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# Ways to promote a responsible business agenda in UK Cities: Greater Manchester

IGAU Responsible Business Report 2 of 2

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**About this report:** This report is the second in a series of two reports examining responsible business in the context of inclusive growth, produced by the Inclusive Growth Analysis Unit. A shorter Policy Briefing also accompanies the reports. All are available to download at [www.mui.manchester.ac.uk/igau/research/reports](http://www.mui.manchester.ac.uk/igau/research/reports)

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# 1. Approaches to influencing change

## 1.1 Introduction

The first report in this series outlined what a responsible business agenda might look like from an inclusive growth perspective. It considered issues surrounding the 'screening' of organisations to assess to what extent they meet such criteria. In this report we turn to the topic of implementing such an agenda locally. A central focus is placed on engaging businesses in a voluntary capacity to promote inclusive growth objectives. A range of other levers of change are also discussed including utilising broader stakeholder power such as consumers, employees, and investors, and the role of regulation where voluntary action is unlikely to bring change. A key argument is that the local promotion of responsible business objectives requires the convening and harnessing of local business support infrastructure in order to engage a broad range of organisations.

The research is based on a series of interviews and consultation exercises undertaken in Greater Manchester<sup>1</sup>. It represents an exploratory piece of work, the ambition of which is to raise important questions regarding how an inclusive growth business agenda can be supported locally in Greater Manchester. This work is hopefully also relevant to other city region contexts.

Both screening and engagement are essential to the implementation of a responsible business inclusive growth agenda. Without a coherent screening framework it is difficult to identify both good business practice as well as identify gaps in activities. At the same time, screening organisations holds little value unless a system of engagement is in place that supports the remedy of identified issues, improves practice, and celebrates good business behaviour.

In this chapter we outline some of the different approaches that could be used to influence business practices in relation to inclusive growth objectives. These can be summarised as:

- Voluntarist approaches (communicating & facilitating the business case)
- Harnessing local business support infrastructure
- Regulatory compliance
- Empowering broader stakeholders

Focussing on Greater Manchester, Section 2 goes on to consider examples of what business support infrastructure currently exists in Greater Manchester and how this may be utilised to promote an inclusive growth agenda, resulting in a set of practical recommendations. From this research we argue that a convening body is required in Greater Manchester to embed the notion of inclusive growth into business support

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<sup>1</sup> A series of interviews with key stakeholders and workshops were undertaken between 2016-7 as well as discussion at IGAU Advisory Group meetings.

infrastructure in the area. Actors in the existing business support service hub such as The Growth Company could take up this role.

### **Box 1. Inclusive Growth (IG) Responsible Business Framework: Summary**

Based upon a review of existing corporate social responsibility monitoring frameworks and interviews with key stakeholders in Greater Manchester, the first report in this series identified four pillars of responsible business from an inclusive growth perspective. These are:

- Economic inclusion in prosperity created by growth**
- Inclusion of stakeholders in decision-making and governance;**
- Inclusion through diversity and equality; and**
- Environmental sustainability**

The **economic inclusion in prosperity created by growth** pillar considers the extent to which business practices facilitate the inclusion of the workforce in the prosperity achieved from economic growth. In our interviews some respondents considered inclusive businesses models as ones that have a 'positive growth mindset,' seeking growth through workforce development and innovation whilst avoiding excessive cost reduction strategies such as over-aggressive downsizing, asset stripping, workforce or R&D under-investment, or increasing profit through excessively squeezing labour costs. Here the consideration of performance beyond profit in terms of social and environmental responsibility was viewed as important to sustainable business practices. Such considerations raise issues of corporate governance and so both executive and investor behaviour. Fair reward management practices and minimum employment standards were further viewed as important.

**Stakeholder inclusion & governance** concerns the need for organisations to consult all stakeholders in developing ESG and risk management plans and broader business strategy. Stakeholders include investors, employees, customers, supply chains, third sector organisations and local and national government bodies. Without such mechanisms it is difficult for organisations to assess stakeholder views and identify business risks and opportunities linked to social responsibility.

A strong and proactive commitment to **equality and diversity** extending beyond basic legal compliance was further viewed as an important dimension to economic inclusion. This also considers the effects of business activity on local communities. Finally, **environmental sustainability** was seen as important to minimise the negative inclusion of broader stakeholders such as by minimising pollution.

## 1.2 Voluntarist approaches: Building & facilitating the business case

A large focus of the discussion in our interviews concerned how businesses can be voluntarily encouraged to take up the responsible business agenda. The voluntarist approaches discussed can be divided into three main kinds:

- Presenting an ethical argument for responsible business
- Providing a bespoke business case to organisations
- Using facilitation and support; such as through practice advocacy

Better education and communication of the business case for more inclusive business practices was seen as a way to help build support where there is a lack of understanding or even misunderstanding of the issues. However, some respondents noted that education and communication may be insufficient to delivering more meaningful change, meaning stronger facilitation and engagement may be required.

### Presenting the ethical argument

Many businesses wish to pursue CSR activities to 'do the right thing' and are therefore intrinsically motivated by such action. For example, some interview respondents discussed family run businesses in the locality that have a long history of philanthropy as part of their tradition. It was widely recognised though, that for the majority of businesses, beyond legal compliance or other external pressure, demonstrating some form of value proposition and benefit would be necessary to achieve the voluntary adaptation of responsible business practices.

### Building the business case

A key issue raised in the interviews is the extent to which a one size fits all approach is desirable or even feasible. Each business is different and the challenges and priorities faced by organisations vary markedly. In seeking voluntary engagement, some of our interviewees noted that a starting proposition could be to work out how a given business can potentially benefit and what they want to achieve from engaging with business responsibility issues. Focussing on achievable priorities at the outset rather than a blanket approach could gain greater traction. Several interviewees felt such a platform of engagement could then be used as a springboard to seek engagement on a broader set of issues.

The business case for social responsibility is often built around the two interlocking issues of identifying opportunities to build competitive advantage and the need for risk management. In terms of competitive advantage, the ISO2600 guidance on social responsibility highlights a number of potential benefits identified in research that may be obtained from CSR activity:

- Improved reputation

- Increased ability to attract and retain workers or members, customers, clients or users
- The maintenance of employees' morale, commitment and productivity
- Improve the views of investors, owners, donors, sponsors and the financial community
- Improved relationships with companies, governments, the media, suppliers, peers, customers and the community in which it operates<sup>2</sup>.

### *Business case: Reputational benefits with customers*

Improving the reputation of a business can have positive impacts across a variety of stakeholders. In addition to the focus on 'enlightened shareholders' and ethical investment, there are customers who may consider ethical factors in their consumption behaviour. One third of UK consumers say they are concerned about the origins<sup>3</sup> of their products whereas 74% said they would pay an extra 5% on their clothes if it guaranteed workers were paid fairly in good employment conditions<sup>4</sup>. At the same time there is the issue of the extent to which expressed attitudes translate into actual behaviour.

Evolving consumer preferences nonetheless present both a risk and opportunity. It was also suggested that we live in a 'ratings driven era' where the internet and social media provide new opportunities for information flow and greater transparency regarding the behaviours of businesses creating new risks and opportunities. Given the evolving perception of what responsible business entails, increasing informational access and transparency through the internet and social media, and the increased opportunity for consumer activism that such technology presents, a primary risk to organisations is that their internal core operating models and not just external activities become increasingly an CSR risk.

