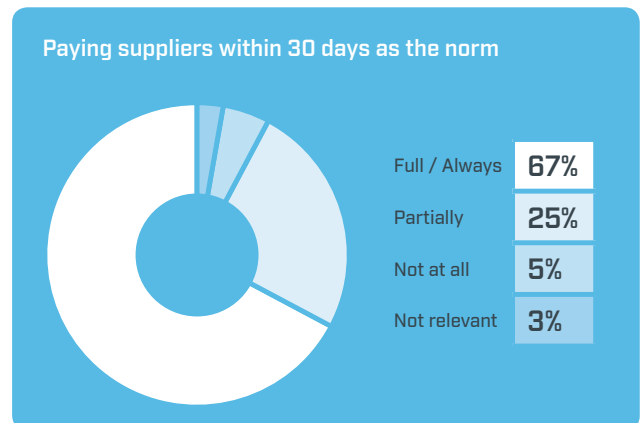
There is a growing interest in the potential of sustainable purchasing both on the part of the public sector and business community in Scotland. This is about managing relationships with suppliers in a responsible way, maintaining long-term and mutually beneficial arrangements, and maximising social and environmental value when purchasing supplies or services.

Most companies consider themselves to deal with suppliers fairly. Two-thirds indicated that they

have fully implemented arrangements to pay suppliers within 30 days as the norm, while most others are on their way to doing so. Around two in five companies have reported that they always ensure good social and environmental performance from suppliers, particularly the case among major businesses. However, while most have reported using small local businesses as a source of supply, only a minority are purchasing from or partnering with social enterprises as part of their supply chain.

To what extent is your company engaging positively with suppliers?

Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland. May not add to 100% due to rounding.





Those discussions, business leaders and representative bodies interviewed have acknowledged further scope for companies, to positively influence the behaviour of suppliers – ensuring social and environmental value as well as high standards. In this respect, Scotland’s public sector is demonstrating particular leadership

through the introduction of Community Benefit Clauses to derive the widest possible value from the money that it spends.

An ever increasing number of major companies are also using their purchasing power, influence, and reach to achieve positive change in Scotland.

BETTER BUSINESS

COMMUNITY BENEFIT CLAUSES IN PROCUREMENT

Community Benefit Clauses (CBCs) are contractual clauses that can be used to build a range of economic, social or environmental conditions into the delivery of contracts. For example:

- Targeted employment and training opportunities
- Creating opportunities for SMEs to deliver sub-contracts
- Establishing supplier relationships with social enterprises
- Contributions to achievement of targets for education and learning
- Support for community initiatives and work with local charities
- Delivery of environmental targets

The Procurement Reform (Scotland) Act 2014 embeds best practice and drives public bodies to consider CBCs in all high-value procurements.

For further information see www.readyforbusiness.org



GOOD PRACTICE CASE STUDY

CALMAC FERRIES

With roots dating back over 160 years, CalMac provides a lifeline ferry service to Scotland's remote west coast islands and peninsulas. Its 31-strong fleet serves a network of 24 islands and a number of peninsula ports. In doing so it supports local businesses, brings new and repeat visitors to the region, and helps safeguard remote rural and island communities for generations to come.

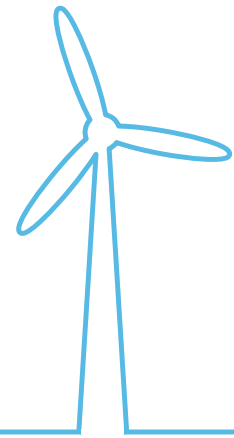
To support its onboard catering CalMac has chosen to source produce from a local supply chain that includes two main companies and almost 50 local food, drink and goods suppliers. This provides an authentic taste of the destinations its ferries serve and makes a real difference to the passenger experience. It has inspired local suppliers to set their sights higher and further, including Island Bakery Organics on the Island of Mull which has gone on to sell its handmade biscuits through household name supermarket chains.

The emphasis on quality local produce has also assisted the development of CalMac's galley crews, where at least 12 employees are now enrolled each year in the Certificate of Competency of Ships' Cooks course at City of Glasgow College. Added to this, CalMac employs around 80% of its 1,400 staff from around its ferry network and uses local services to help clean and maintain its fleet.

These combined local employment and supply chain effects mean a £32 million annual boost to the economy of the west coast, from Ayrshire to the Western Isles.



“We see our role as lifeline ferry operator as more than simply getting people from A to B and back again.”



ENVIRONMENTAL ACTIVITIES

Companies' efforts to become more environmentally responsible are often described in the context of 'sustainability' or 'sustainable development'. This is the notion that companies must pursue their objectives for profitable growth without depleting natural resources and damaging the environment for future generations.

The research tells us that companies in Scotland are taking action on a number of fronts. The fullest and most widespread action reported relates to waste management and recycling. Action has also been reported to varying levels in reducing travel emissions, reducing energy consumption, and ensuring green products and supplies. In each area, however, there is the opportunity for more systematic and widespread adoption.

To what extent is your company taking action to minimise its impact on the environment?

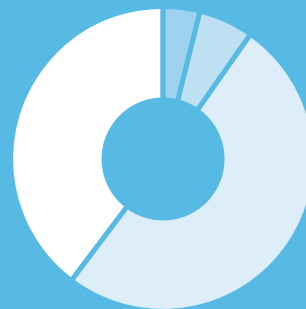
Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland. May not add to 100% due to rounding.

Ensuring green products and supplies



Full / Always	28%
Partially	56%
Not at all	9%
Not relevant	7%

Reducing energy consumption



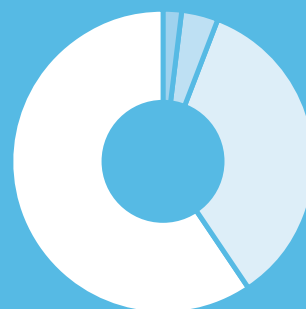
Full / Always	40%
Partially	51%
Not at all	6%
Not relevant	4%

Reducing travel miles and fuel consumption



Full / Always	30%
Partially	49%
Not at all	13%
Not relevant	7%

Reducing waste and recycling where possible



Full / Always	60%
Partially	35%
Not at all	4%
Not relevant	2%

Business leaders and representative bodies have suggested a growing commitment to environmental measures across Scotland's business community. Companies are looking to how they can benefit from reduced costs, improved productivity, reduced risks, enhanced reputation, and increased competitiveness through greater resource efficiency.