The perception of social responsibility is not static but evolves with social norms and social and economic change. For example, historically a large proportion of the focus on business responsibility concerning employment activity has focussed on supply chains and the developing world context. Recent scandals or negative press around excessive profit taking and bonuses, the use of zero-hour contracts, pension fund deficits, minimum wage violations, and high executive pay were provided as examples of how domestic management and corporate governance issues can become defined as responsible businesses issues by the general public. The evolving equality and diversity monitoring landscape presents further examples. In this sense businesses need to be aware of changing social norms and public ethics as part of their risk management process and to seek new opportunities.

<sup>2</sup> <https://www.iso.org/obp/ui/#iso:std:iso:26000:ed-1:v1:en>

<sup>3</sup> <https://www.theguardian.com/women-in-leadership/2015/apr/02/the-rise-of-the-conscious-consumer-why-businesses-need-to-open-up>

<sup>4</sup> <http://www.globalpovertyproject.com>

## Employee effects

Within our interviews some respondents highlighted the business case in terms of the potential positive impact on employee outcomes of responsible business practices. In terms of employee benefits, responsible business activity can build meaning into work and help attract, retain and motivate employees. A long-standing people management concern is how to motivate employees to give their best, or have high levels of commitment or 'engagement'<sup>5</sup>. Creating meaningfulness in the workplace through embedding a vision of responsible businesses into the core of business practices is one approach to achieving this and delivering transformational leadership<sup>6</sup>. The internet and social media have further increased the amount of information available to potential recruits regarding what 'type' of employer organisations are in terms of working conditions and how employees are treated<sup>7</sup>.

## Efficiency and productivity arguments

One key lever for improving the environmental performance of a business is to demonstrate the potential efficiency savings that can be made, rather than solely basing arguments around broader social responsibility. Similar arguments can be made around employment practices. For example, much of the focus of the IG Responsible Business Framework outlined in the first report focuses on workforce development and engagement that may also enhance workforce productivity. Productivity arguments can be made, for example, for a more participatory approach to management that seeks to engage employees<sup>8</sup>.

Efficiency and productivity arguments sometimes require a challenging of some of the assumptions of businesses. For example, in our interviews it was felt that some firms may be unnecessarily using contingent employment practices such as zero-hour contracts or temporary contracts, without realising the potential negative implications for attracting and retaining staff, employee turnover, firm specific human capital retention and development, and so employee and organisational performance. In such cases, an evidence-based approach that shares best practice between organisations within industries, for example, could be used to build efficiency and/or productivity arguments for improvements in HR practices that are also aligned with inclusive growth responsible business objectives.

## Managing risk

Risk management is another important reason why organisations take social responsibility seriously. The identification and analysis of societal developments is central to Environmental, Social and Governance (ESG) monitoring and the formulation of business strategies that incorporate ESG objectives, as discussed in

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<sup>5</sup> Harter, J. K., Schmidt, F. L., & Hayes, T. L. (2002). Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes: a meta-analysis. *Journal of Applied Psychology, 87*(2), 268.

<sup>6</sup> Waldman, D. A., Siegel, D. S., & Javidan, M. (2006). Components of CEO transformational leadership and corporate social responsibility. *Journal of Management Studies, 43*(8), 1703-1725.

<sup>7</sup> E.g. <https://www.glassdoor.co.uk/index.htm>

<sup>8</sup> Wood, S. (2010). High involvement management and performance. *The Oxford Handbook of Participation in Organizations*, 407-26.



the first report in this series<sup>9</sup>. A number of inclusive growth issues link to notions of risk such as supply chain behaviour, the impact of human resource practices on employees, and the broader reputational risks linked to poor stakeholder engagement. Potential risks discussed in our interviews for example include:

- Changing regulatory frameworks, such as those regarding self-employed contractors and the issue of 'false self-employment'; zero hours contracts; pay floors; and/or executive pay ratios.
- Changing social norms regarding what people perceive to constitute responsible and irresponsible business behaviour.
- Increased transparency of monitoring of the internal activities of organisations through social media and communication technology.
- Technological change, artificial intelligence and automation and the social impact on the future of employment.

In addition to changing regulatory context and social norms, technological advancement and automation present new risks surrounding the organisation of work and availability of employment, which may raise social legitimacy issues for some organisations<sup>10</sup>. For example, there are issues surrounding the overall level of availability of employment and social safety nets, how businesses contribute to re-skilling helping develop the human capital pools required for new types of work, and the employment of workers whose jobs are displaced by new technologies and business models.

### Practice advocacy

Creating a business case it was felt involves constructing a bespoke narrative, a compelling argument, and a sense of urgency that can facilitate change<sup>11</sup> through engagement with a responsible business agenda. Practice advocacy takes up such arguments and attempts to demonstrate their worth in the workplace. This may involve the use of practical examples and past best practice to demonstrate the value of adopting specific objectives and practices. Practice advocacy can involve seeking engagement through running workshops, networking activities, and company-to-company contact networks.

Such activity can be facilitated by third party organisations. Existing example organisations operating in Greater Manchester include:

- Business in the Community (BITC)<sup>12</sup>
- The Real Living Wage Foundation<sup>13</sup>
- Timewise Foundation<sup>14</sup>

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<sup>9</sup> <https://www.mui.manchester.ac.uk/igau/research/reports/>

<sup>10</sup> Accenture (2016) Brave New World? Why business must ensure an inclusive Digital Revolution [http://www.bitc.org.uk/sites/default/files/a\\_brave\\_new\\_world\\_bitc\\_accenture\\_report\\_november\\_2016.pdf](http://www.bitc.org.uk/sites/default/files/a_brave_new_world_bitc_accenture_report_november_2016.pdf)

<sup>11</sup> Kotter, J. P. (1996). *Leading change*. Boston: Harvard business press.

<sup>12</sup> <https://www.bitc.org.uk>

<sup>13</sup> <https://www.livingwage.org.uk>

The use of companies as business ambassadors for example provides a route to sharing best practice used by Business in the Community (BITC). The Timewise Foundation presents a further example model that seeks to increase the take up of flexible working practice and the quality of part-time work (Box 3.1). This approach focuses on evidencing the benefits of change, engaging businesses to help support change, and celebrating the success of organisations that adopt greater flexible working practices. Similar strategies were suggested in our interviews for example to promote good jobs. This for example could be undertaken via employment charters or other watermark accreditation schemes. Such an approach could also be extended towards a broader inclusive growth responsible business agenda. Considerable resources are likely required to enact such levels of engagement nonetheless.

### **Box. 1.1. Timewise Foundation**

The Timewise Foundation runs a variety of services and projects designed to stimulate the part-time and flexible job market to improve the quality of jobs offered with flexible working arrangements. Their business engagement model is built around three principles 1) Evidence 2) Engage 3) Celebrate. The first concerns creating evidence and building specific business cases for the value of greater flexible working arrangements for organisations. The engagement aspect involves providing support and working with businesses in order to help restructure their employment practices to implement greater flexible working. Finally celebrate means using accreditation and publicity through various communications channels to give recognition and positive publicity to organisations that implement greater flexible working.