BETTER BUSINESS

RESOURCE EFFICIENCY PLEDGE

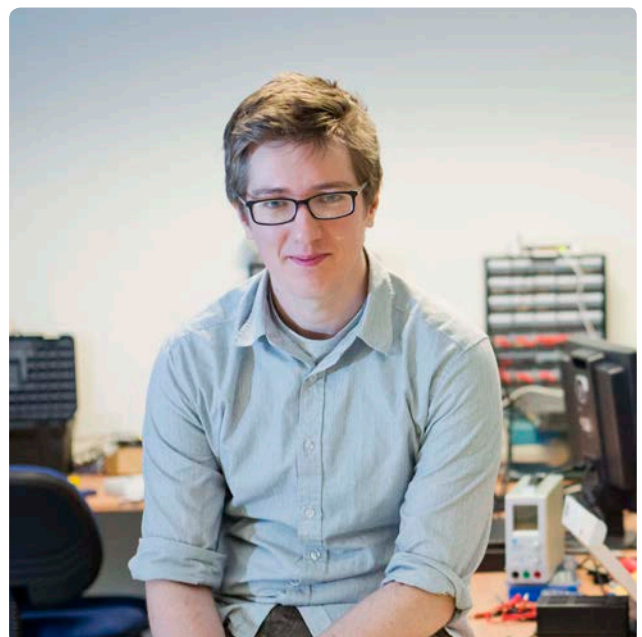
The Resource Efficiency Pledge is a nationwide scheme backed by the Scottish Government, which aims to help Scottish businesses take action to use energy, water and raw materials more efficiently.

By signing the pledge and taking some simple steps, Resource Efficiency Scotland has shown that businesses can achieve substantial and cumulative benefits.

As well as giving access to specialist advice and support, the Pledge offers companies access to branded marketing materials that enable them to promote their commitment and stand out from the competition.

For further information visit:
www.resourceefficientscotland.com

Some companies across Scotland are demonstrating genuine leadership on environmental management and resource efficiency, with associated benefits evident.






Produce: Loddon Estate
Apples
Grown: 18th March
Origin: Rutland - East of Stamford
Food Miles: 4.71
Organic & Environmentally
£2.91 Each per kg


LOCAVORE
Other details

TRANSITION
E PREP



GOOD PRACTICE CASE STUDY

ELAN HAIR DESIGN

Elan was opened in 1971 and continues to operate as a well respected family-owned hairdressing business in Inverurie.

In 2012 the company embarked on an ambitious refurbishment plan to create a modern salon that set the benchmark for sustainability. Over three years the company introduced a series of more than 20 measures to reduce its carbon footprint, better manage waste and protect natural resources. It was the first salon to develop a Carbon Management Plan to help continually measure and improve its environmental performance.

This has transformed the way that the salon does business. As a direct result of the company's environmental responsibility, carbon emissions have been cut by 94%, waste to landfill reduced by 95%, and water consumption cut by 84%. Energy efficiency measures alone have led to a reduction in energy bills from £6,100 to £625 annually. Since the measures have been introduced, there has been a 25% increase in customers with opinion surveys showing the importance of environmental credentials in attracting new customers.

These results have seen Elan recognised as the UK's most sustainable hairdressing salon, with environmental practices now being championed by staff and customers at home and increasingly in the local community.

“Through environmental leadership our business and its prospects have been transformed.”



38%

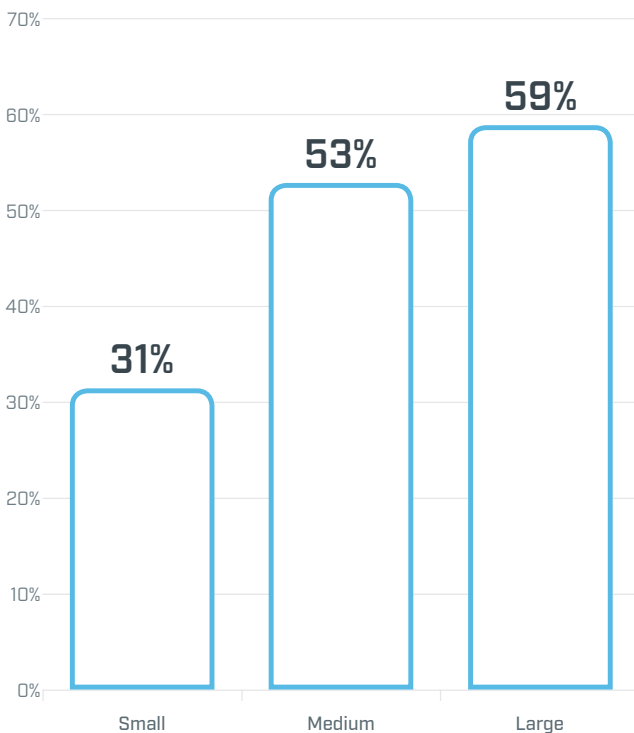
38% of companies have some form of relevant standard or certification

STANDARDS AND CERTIFICATION

Standards, guidelines and certification have been used for many years in the management of corporate responsibility. They represent ways of demonstrating accountability to stakeholders and of driving performance.

Percentage of companies reporting relevant standard(s) or certifications(s) in place

Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland



The survey research indicates that around two in five companies in Scotland now hold some form of standard or certification that demonstrate responsible behaviours. Medium and large companies are significantly more likely to report making use of such standards.

The standards in question are typically voluntary, usually third party-assessed, and focus on narrowly defined areas (e.g. product sourcing, employment practices, human rights, carbon management). Some certified standards have been influential and are widely adopted while others relate to particular industries, products, processes, or concerns. Business leaders have described the complex and overlapping range of certifications, marks and labelling options.

Probably the most inclusive global standard in relation to the sustainability issues it covers is ISO 26000, a standard for social responsibility produced by the International Standards Organisation. However, it does not appear to be widely adopted by companies in Scotland. As a guidance standard, it is also only intended to embody good advice and is therefore not certifiable.

The B-Corp framework is a more recent innovation, only now being adopted by Scottish companies – a holistic framework applicable to businesses of all sizes in all sectors. By registering as a B-Corp, companies must adopt governing documents that lock in their commitment to a ‘triple bottom line’ approach to business. They are certified by the non-profit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency.



GOOD PRACTICE CASE STUDY

ONE STONE ADVISORS

As a sustainability strategy and communications specialist, the mission of One Stone Advisors is to help companies become more effective sustainability leaders. It works with companies to ensure that their business strategy and sustainability values align, their priorities and goals are strong, that they are fostering a culture of integrity, and that they are accountable, trustworthy partners in solving the world's challenges.

One Stone decided to become a founding B Corporation in the UK – and Scotland's first – in 2013. It was attracted to being part of the global B Corp community that is populated by thriving, entrepreneurial, values-led companies. Today, there are over 1,400 B Corps around the world, some of the better known ones being Etsy, Ben & Jerry's, Patagonia and Method.

In order to certify as a B Corp, One Stone needed to score at least 80 points on the B Impact Assessment and pass a legal test. This rigorous framework helped the company to think through its priorities, develop clear goals and targets and assess the impact of its business model on the environment, local communities and supply chains.

There are now three B Corps in Scotland and One Stone is working with B Lab UK to grow a thriving community.



“As well as enjoying the inspiration we get from like-minded organisations, we like to live our values, and working through B Lab’s tough B Impact assessment really put us through our paces.”

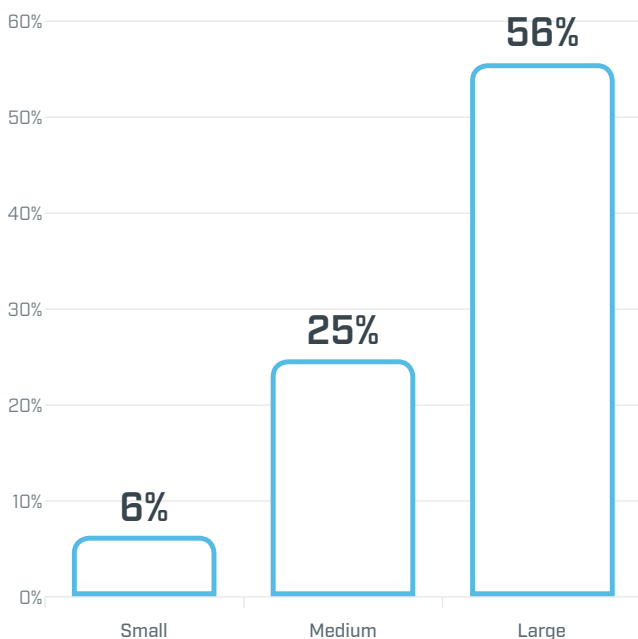
“Most companies have no clear idea of either the positive or negative impact that their operations have on communities or the environment. This is no longer good enough.”

CORPORATE REPORTING

Consumers would expect responsible companies to be publicly accountable for their social and environmental record as well as their financial performance.

Percentage of companies that formally report on non-financial matters

Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland



Unlike financial reporting arrangements, the disclosure of non-financial information is not highly regulated or controlled. Just over half of large companies have stated that they formally report on non-financial matters, while this is much less common among smaller companies. Businesses that choose to report tend to do so in their own ways, using a variety of approaches and performance measures. While there is no shortage of global guidelines and standards for corporate reporting – such as Global Reporting Initiative (GRI) and AA1000 – their use is almost exclusively the domain of major companies.

The review of corporate reporting arrangements undertaken as part of this research suggests that even Scotland’s largest companies are failing to demonstrate their social and environmental record adequately. Where reporting occurs, this is often narrow, subjective, lacking agreed performance measures, or selective in what information is disclosed. Often companies describe their acts of responsibility rather than the changes (or ‘outcomes’) that their support brings about for people, families or communities.

Reporting on environmental performance is generally stronger than reporting on social value, although a variety of methodologies are available to measure total contribution – economic, environmental and social – as well as social impact specifically (e.g. Social Return on Investment).

This lack of rigour leaves companies open to claims of corporate ‘greenwashing’ or spin.

BETTER BUSINESS

CORPORATE REPORTING: SCOTLAND'S INSIDER TOP500

As part of this research an objective review of the corporate reporting of Scotland's Insider Top500 companies was conducted. The review considered how they were reporting as well as what they were reporting.

In all, only 53% of the Top500 reported on non-financial matters in a format readily available to the general public, most often through pages published online on the company website or in annual reports. In only 61 cases a stand-alone CSR or sustainability report was produced and available for download or interactive viewing. Of the publicly available material from the Top500 companies:

- 24% clearly explained the **strategy**, in other words the risks and opportunities the company faces and the actions it is taking in response
- 27% adequately addressed issues of

materiality, identifying the greatest potential impacts on the business and its stakeholders

- 18% set meaningful **targets and performance indicators** to measure progress on workforce, social and environmental issues
- 14% clearly explained the social and environmental impacts of the companies **supply chain** and how these impacts are being managed
- 13% explained the process used to engage with **stakeholders**, and the actions taken in response to feedback
- 9% offered a **balanced view** on challenges and setbacks as well as achievements

There was publicly available evidence of independent, third party validation or assurance of corporate reporting in only 22 of the 500 cases.

With only a relatively small number of FTSE 100 companies in Scotland, there is currently no obligation on companies to go further than they do at present on corporate transparency and reporting. Where there is a desire to do so, some reticence has been noted among business leaders about taking the initiative and setting themselves up to fail or leaving their company open to criticism.

Particular concerns have also been raised about the lack of understanding of appropriate ways to

measure social impact and the burden that any additional reporting requirements would place on SMEs.

Nonetheless, a number of companies are making good progress in this respect and have embedded comprehensive methods of reporting on economic, social and environmental performance.