### **Voluntarist approaches: Engaging small businesses**

A further message from our interviews was that the dominant model of social responsibility monitoring is considered to be primarily tailored towards large publically listed organisations, oriented towards issues of investor oversight. These organisations often have a one-to-one relationship with external ratings bodies regarding screening and engagement activities. This approach it was felt is unlikely to work for small businesses both due to the lack of regulatory or investor related incentives to undertake Environmental, Social and Governance (ESG) reporting on any meaningful scale, and due to resource limitations. In summary, there are a number of problems facing small businesses:

- Non-listed companies do not have ‘enlightened shareholders’, ‘impact investors’, or shareholder activist pressure to motivate CSR and social reporting.

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<sup>14</sup> <https://timewise.co.uk>

- Small business may lack resources (including time) and know-how to pursue responsibility objectives. For example, many small businesses lack a formal human resource management function to develop policies and practice.
- A lack of training may mean managers may not have the necessary skills or understanding to implement policies.
- Small businesses may lack the PR and communication power to translate their ethical activity into consumer value.

Such issues raise the question of how responsible business objectives can be promoted through local support networks or business alliances to support small business activity and pool resources collectively (see Box 1.2).

### **Box 1.2 The need for SME Support**

Several interviewees suggested increasing the engagement of SMEs in the responsible business agenda requires the need for greater coordinated support through local services and infrastructure. Many such businesses will lack the internal know how or resources to meaningfully pursue such an agenda and therefore will require external support and facilitation. The pooling and sharing of resources ('alliance partnerships') was suggested as another mechanism through which organisations can increase positive gains from their social responsibility impact.

Although the current agenda appears orientated towards larger organisations that may have greater public exposure, several respondents noted that the responsible business agenda is nonetheless relevant to smaller businesses. For example, despite the lack of communication capabilities, local business activity can be undertaken with the objective of engaging the local community customer base. Some respondents suggested that the employment practices of a local shop could affect the perception of the owners among customers in the local community as could engagement with local schools and education institutions. In a world of large supermarkets and online shopping strong customer engagement was seen as central to the unique value proposition of small retail businesses in their communities.

### **Voluntarist approaches: Some limitations**

Voluntary approaches such as education, communication and practice advocacy are likely to have their limitations. For example, organisations that are reliant on low paid staff that are relatively easy to recruit and train pursuing a cost-leadership strategy to competitive advantage may be less easy to persuade voluntarily to improve their employment practices<sup>15</sup>. The problems with voluntary national code of conducts and 'soft legislation' in delivering their objectives the UK furthermore are well known<sup>16</sup>. In some cases, it will not be possible to promote a business case or win-win situation for specific issues that are a high priority for inclusive growth (e.g. minimum labour

<sup>15</sup> Philpot, J. (2014). Rewarding work for low paid workers. York: Joseph Rowntree Foundation.

<sup>16</sup> Veldman, J., & Willmott, H. (2016). The cultural grammar of governance: The UK Code of Corporate Governance, reflexivity, and the limits of 'soft' regulation. *Human Relations*, 69(3), 581-603.

standards). A more holistic influencing strategy, therefore, needs to understand how broader external pressures through empowering stakeholder activism, regulatory compliance, and local infrastructure support can help promote such an agenda.

### 1.3 Empowering broader stakeholders

Broader stakeholders may influence business behaviour. Drawing on the discussion of ESG performance screening in the first report in this series, one point of departure for seeking to influence change is to undertake a stakeholder analysis at the organisational level.<sup>17</sup> The question here concerns what are the specific responsible business issues for a given organisation and who defines these (e.g. managers, employees, broader stakeholders via consultation)? Secondly, there is a need to identify the main stakeholders both inside and outside the organisation in terms of their power to influence change and their likely level of support or resistance to change. The engagement issue therefore becomes how to mobilise and increase the influence of support whilst managing or diminishing resistance across the stakeholder map. Key stakeholders include:

- Investors
- Employees
- Consumers
- Those involved in commissioning and procurement – discussed in supply chain influence below
- Trade unions and employer bodies
- Local community

#### Enlightening investors

Investors provide a primary source of influence on the management practices of organisations. Recent years for example have seen considerable shareholder activism regarding executive pay and the rise of impact investing<sup>18</sup>, where investors seek to influence socially responsible behaviour. Raising inclusive growth objectives within the ethical investment context provides one approach to influence. This, for example, could be undertaken through reforming current ESG Performance frameworks to fill the gaps in monitoring identified in the first report. At the same time, the power of individual investors and people with small shareholdings in a company may be outsized by that of institutional investors. Raising the profile of the issues raised with institutional investors is therefore vital. For example, one respondent noted that a large proportion of people have some indirect involvement in investment through their pension funds, managed by institutional investors, which through consumer pressure could be used to promote ethical investment objectives aligned to an inclusive growth agenda.

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<sup>17</sup> John Hayes (2014), *The Theory and Practice of Change Management*, 4th ed, London: Palgrave.

<sup>18</sup> Bugg-Levine, A., & Emerson, J. (2011). Impact investing: Transforming how we make money while making a difference. *Innovations: Technology, Governance, Globalization*, 6(3), 9-18.

## Employee power

Employee power arguably also represents one of the strongest mechanisms for influencing change. A number of interviewees noted that throughout industrialisation in Greater Manchester a large number of improvements in employment conditions that people benefit from today have been brought about through trade unionism and employee activism<sup>19</sup>. In addition to more traditional approaches, the internet provides new ways in which consumer and community awareness of business behaviour can be increased. Websites currently exist for example where people may report salaries. On a similar model, one suggestion was that through a website employees might report on broader employment practices, such as to monitor the behaviour of organisations that are not signed up to an employment charter against its criteria. This can be used to celebrate good businesses as well as identify businesses that require improvement.

## Harnessing consumer power

Recent history is full of examples of where, through changing social norms and activism, social responsibility issues have become consumer issues. There are two components that were noted to such activity. Firstly, it is necessary to raise ethical awareness that concerns such as domestic employment and corporate governance issues are ethical consumer issues. Secondly, there is a need for consumers to be provided with clear information regarding the activities of companies in order to make informed decisions. The second point currently provides a considerable constraint. As discussed in the first report in this series, ESG Performance reporting frameworks are orientated towards regulatory compliance and investors rather than consumers. Current reporting frameworks are highly complex, and the level and extent of reporting varies considerably between organisations, providing difficulties when benchmarking organisations on their performance.

### Box 1.3 Company reporting: What about the consumers?

Which supermarket takes the most profit based on its revenue? Which invests the most in the training and development of its workforce? The communication of financial reporting such as through business news focuses on overall profit and loss and rarely facilitates a comprehensive consideration of social responsibility issues relevant to broader stakeholders than investors.

In terms of improving information on business activity, the idea of employment charters<sup>20</sup> provides one opportunity for a simplified approach<sup>21</sup> although currently

<sup>19</sup> Hunt, E. H. (1981). *British labour history, 1815-1914*. Humanities Press Intl. <https://www.tuc.org.uk/tuc150-building-our-movement-next-150-years> Howell, C. (2005). Trade unions and the state: The construction of industrial relations institutions in Britain, 1890-2000. Princeton University Press.

<sup>20</sup> Hughes, C. et. al. (2017). Good jobs in Greater Manchester: The role of employment charters. Inclusive Growth Analysis Unit Briefing Paper. <http://hummedia.manchester.ac.uk/institutes/mui/igau/briefings/IGAU-Briefing-2-Employment-Charters.pdf>

<sup>21</sup> <http://www.visitsalford.info/locate/the-salford-standard.htm>

such perspectives concern more with minimum standards rather than the entire human resource management system of organisations and the broader responsible business issues we discuss in the first report<sup>22</sup>. Different areas also have different charters. One suggestion was that a confederation of employment charters across locations whether nationally or internationally could pool resources and help raise the profile of such an approach. One problem with charters is that it may be difficult to achieve broad consensus on more contentious issues, such as minimum employment standards, leading to either a dilution of content or a lack of take-up. A more bespoke approach may consequently be required in addition to a charter to engage with a broader range of responsible business objectives and facilitate more specific engagement among companies that cannot meet the full criteria of a charter. A charter in itself is also not likely to bring about substantial meaningful change unless a broader social movement and coalition is built to politically drive its implementation. In this context raising the profile with consumers and other stakeholders is likely to be paramount to success, meaning many of the issues raised in this report regarding promoting responsible business behaviour are also relevant to employment charters.

### Supply chain influence

The supply chains of larger business or public 'anchor institutions'<sup>23</sup> also provide a mechanism that was noted for identifying and engaging organisations, including SMEs. Currently public sector organisations under the Social Value Act 2012 seek to promote socially responsible behaviours among their contractors through the procurement process. This model can also occur in the private sector where large businesses promote responsible behaviour through their supply chains, facilitating the sharing of best practices between organisations.

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<sup>22</sup> <http://www.tfgm.com/Corporate/Documents/Miscellaneous/Responsible-Procurement-Charter-RPC.pdf>

<sup>23</sup> <https://cles.org.uk/tag/anchor-institutions/>

### **Box 1.4 Social value: The Example of Trafford Housing**

Trafford Housing promotes objectives implicitly related to inclusive growth through the ‘five themes’ of their social value procurement process. These link to promoting local employment and thriving local business, raising the living standards of residents through fair pay, building capacity in the voluntary and community sector, promoting equality and fairness (e.g. reducing poverty and health inequalities) and promoting environmental sustainability. The social value framework applies to larger contracts and considers what companies currently do and what they could do in the future. Although best economic value remains the overarching evaluation criteria of the tendering process, the Trust takes the delivery of social value commitments into consideration when reviewing contract performance.

One issue that arises from this process concerns whether contractors give equal treatment to the different criteria. For example, an organisation may seek to meet social value criteria by creating local employment whilst failing to meet other criteria, such as if the employment created is low-paid and precarious.

### **Utilising the voluntary sector**

The local voluntary sector has deep links and knowledge and experience of Greater Manchester. Several interviewees suggested that forging greater relationships between the voluntary sector and businesses can provide a two way process to achieve responsible business objectives. Whereas the voluntary sector can provide local intelligence and deep insight into social issues in the locality, businesses can offer support such as in terms of services, fundraising or sponsorship. The Greater Manchester Centre for Voluntary Organisation<sup>24</sup> (GMCVO) is a voluntary sector support organisation covering Greater Manchester that can help facilitate such activity.

## **1.4 Regulatory compliance**

Much of the discussion so far of a voluntary approach assumes that a business case and win-win solution can be found that is agreeable to different stakeholders, or that stakeholder pressure can influence change. Although many arguments for responsible business may provide such opportunities, in many cases it was recognised that there may be costs incurred in pursuing responsible business objectives or conflicts between the interests of different stakeholders (e.g. employers

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<sup>24</sup> <https://www.gmcvo.org.uk>

and employees). Consequently, there may be considerable resistance to such an agenda, particularly where a clear link to the bottom line of financial performance cannot be clearly articulated.

In such cases regulatory change rather than voluntarism may be required to bring about behavioural change. Regulatory areas affecting inclusive growth objectives include:

- Taxation and redistribution
- Minimum income standards
- Corporate governance regulation
- Employee representation legislation
- Statutory requirements for workforce training and development

In some cases policy will need to consider the potential trade-offs between economic growth and social responsibility objectives in that such policy objectives are unlikely to be always mutually aligned. In this sense, it was felt by some interviewees that the overarching strategic concern for economic growth and direct investment at the local government level may conflict with the desire to create an inclusive economy that risks narrowly defined policy discourse on the topic.

Beyond legal compliance, the voluntary nature of much of the CSR agenda highlights the limitations with CSR as a mechanism for delivering change. Indeed part of the reason the UK is a leading country in terms of having developed CSR frameworks in the first place arguably reflects the lack of stronger regulation around social impacts and sometimes efforts to pre-empt and circumvent firmer hard legislation through self-regulation<sup>25</sup>.

In terms of the current regulatory context of responsible business, the 2006 Companies Act gives directors a responsibility to create successful businesses for shareholders whilst having regard to a range of other stakeholder interests. This approach, known as “enlightened shareholder value”, is set out in section 172 of the Companies Act 2006, nonetheless largely considers wider stakeholder interest as relevant where material to shareholder value<sup>26</sup>. All companies, other than companies qualifying as “small” are required by the act to provide a strategic report on performance regarding Section 172. Potential stakeholders that companies may identify as outlined in the Act relate to:

- The likely consequences of any decision in the long term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others, the impact of the company's operations on the community and the environment

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<sup>25</sup> Kinderman, D. (2012). 'Free us up so we can be responsible!' The co-evolution of corporate social responsibility and neo-liberalism in the UK, 1977–2010. *Socio-Economic Review*, 10(1), 29-57.

<sup>26</sup> See Davis, (2016) <https://www.law.ox.ac.uk/business-law-blog/blog/2016/12/department-business-energy-and-industrial-strategy-corporate>



- The desirability of the company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the company<sup>27</sup>.

However, the Act is not prescriptive and provides a high degree of flexibility regarding how companies should meet these requirements. There is consequently a high degree of discretion in terms of which stakeholder issues are identified as a material concern and how these are addressed. From January 2016 the Accounting and Non-Financial Reporting Regulations (2016) implemented a more extensive range of non-financial reporting requirements. This act transposes the EU Non-Financial Reporting Directive into UK law which requires larger businesses with more than 500 employees who are seen as 'public interest entities' to disclose non-financial information alongside their accounts. This also applies to parent companies of large groups where the number of employees exceeds this threshold. It is estimated that around 260 companies and 15,000 subsidiaries of public interest companies are affected by these regulations<sup>28</sup>. Although similar to reporting requirements that are already developed for listed companies in the UK the Act extends to non-listed public interest entities as well. The extent to which this Act in practice will increase or improve non-financial reporting is yet to be fully evaluated. The focus of the Act furthermore is very much on providing information on the ethical behaviour of companies to investors premised around the notion of the requirements of the 'enlightened shareholder' rather than other stakeholders such as local communities or consumers, although the latter may be implicit to the former.