GOOD PRACTICE CASE STUDY

SIR ROBERT McALPINE LTD

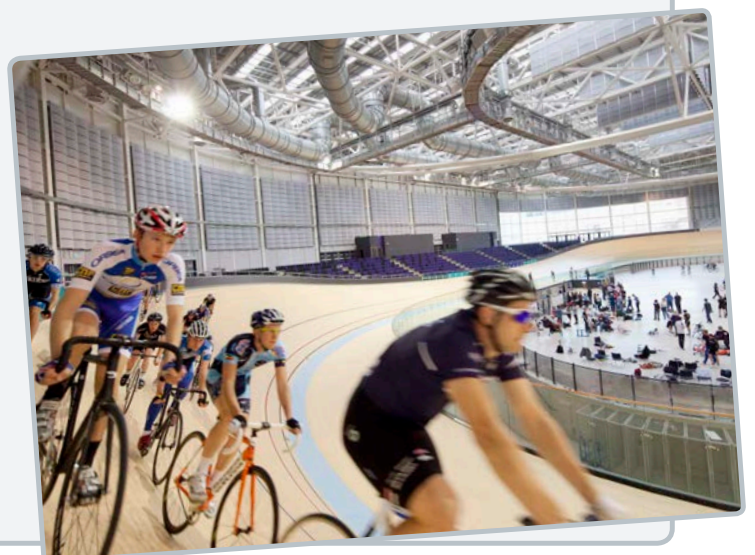
Sir Robert McAlpine Ltd is a leading UK building and civil engineering contractor. Family-owned, the company aims to operate a socially responsible and inclusive business which makes a positive difference to the communities and environments in which it operates.

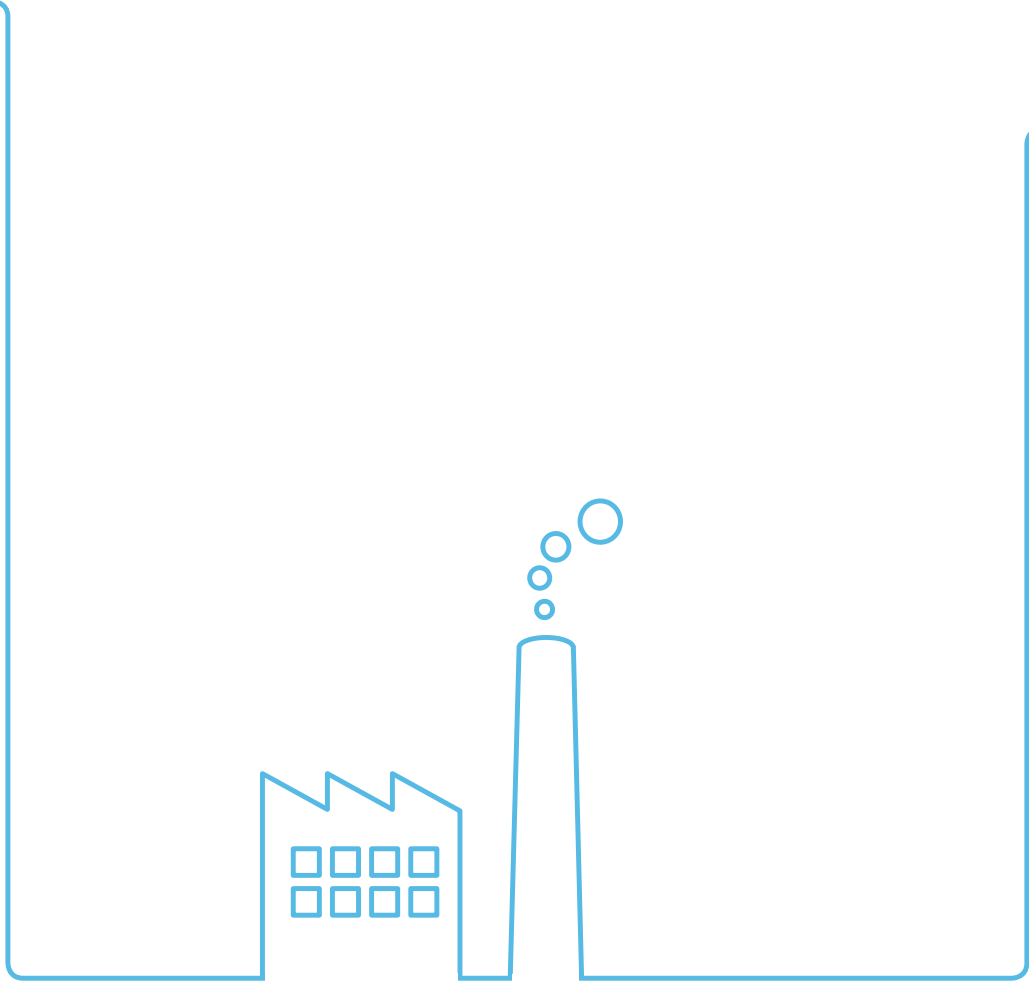
The company's commitment to continuous improvement has seen it recently introduce a new set of sustainability commitments and targets. These span four areas: resource management; community; working together; and natural environment. Sophisticated reporting arrangements are in place for each project which, as well as allowing the company to track performance, help to inform decision making and to further embed sustainability into all of its activities.

The company is therefore able to accurately quantify and place a value on the economic contribution of its community benefits.

These systems enabled the company to demonstrate the total contribution resulting from its contract to construct the Emirates Arena and Sir Chris Hoy Velodrome, a showpiece venue for the 2014 Commonwealth Games. When considered overall, 70% of sub-contracts were awarded to SMEs, with the value of tenders awarded to local SMEs or social enterprises totalling £6.4million. In total, 107 new entrants and 44 apprentices were recruited into the supply chain. Using an LM3 Local Multiplier tool, it was established that within a 20 mile radius of the site, for every initial £1 invested, 64p of additional value was generated. This equates to approximately £60 million generated within the local economy.

“We recognise our responsibility to protect the natural environment and leave a positive social and economic legacy within the communities in which we work.”







3

ENABLING BETTER BUSINESS IN SCOTLAND

How then do we encourage companies to take a long-term perspective and engage fully in responsible ways of doing business? How do we reach a tipping point where it becomes easier to contribute than overlook important social and economic challenges? Although there are very significant challenges facing those businesses that want to go the extra mile, there are also opportunities to accelerate progress.

***“We have already a thriving
and progressive business
community in Scotland that is
willing, if not always able, to
do more.”***

“Companies generally operate in a responsible way, demonstrate care for employees and recognise their wider commitments. But they also operate in the real economy, under real pressures, and find it hard to commit more.”