## 1.5 Harnessing local business support infrastructure

As can be seen from the preceding discussion the current dominant approach to corporate social responsibility focuses on larger public organisation. Engaging more SMEs and non-listed companies however was felt to require a local spatially-based approach where the activity of different actors involved in supporting business in a given locality are identified and efforts are made to influence and support businesses to incorporate inclusive growth responsible business objectives in their activities. There is also a broader convening role required to create a vision and provide civic leadership. This for example could be undertaken through local support structures or Local Enterprise Partnership (LEP) level coordination. In Chapter 2 we consider the business support infrastructure in Greater Manchester in greater detail and how such an agenda could be implemented.

## 1.6 Summary & conclusions

This section of the report considered the potential business cases that can be constructed for responsible business practice linked to inclusive growth objectives. It

<sup>27</sup> <http://www.legislation.gov.uk/ukpga/2006/46/section/172>

<sup>28</sup> [https://hansard.parliament.uk/lords/2016-12-12/debates/988DD212-2CB6-46D0-BB82-B9BD944C0F0B/CompaniesPartnershipsAndGroups\(AccountsAndNon-FinancialReporting\)Regulations2016](https://hansard.parliament.uk/lords/2016-12-12/debates/988DD212-2CB6-46D0-BB82-B9BD944C0F0B/CompaniesPartnershipsAndGroups(AccountsAndNon-FinancialReporting)Regulations2016)

further examined the types of influencing strategies that may be used to mainstream inclusive growth issues into responsible business and corporate governance debates both locally and nationally.

In terms of voluntarist approaches a variety of approaches to change management were considered. One message that is clear from our brief consultation is that engaging businesses on responsible business issues is likely to require going much further than just communicating messages, towards a more involved engagement model. This may involve consultation on developing bespoke strategies for organisations, practice advocacy, and facilitation and support for implementation. Communication strategies are further required to celebrate and reward positive behaviour.

Engagement arguments need to be made and evidenced within the language of business, particularly regarding improved risk management, efficiency and effectiveness, customer market opportunities, and/ or strategic advantage through investing in people. It is unclear if the term 'inclusive growth' in itself will carry traction with businesses. Inclusive growth objectives may therefore need to be approached implicitly to broader discussions or repackaged in ways that communicate directly to business interests. It is also necessary to guard against a blanket approach. The risks and opportunities of fuller engagement with a responsible business agenda will likely vary considerably, raising the possibility that some messages will misfire or be seen as irrelevant. In terms of influencing change, a starting point is to understand the specific circumstances of a given organisation and then ask the question of how a given organisation might benefit from fuller engagement with ESG issues, and what the business would want to gain.

In many cases it is recognised that voluntary approaches will be ineffective. Potential alternative levers here include regulation, procurement practices, and consumer and investor activism. Raising the profile of inclusive growth issues among the public, investors, and labour market candidates is required here. Raising awareness of inclusive growth and improving the information available to the general public and investors regarding responsible business practices provides a mechanism to help people make informed decisions on the organisations they engage with. A considerable engagement, communications and lobbying strategy would likely be required however to mainstream inclusive growth issues within corporate and public notions of social responsibility. To meet the objectives of an inclusive growth agenda, there is a need for non-financial reporting requirements and widely used ESG performance reporting frameworks to be tailored more at least in terms of outputs towards the needs of broader stakeholders such as employees and customers beyond a primary focus on 'enlightened investors'.

## 2. Harnessing local infrastructure: The example of Greater Manchester

### 2.1 Introduction

How might the local support infrastructure and regulatory space of organisations be used to increase levels of engagement and to raise the capabilities of organisations to engage with a responsible business agenda? One way this might be achieved is if different support actors in the locality made promoting inclusive growth practices central to what they do.

In addition to customers, employees, and supply chains, businesses are influenced by a number of different national, regional and local bodies, whether this is through their voluntary or mandatory engagement. These organisations form what we refer to loosely in the report as the business support service infrastructure or ‘regulatory space’. Regulation here does not just refer to ‘hard regulation’ through laws but any external factors that shape business behaviour. For example, a trade body or watermark charter may have a ‘soft’ regulatory effect on behaviour.

Taking the example of Greater Manchester, we first seek to map out examples of existing business support infrastructure that already fulfils the promotion of inclusive growth responsible business objectives. Based on the consultation exercise undertaken we then go on to consider how this infrastructure can be better utilised or shaped to promote an inclusive growth responsible business agenda in Greater Manchester. The findings for one highlight the need for a unified convening role to be played to coordinate responsible business activity around the inclusive growth agenda, and to help provide a bespoke approach tailored to specific needs and priorities that likely vary between organisations. The Growth Hub for one is ideally situated to take up this role such as under its new Productivity and Inclusive Growth programme.

### 2.2 Business support infrastructure in Greater Manchester: An overview

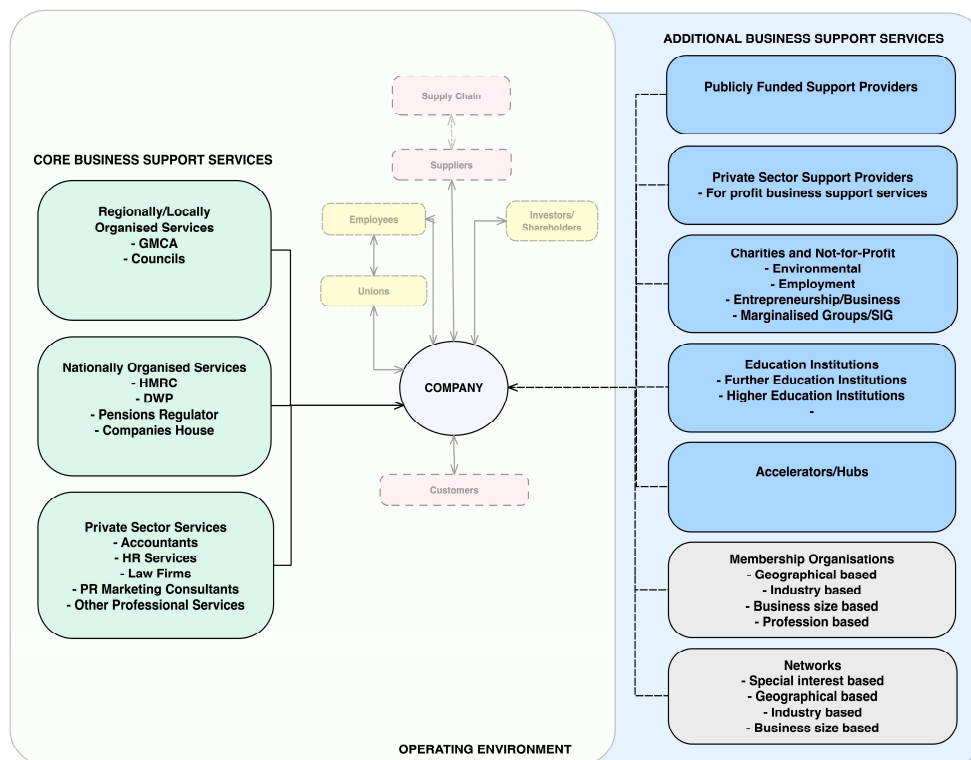
Figure 2.1 provides an illustrative map of the current infrastructure of business support services in Greater Manchester. Although this is not necessarily exhaustive, it serves to demonstrate the varying types of agencies and support services as well as the regulatory environment that businesses interact with. It is also recognised that the support and ‘regulatory space’ of organisations varies markedly between companies and industries. This overview differentiates between the bodies companies typically interact with as a result of standard day-to-day operations and

those that they seek assistance from regarding specific issues or on a more ad-hoc or informal basis.

“Core” business support services include bodies with which a company is required to engage in order to meet statutory operating requirements. On a national level these include government departments such as HMRC, DWP, The Pensions Regulator and Companies House. Companies operating across Greater Manchester are also required to interact with their local council with respect to planning, licensing and business rates for example. Additionally, organisations seek operational advice and assistance from private providers including HR companies, accountants, lawyers, marketing firms and so forth.

Companies also seek support and assistance in developing and pursuing longer-term strategic objectives. For example, support for improving environmental sustainability, developing their workforce, or accessing new markets. Specific business advice relating to these issues is delivered through direct contact with a range of business support providers, or through membership of a specific organisation or network – as illustrated below.

**FIGURE 2.1 Example of current business support infrastructure services in Greater Manchester**



*NB. This is for illustrative purposes only and is not intended as an exhaustive list of the business support organisations available.*

Specific business advice relating to business development and business practices is gained from a wide range of bodies; however they can be broadly categorised into the following types:

- Publicly funded support providers
- Private sector support providers
- Charities and not-for-profit organisations; particularly those focused on employment; environmental matters; developing entrepreneurship or encouraging business growth; and those centred around particular marginalised groups or areas.
- Universities and colleges
- Other Accelerators and Hubs

The types of business support provided by these bodies includes:

- **General support** in the form of signposting services in which information is provided on a one-to-one basis to a company around their stated needs. A range of more specialised information and support is available to companies in the form of practical toolkits, pamphlets, reports etc. A wide variety of topics may be covered including greening business; equality and diversity practices; pay and progression planning etc.
- **Accreditation systems.** A vast array of accreditation schemes are available, linked to a wide range of topics which are relevant to the inclusive growth responsible business agenda in some way. These include the Living Wage Foundation accreditation scheme, supported by Greater Manchester Living Wage Campaign and Greater Manchester Poverty Action Group, and the Timewise councils scheme.  
**Practice advocacy** such as the work undertaken by the Timewise Foundation on flexible working or engagement work undertaken by the Real Living Wage Foundation.

These types of support are delivered by national government bodies, Local Enterprise Partnerships (LEPs), regional and local government support, membership organisations, other types of business network, charities and non-profit organisations, universities and colleges, and other private sector business support services. Companies also often seek information from their networks, whether these are formal or informal. Again, these are typically arranged with a varying specific focus rather than an integrated view of the types of issues we raise in relation to the inclusive growth agenda.

### ***National Government Support***

In terms of national level support, the GREATbusiness.gov.uk website has been redesigned as a single portal for business seeking support from government, whilst the government Business Support Helpline offers advice and guidance for new and existing businesses. It has information on national and local schemes as well as grants and loans to help businesses start and grow. A team of specialist advisors can provide a more in-depth, personalised service for complex business issues. Governmental organisations also refer enquiries to the network of local growth hubs for additional business support services (discussed below).

Other publicly funded support providers are available to help companies proactively seeking information around specific issues. For example, ACAS provides information, advice, training, conciliation and other services for employers and employees to help prevent or resolve workplace problems. The Equality and Human Rights Commission offers free employer toolkits, research reports and briefing reports on employment issues such as equality and diversity, equal pay, fair procurement, human rights and discrimination processes.

### ***Regional/ Local Government Support***

On a regional level, the GMCA sets the overarching strategy direction for Greater Manchester and funds and shapes many business support activities. The 2017 Greater Manchester Strategy covers many objectives linked to inclusive growth and responsible business such as Priority 3 ('Good jobs, with opportunities for people to progress and develop'). The extent to which this agenda will engage business behaviour in the ways discussed, particularly in the first report, however is subject to implementation of this strategy. The Greater Manchester Local Enterprise Partnership (LEP) is also involved in the provision of business services such as through the GM Investment Fund that encourages business growth and job creation in the region.

There is a range of business support services offered across the ten borough councils in Greater Manchester and some local councils are developing their own inclusive growth strategies. In terms of business support, some, such as Salford have an in-house support team that provide direct assistance and tailored support, and some provide their own funding sources and support programmes. Bolton Council for example offer a Start & Grow programme for business, in which Virgin Start-up funding is delivered by Bolton Business Ventures Ltd<sup>29</sup> to eligible small businesses in the local area.

In terms of an accelerator hub, The Growth Company in Greater Manchester forms the primary focal point and a major source of business support in the city-region. The Growth Company (formerly known as the Manchester Growth Company) is a not-for-profit umbrella organisation that offers a variety of support services through its

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<sup>29</sup> Part of the Virgin Startup Programme.

associated companies. They represent the primary referral point made by the various Greater Manchester local authorities when local companies seek business support services. Referrals are also made from the Government business support page<sup>30</sup> and other signposting services. The Growth Company has already made considerable progress in promoting an inclusive growth agenda through providing training to its core staff on awareness of inclusive growth issues. Within our interviews, one suggestion was that there is the potential for this approach to be developed and used as a model promoted by The Growth Company for other organisations through their support activities and engagement with organisations in the city region.

Although the Business Growth Hub forms the central point for support services, it coordinates with other integrated companies to offer topic specific information and help, including:

- Aspire Recruitment: a not-for-profit, ethical recruitment agency
- The Work Company: helps people who are out of work gain sustainable employment, working with local employers to meet their recruitment needs
- The Manufacturing Institute: an independent charity focused on supporting and improving the manufacturing sector through training, education and consultancy.
- IDG: Organisational development specialists provide advice on improving systems, developing people and growing business. Also an Investors in People licensed delivery partner.
- Green Growth: help businesses improve their environmental efficiency and sustainability through offering onsite diagnostics, workshops and information.

### ***Membership organisations***

Membership organisations provide access to a wide range of support and signposting to other providers. These can be organised around a specific location. For example, the Greater Manchester Chamber of Commerce accepts members from a wide range of industries that are located within the Greater Manchester area. Employer groups and representative bodies are also typically organised on a sector or industry basis, such as the Tech Partnership. The Federation of Small Businesses represents the interest of companies of a certain size, whilst other membership organisations seek to connect people from different companies that undertake similar professions – such as the Institute of Corporate Responsibility and Sustainability.

Some organisations exist to co-ordinate their members and provide a representative voice in terms of lobbying and policy development. These organisations include trade associations, the Chamber of Commerce, the Federation of Small Businesses, and trade unions. These organisations supply advice, help and education on a range of topics that affect their members, carry out research, provide networking opportunities

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<sup>30</sup> <https://www.gov.uk/business-support-helpline>

and are involved in relevant policy development activities. As such they are valuable mechanisms for the promotion of good practice.