CONTINUING OBSTACLES AND LIMITATIONS

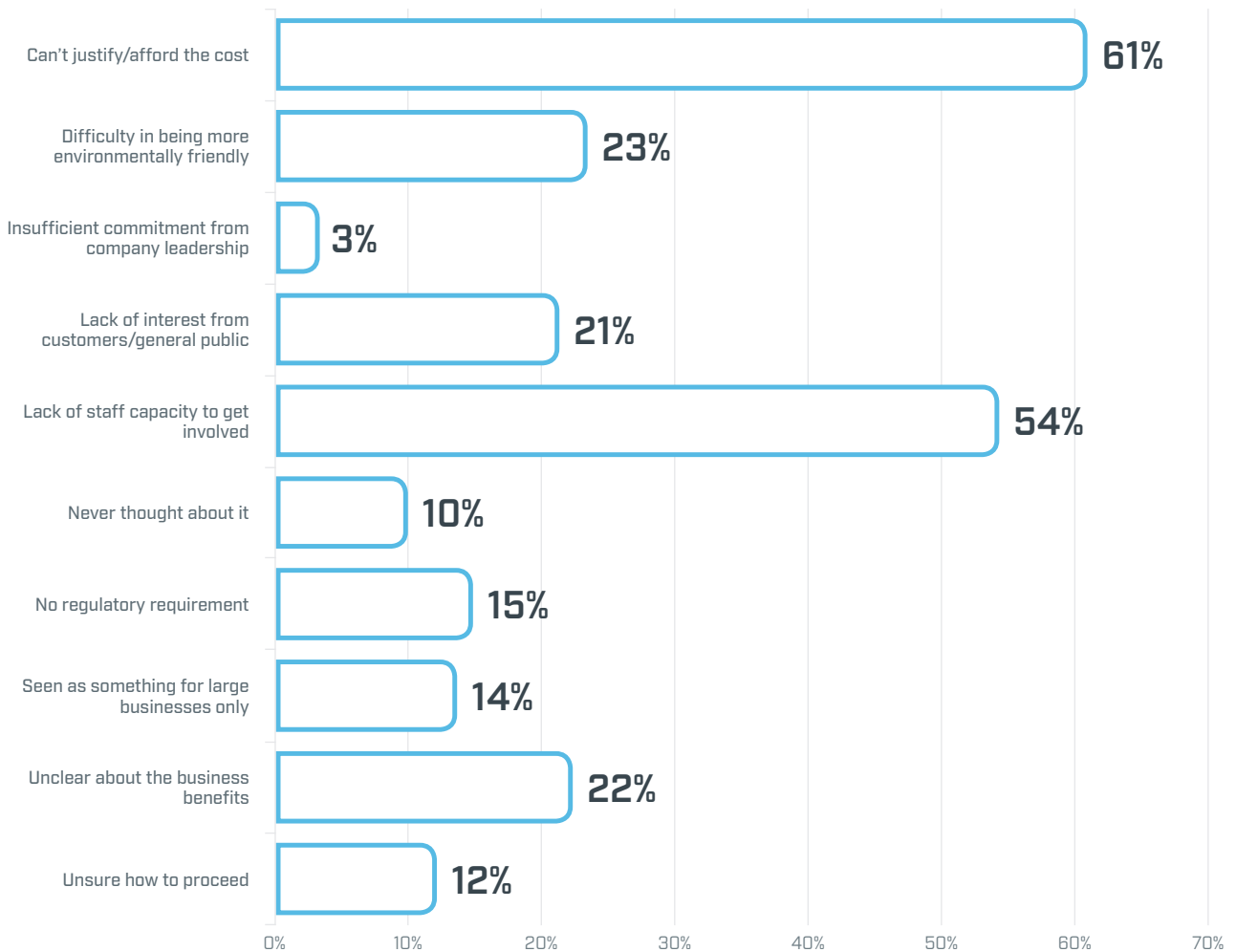
Although companies generally perceive themselves to be behaving responsibly, a number of constraints are evident.

The survey research has helped to clarify these constraints. Two main obstacles stand out – the ability of companies to meet the costs of discretionary activities and the lack of staff capacity

to get involved. Business leaders have pointed to tight profit margins, constrained working capital, and real limits to the time and skills that they can afford to release. The research has therefore found that it is generally the ability of companies to act that constrains progress rather than the interest, commitment or knowledge of business leaders.

Which of the following, if any, prevent your company from playing a greater role in community, social and environmental issues?

Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland



The challenging post-recession economic climate has been an influence. Some business leaders have talked about the day-to-day struggle for survival, the complex choices and trade-offs necessary, and the limited opportunities to take a longer-term perspective on involvement in wider or peripheral issues. Some have described the need to cut back on discretionary acts of responsibility in light of financial pressures. There was acknowledgement sustained profitability enables more discretion about what to prioritise, where to invest, and when to give something back.

The research has found particular challenges for small businesses. The inability to meet the costs of responsible behaviour was found to be significantly more widespread among small than large companies. This was linked to additional and growing financial pressures in meeting existing obligations, such as paying the UK living wage, dealing with pension auto-enrolment, etc. Small business owners also highlighted the challenges in operating as they do in highly competitive, low wage, low margins fields, and often at the end of the supply chains of multinational companies. This was said to limit their ability to act differently or to positively influence established industry practices.



62%

62% of companies expect community, social and environmental issues to increase in relevance over the next 3 years

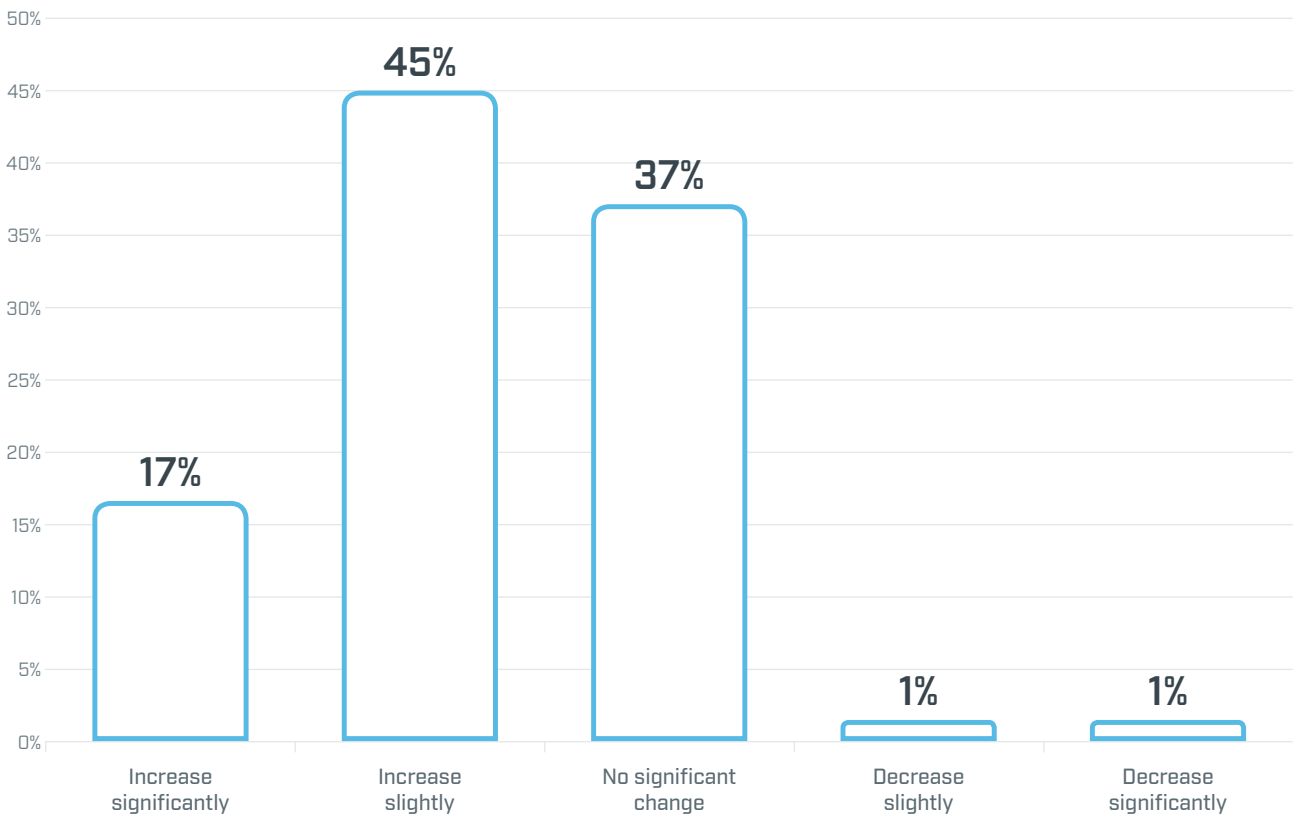
THE CHANGING LANDSCAPE

Most businesses continue to operate in uncertain and quickly changing economic conditions. Major agendas such as climate change and social inequality are also coming much more to the fore.

It is against this backdrop that business leaders have reported the growing relevance of social and environmental matters.

Do you expect the relevance of community, social and environmental issues to increase or decrease for your company over the next three years?

Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland



“In 10 years time the notion of corporate social responsibility as a distinct activity will just seem so outdated.”

A number of factors have been put forward as likely to drive the relevance of such issues, at least in the medium term. These include:

- Employee demands becoming more evident, particularly as the views and values of a younger generation become more prevalent
- Continually evolving public opinion that is placing greater pressure on businesses to behave, and be seen to behave, ethically
- Increasing regulation and changing industry standards that are placing new obligations on businesses, especially on environmental matters
- An increasingly global marketplace, exposing companies to new competitive pressures
- Customers making decisions increasingly based on brand values, as price and quality become more equal
- The continuing effects of public sector austerity and increasing social inequality, which influence both markets and expectations

These and other factors seem to suggest increasing pressure on companies to act in a socially responsible way.

FUTURE TRENDS

As part of the research, business leaders and representative bodies were invited to reflect on long-term trends that are likely to shape corporate responsibility in Scotland over the next decade and more. Five major trends were identified which represent gathering waves of change.

Embracing transparency

The proliferation of new digital platforms has led to increased public scrutiny and means that companies can no longer hide anything from the eyes of the public. People are now able to separate out those companies that deliver their responsibilities in an authentic way and those where the small amount of good they do is outweighed by the damage done. Business leaders and representative bodies have suggested that over the next decade leading companies are likely to become more open, transparent and accountable – disclosing more information on issues such as tax, executive pay, gender diversity and so on. This may lead to growing interest in how companies can measure and report on social impact in more robust and creative ways, using social media to open up new possibilities for stakeholder interaction and engagement.

Striving for shared value

Notions of corporate social responsibility simply as an add-on to the core activities of major business have become outdated. Business leaders and representative bodies have suggested that the next decade will see many of Scotland's largest companies driven to seek out the benefits of shared value, with stronger links made between corporate responsibility and business performance. Based on current trends, it has been suggested that companies are likely to become more discerning in

“Young people have the potential to transform what business stands for and what it contributes. The next generation is here. Society in Scotland can’t lose from this.”

the ‘community’ partnerships they form, seeking longer-term, more sustainable and mutually beneficial relationships. Community programmes will become more focused, more closely aligned with core business, and delivered on a more ambitious scale.

Becoming resource efficient

Resource constraints are starting to become a reality in many industries. Progressively more companies will need to reduce exposure to resource supply risks and volatile commodity prices. Business leaders and representative bodies have pointed to companies striving to produce more value with fewer resources and competing on resource efficiency to ensure long-term success. Some have suggested that this will tip over from an issue of environmental responsibility into one of economic necessity (and opportunity). More companies will have to start identifying, processing and reusing key commodities in highly innovative ways. This may lead to the more widespread introduction of ‘circular economy’ business models that keep products and materials in use, by design, for as long as possible to get the maximum value from them.

Blending the social and commercial

Artificial distinctions between purpose and profit orientation are now blurring. The last decade has witnessed the fast growth of mission-led, asset-locked Social Enterprises¹³. This sits alongside various models of co-operative business activity and emerging mission-driven business models and structures. All share a commitment to delivering on a ‘triple bottom line’ and to achieving higher standards of transparency and accountability. In this context, the concept of corporate responsibility may become increasingly redundant when locked into the values, governance and strategy of a growing number of companies.

The influence of young leaders

Business in Scotland is already taking on a more youthful face. This is evident in the post-recession wave of start-up activity by young entrepreneurs and the influence of millennials as they begin to play a more significant role in Scotland’s business community. This upcoming generation of business leaders is reported to have a deeper appreciation of their social and environmental responsibilities than previous generations of business founders and managers. Established business leaders have indicated a growing upwards pressure from these young people who hold a strong social conscious, inclusive attitude, and positive environmental outlook. This influence is likely to become much more evident over the next decade and serve to significantly strengthen the social and ethical orientation of businesses.