Trade unions and employer organisations play an important role in promoting employment standards and working conditions in Greater Manchester. UNISON for example employs 28 full-time organisers in the North West to promote its 'Ethical Care Charter' which promotes employment condition improvements and the Real Living Wage<sup>31</sup>. The Greater Manchester Chamber of Commerce (GMCC) provides membership to either the whole chamber or on a sector basis, and with that companies gain access to networking events, training courses, regional support services, and advice regarding marketing and PR, recruitment, international trade amongst other areas. The vast majority of members voted to back chamber support for the Real Living Wage<sup>32</sup>. They contribute to encouraging responsible business practices through participation in policy development around inclusive growth, which is then communicated to members, and by offering training courses such as Building, Enhancing and Maximise Stakeholder Relationships and Recruiting Safely and Fairly. Similarly, the Federation of Small Businesses seeks to provide business services to their members; including business advice, financial expertise, support and a voice in government. They provide resources around responsible recruitment and employment. They also provide links to BITC and run networking workshops on issues around business responsibility at a local level.

### ***Business Support networks***

Alongside formal organisations there are a number of networks that provide companies with advice and support. Nationally 'Be the Business' provides support on issues such as raising productivity. Other organisations such as the Chartered Institute of Personnel Development provide a range of business services linked to HR development issues.

In the city region, business support networks fall into four general categories. The first are groups that are geographically focused, such as the South Manchester Business Association, or the regional groups of The Business Network Manchester (e.g. Manchester, South Manchester, Bolton and Bury). These offer support and the opportunity to network with local groups of businesses with a view to creating greater local cohesion. The second type of network is industry or market based. These include those networks that are specific to a certain sector; such as GMCVO for the third sector, the Tech Trust Network for Manchester Technology sector and the Built Environment network for the property, construction and building sector.

Networks are also created around special interests and these may also offer advice and information to companies. For example, around personal identity or issues facing different members of the business community; such as the Manchester BME network, the Gay Business Association, the LGBT Consortium, Manchester

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<sup>31</sup> <http://www.research.mbs.ac.uk/ewerc/Portals/0/Documents/just-work-report-2.pdf>

<sup>32</sup> <https://www.gmchamber.co.uk/media/28641/gmcc-the-living-wage-stating-the-case.pdf>



Equalities Hub, GM Youth Networks and Manchester Disabled Peoples Access Group, to name but a few. Lastly, companies can become involved in Corporate Social Responsibility networks. These offer advice and the opportunity for best practice sharing across companies in terms of CSR objectives specifically. All of these networks offer the opportunity to share information, exchange advice and current practice with other people, organisations and support services. Other networks include the Greater Manchester Social Value Network (GMSVN) that seeks to promote the social value agenda in the city-region<sup>33</sup>.

### ***Charities and not-for-profit organisations***

A wide range of business advice around responsible business related topics are provided by charities and not-for-profit organisations. Topics include employment; environmental matters; developing entrepreneurship and encouraging business growth. In terms of help and advice regarding recruitment and employment practice, there are numerous organisations that advise companies about recruiting and managing people from marginalised groups. Providing consultancy and training for employment practices, the Timewise Foundation is a community interest company which runs a national campaign Hire Me My Way, which aims to create a bigger and better jobs market for quality part-time and flexible roles. Working Chances, Working Links, Remploy and Back on Track are all organisations that work to improve employment chances for different marginalised groups. Environmental responsibility is served by a number of different bodies. The Green Growth part of The Growth Company contributes to this in terms of environmental sustainability objectives. Groundwork's MTTT sustainable business services support companies with training and information relating to Environmental Compliance & Resilience; Health, Safety and Quality; Corporate Social Responsibility and Landscape Services.

There are also some dedicated services dealing with the responsible business agenda specifically. The most notable of which is Business in the Community (BITC). This seeks to establish the wider agenda for corporate responsibility. It helps members identify what opportunities they have to create competitive advantage and long-term shared value through being a responsible business. They have a number of resources, advice and training to support the uptake of responsible business practices. These include benchmarking frameworks which are designed to help companies measure progress, and report on their performance; facilitated workshops, webinars and toolkits; and expert advice on topics such as equality and diversity. Give2Gain seeks to make connections between companies and social enterprises, charities and community groups in order to facilitate greater community investment. Meanwhile GMCVO supports the third sector in Greater Manchester, achieving aims that are aligned to the responsible business agenda; for example compiling a database of Social Enterprises in order to promote their use by tendering companies, or leading the Talent Match partnership to help disadvantaged people seeking employment.

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<sup>33</sup> <https://gmsvn.org.uk>

### ***Educational institutions***

All of the major Universities in the Greater Manchester area provide services that are open to businesses. This includes providing subject experts, research, knowledge exchange, consultancy services, commercialisation assistance, and recruitment and professional development help. In addition, Manchester Metropolitan University offers localised programmes, such as the Cheshire and Warrington Business Growth Programme which is a fully funded programme supporting pre-start-up and SME-size businesses that are registered in the Cheshire and Warrington area. They provide mentoring with growth coaches, professional development and training designed to assist companies to grow more quickly. Similarly, the Smart Cheshire Innovation Programme is fully funded and has a local focus. Designed to help with the development of a new product or process or to embed innovation into the workplace.

### ***Other business support providers***

Some business support services are offered by private companies. The Banana Enterprise Network for example is a social enterprise offering pre-self employment support<sup>34</sup>. People Plus is a for-profit welfare-to-work company providing employment support and training. This includes apprenticeship support, education for ex-offenders and self-employment assistance. They operate on behalf of the Department for Work and Pensions, the Skills Funding Agency and the European Social Fund to deliver the New Enterprise Allowance (NEA) scheme, a thirteen-week start up programme for people on work-related benefits.

As a member of The Manchester Growth Company, Improving Systems, Developing People, Growing Business (IDG) are workplace and employee engagement consultants and provide specific advice, support and guidance on a range of internationally recognised management systems and quality standards. They are also the licensed delivery partner for Investors in People in the North of England. Additionally, regional incubators and growth hubs, such as Innospace, Dotforge and MiVentures, also supplement their resource provision with access to tailored business advice, signposting and mentoring.

## **2.3 Further integrating responsible business practices into support infrastructure**

Although a range of organisations operating in Greater Manchester already support inclusive growth and responsible business objectives, whether implicitly or explicitly, within our interviews some limitations were highlighted regarding the ability for companies of different types to utilise available support:

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<sup>34</sup> <http://hummedia.manchester.ac.uk/institutes/mui/igau/IGAU-Consultation-Report.pdf>

- Support remains in silos rather than integrated; meaning that different organisations focus on specific issues rather than a more holistic conception of inclusive growth.
- There is a significant onus on companies to seek out this information proactively. Companies have to be consciously focusing on a specific topic before they look for support. This selectivity means that businesses may not necessarily be engaging with the broad range of inclusive growth-related issues. For example, an organisation seeking support on social value contracting will not necessarily receive support in tandem on other issues such as workforce development.
- The breadth of topics means that it is fairly time and resource intensive to address each of the support areas that contribute to responsible business.
- A large proportion of practical training is restricted to paid-for activities or membership bodies, presenting cost barriers to smaller businesses in particular.
- Many services are geographically centred in Manchester city centre rather than in the surrounding municipalities. Some of our interviewees suggested this could restrict take up and highlighted the potential need for further outreach activity.