¹³ See Social Enterprise in Scotland Census 2015



GOOD PRACTICE CASE STUDY

SOCIAL ENTREPRENEURSHIP IN SCHOOLS

Snap Shop Mania is a business established and run by Primary 6 pupils at Whinhill Primary School, Greenock. It operates a novelty photo booth, selling photographs for 50p or key rings for £1. It has proven successful and popular with the entire school and nursery. Profits have been used to support Yorkhill Hospital in Glasgow and create a better outdoor learning environment for children in the new school campus.

The business has involved 27 children. These children have shown continual commitment, responsibility and good team work skills. They have developed real life business experience, their technology skills, and entrepreneurial potential.

Snap Shop Mania was formed through Social Enterprise in Education – a pupil-led programme run by the **Social Enterprise Academy**. The programme has now provided hands-on experience of setting up a social business to pupils in 782 schools, running everything from community cafes, bike and uniform recycling, and stationary stores and tackling all kinds of social issues including cyber-bullying, healthy eating and the effects of aging. Associated training and resources linked to Curriculum for Excellence have also been provided to 1,444 teachers to support a growing wave of social entrepreneurship in Scotland's schools.

Find out more at www.socialenterprise.academy/scot/social-enterprise-in-education

“We wanted to learn about business and the best way to do that was to start our own one.”



“We should be encouraging all business leaders to be the best of themselves. Added pressure, costs, and regulation are all counterproductive.”

ENABLING BETTER BUSINESSES

Traditionally the main role of business was to create wealth, comply with laws and pay taxes, while it was seen as the job of government to address issues of fairness and equity. These traditional roles are changing.

The Scottish Government is now encouraging companies to think about ways in which profitable

growth and tackling inequalities can go hand in hand. The Scottish Business Pledge, for example, is inviting companies to consider a series of voluntary commitments that are both good for business and society – these include making progress on issues such as workforce engagement and gender balance, paying the living wage, and playing an active role in communities.

BETTER BUSINESS

THE SCOTTISH BUSINESS PLEDGE

The Scottish Government is now encouraging companies to make a voluntary commitment to uphold some of the best in modern business practices and to embrace the principles of fairness, equality, opportunity and innovation.

- Paying the Scottish **Living Wage**
- Avoiding the use of exploitative **zero hours contracts**
- **Engaging employees** in decision-making
- Investing in **young people**
- Ensuring a **balanced workforce**
- Putting **innovation** at the heart of the business
- Capitalising on opportunities for **internationalisation**
- Getting involved in the **community**
- Ensuring **prompt payments** for suppliers

By signing up to the Scottish Business Pledge companies commit to paying the living wage, fulfilling any two of the other elements now, and making a long-term commitment to all nine elements.

Find out more at
www.scottishbusinesspledge.scot

18%

18% of business leaders say that government should 'leave companies to get on with it'

The positive tone and direction of the Scottish Government has been broadly welcomed by those representatives of the business community interviewed. However, the prevailing view among business leaders was that further action on corporate responsibility must come from companies themselves rather than through prescription or mandate. This recognises that companies are best placed to understand what they can realistically offer and how. There is little appetite for further government legislation which it was claimed could prove difficult to enforce, might serve to reduce competitiveness, and is unlikely to lead to meaningful or sustained behaviour change. Indeed, around one in five businesses do not see any role for further government intervention in this area.

The interviews and survey evidence have thrown up a number of main considerations to guide government engagement with the business community:

- The need for **shared responsibility**. There have been calls on government to increase its engagement with representatives of the business community to develop a fuller understanding of what is possible and agree associated measures. Others have called for government and its public bodies to show leadership and demonstrate the types of behaviours that are now being expected of the business community.
- The need for a **balanced approach**. Some have suggested finding ways to increase discomfort for those businesses that are doing the wrong thing, while making it easier for those that want to do the right thing. However, any measures introduced must ensure a level playing field, with neither incentives nor regulation leading

to a competitive disadvantage for one part of the business community or another. It was deemed important that such measures nurture the contribution of all businesses, regardless of size or industry sector.

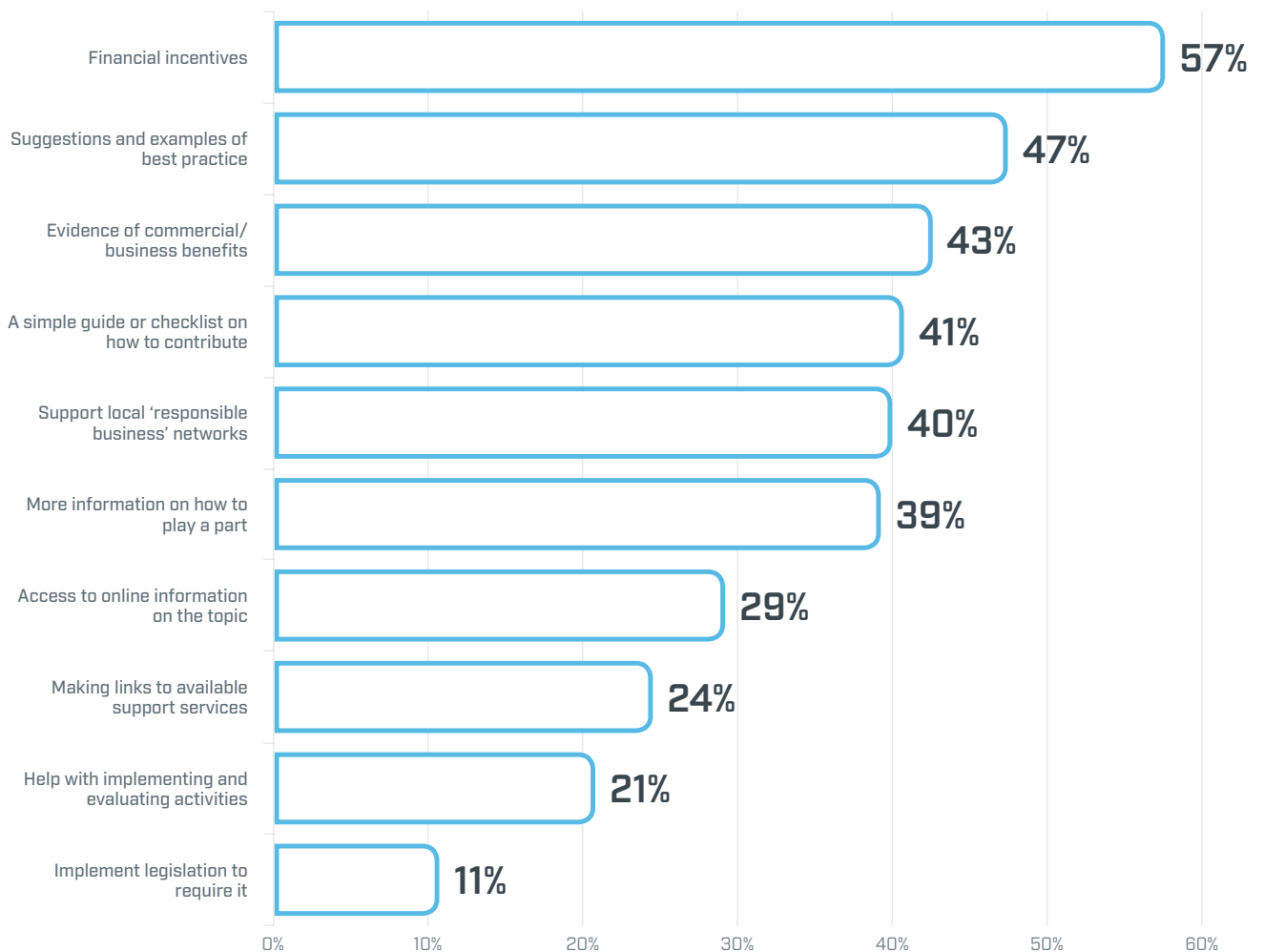
- The need for **encouragement**. In order to foster a genuine commitment, it was considered important to win the hearts and minds of senior decision-makers in the business community. There were calls for better evidence of the business case for acting responsibly and for illustrations of the benefits that this can deliver. Business leaders and representative bodies also pointed to the importance of championing and celebrating the contribution of business rather than reinforcing unfair negative stereotypes. A diverse range of role models and messages were called for which would resonate with all parts of the business community.
- The need for **realism**. Business leaders and representative bodies also highlighted the importance of being realistic about what a good corporate citizen in Scotland would look like and what is possible to expect from most companies. There were calls for realism about the extent to which government – in the absence of legislation – is able to influence established industry practices and behaviours or the operations of major multinational companies.


The survey findings also point to a number of actions that government can take now to accelerate progress, most notably to incentivise desirable behaviours and to inform and inspire the business community.

“Some form of financial assistance or incentive is essential. We already get heavily taxed as a business and get very little back. It would be unfair to add further financial burdens for social responsibility”

What role should government play, if any, in helping companies play a greater role in community, social or environmental issues?

Source: Social Value Lab, Better Business in Scotland Survey, September 2015, based on the views of a cross-section of 1,052 companies registered in Scotland



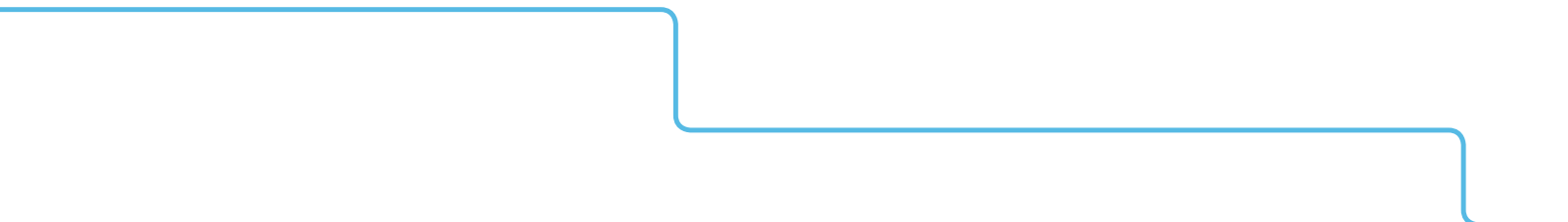


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CONCLUSIONS

This study has taken a fresh look at corporate responsibility in Scotland, the good that companies do and where they must go further. It is now time for all interested parties to reflect on what role businesses can and should play in Scotland, and how these aspirations can be realised.

“You can’t reduce the notion of business responsibility down to a set of ‘tick box’ responses or commitments. We need a much better understanding of what business behaviours are both realistic and desirable for companies of different types and in different industry sectors.”



The research has shown that corporate responsibility is becoming a more widespread and authentic expression of Scottish company values. While companies are clearly driven by the financial bottom line, most strive to deliver this in an ethical way. Many businesses go further, exhibiting progressive and responsible behaviours, often with limited or no expectation of a return.

The evidence presented offers the clearest understanding yet of the characteristics of responsible businesses. Such businesses aspire to the highest standards, demonstrating ethical leadership in their marketplace. They are inclusive, treat people fairly and celebrate diversity at all levels. They seek to maximise their social value, extending their positive contribution to the communities in which they operate. They reduce their environmental footprint as far as possible, and work collaboratively to achieve their wider goals.

However, corporate responsibility often happens intrinsically, in a largely unplanned way, and can therefore go unrecognised or with full potential unrealised. Few companies report fully or systematically on their social or environmental performance.

Progress is also uneven and insufficient in places. For some companies the case for corporate responsibility is less well defined and has not been accepted. On some of the issues, companies are not living up to stated values such as fairness and equality – in particular, not achieving gender diversity in the boardroom or reaching out to create opportunity to all.

The report has given cause for optimism though. The evidence suggests that social and environmental issues will take on increasing meaning for companies over coming years. Various trends look set to influence positively what business stands for and how it behaves in Scotland.

There is willingness among companies to do more but also some very real challenges. They are faced by intense competition, tight profit margins, limited working capital, and the financial burden of meeting existing and planned obligations.

The research suggests that there is a role for government alongside others in encouraging better business in Scotland. However, aspirations must be clear and based on a shared understanding of the business behaviours that are both realistic and desirable. This must be accompanied by continuing evidence, dialogue, encouragement and support for the business community.

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ABOUT US

Social Value Lab is an agency that provides research, strategy, impact measurement and communications support to values-driven organisations. Our mission is to produce evidence and ideas that create value within public services, businesses, and communities. We operate as a Social Business based in Glasgow and work across the UK and internationally.

TO FIND OUT MORE ABOUT THIS RESEARCH GO TO:

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