While many large organisations can capitalise on their greater resources, often with dedicated departments focusing on HR, marketing and branding, sustainability and equality and diversity, small to medium-sized businesses are not similarly endowed. They may lack resources, networks and often knowledge about these concerns. As much of the support is in silos, businesses have to be proactive, limiting engagement for some companies. Some more integrated business support provision does operate in the locality nonetheless. The Growth Company for example is an umbrella organisation offering a variety of different support services in a more integrated manner. This provides a potential model through which a more cohesive approach to the responsible business agenda can be promoted in Greater Manchester. As noted the Growth Company has already made some movement towards adopting an inclusive growth agenda through training core staff members on inclusive growth issues.

#### *Local push strategies: Social value and employment charters*

Beyond simple information provision, it was noted by several respondents that some anchor institutions have implemented “push” strategies for increasing behaviours associated with the inclusive growth and responsible business agenda in relation to the 2012 Social Value Act. GMCA (and the local councils in adherence with) has played an important role in promoting responsible business through the introduction of a Social Value weighting in the procurement process. Employment charters provide a further strategy. In terms of social value, the requirement for companies tendering for contracts to include a social value statement has increased awareness of responsible business objectives and encouraged businesses to act to improve their adherence to them. This self-assessment is done according to a template and

designed to be supported with testimonials and evidence where practicable. However, external auditing of these assessments is limited so it is not clear how honest these appraisals are. Furthermore, this standardised procedure means that there is no requirement to demonstrate improvement over time, suggesting limitations in its effectiveness to promote a process of continual improvement. Employer charters represent a further form of push strategy.

The Mayor and Combined Authority through the development of an employment charter could provide a platform to increasing engagement with many of the issues raised. At the same time there is a need develop a broader agenda of business engagement to think more about how 'responsible business' can produce more inclusive growth, as more broadly conceived. Specific local authorities operate Employment Charters such as Salford Council although there has been limited take up. Local employment charters often engage a relatively small numbers of employers and some have struggled to maintain momentum beyond an initial launch event.<sup>35</sup> This partly may reflect entry barriers through the length of the procedures to gain accreditation. Organisations that are already performing well are more likely to sign up to such initiatives whereas those with the worse practices are not. Employment charters typically focus on minimum employment standards. Although such standards represent part of the IG Responsible Business Framework discussed in the first report, the concept of responsible business extends beyond such issues to consider broader issues such as company strategy, corporate governance, risk management, and wider HR models.

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<sup>35</sup> Hughes, C. et. al. (2017). Good jobs in Greater Manchester: The role of employment charters. Inclusive Growth Analysis Unit Briefing Paper. <http://hummedia.manchester.ac.uk/institutes/mui/igau/briefings/IGAU-Briefing-2-Employment-Charters.pdf>

### 3. Recommendations for Greater Manchester

Based on the research conducted for this report, a number of recommendations emerged. These are:

- Current work towards the development of a Greater Manchester employment charter may help to provide some coverage of the issues raised in these reports. At the same time, given the discussed limitations of employment charters, and broader scope of responsible business, there is a need to go beyond basic employment standards towards a broader conception of responsible business, such as outlined in Report 1, and provide a more flexible process of engagement in tandem to a charter.
- There is a need for a unified framework on responsible business and inclusive growth to guide policy in this area. This will provide the basis for a more integrated approach to the issues raised.
- There is also a requirement in this respect for a convening body to coordinate business engagement with the inclusive growth agenda. The Growth Company as a central point of business support is well positioned to take up such a role. They could use the opportunity of their new Productivity and Inclusive Growth programme to bring greater coordination and strategic planning to business support services for inclusive growth.
- The Mayor, Combined Authority, and LEP working together for example could adopt a responsible business framework to help guide business support services and investments, working with the framework proposed here (Report 1) but involving a wider consultation with stakeholders.
- The business case for inclusive growth can be increased through combining services with other business support, horse-trading or providing financial or other incentives to engagement.
- There are potential benefits of improved social accountability requirements and training in the locality.

In the following sections we discuss these recommendations in further detail.

#### The need for a unified framework

To define clear policy objectives, a unified framework outlining the remit and scope of the responsible business agenda from an inclusive growth perspective is required. This should represent a clear, consistent and flexible framework – with simplified, non-corporate language and explicit aims and objectives. The first report in this series, for example, seeks to develop thinking around such a framework. Many businesses will not be able to achieve the entire list of objectives, but may begin a journey by first addressing identified priorities and issues. This therefore requires some flexibility.

From the interviews it was obvious that the meanings of inclusive growth and responsible business were often ambiguous. Definitions of related concepts such as

social value were also considered by some respondents to differ widely and could benefit from systematic integration across organisations pursuing this agenda. Businesses are sometimes unsure of what it means to be responsible, and what their priorities should be. This limits the ability for companies to see the benefits of pursuing responsible objectives. Many small companies also currently carry out activities that would be considered a “responsible business practice” but did not view them as such. In one example provided, the manager of a small retail company specifically sought to recruit local single parents as they had also been a lone parent and understood some of the challenges faced but had not identified this as an ESG performance responsible business practice. If similar or other responsible business behaviour is to be encouraged then the first step is to provide the tools for companies to acknowledge them, and translate them into customer value. Logically, a first step in the process is to define what responsible business behaviour actually is from an inclusive growth perspective.

Given the different resources and capabilities of businesses, such a framework would likely need to be implemented flexibly. For example, it may be unrealistic or discouraging for businesses to achieve all of the criteria. Instead the convening body should use such a framework to identify priorities with the aim of promoting engagement with broader issues as overall levels of business engagement increase. In terms of the prioritisation of issues, the question arises therefore whether a core set of practices should be identified and applied to all organisations combined with a more modular approach to select other options, or whether screening and engagement should be more fully tailored to specific organisational priorities and capabilities.

### **The need for a convening body**

The findings presented in this report suggest that the promotion of an inclusive growth responsible business agenda will likely require considerable engagement activities with businesses in order to develop bespoke solutions that take into account their specific issues, priorities, and capabilities. Some evidence of activity that supports a responsible business agenda from an inclusive growth perspective can be seen across the activities of different organisations involved in the business support structure of Greater Manchester. But what is clear from our interviews is that further integration is needed, and organisations may benefit from support in developing a specific, actionable strategy, as well as in navigating the wide range of array of topics and services on offer.

One approach to this would be for a stakeholder in the current support infrastructure to take a convening role that coordinates inclusive growth business activity in Greater Manchester. The Growth Hub for example is well positioned for this role, such as through its new Productivity and Inclusive Growth Programme. The aim of this programme is to create a single coherent business support system for Greater Manchester to deliver sustainable and inclusive growth for the GM economy. Given this programme is new, the manner in which the policy objective of inclusive growth

is defined and enacted has to our knowledge yet to be established. A further suggestion was that there is potential for integration of inclusive growth issues in the broader activities of the GM Local Enterprise Partnership.

One-stop business services currently exist through the activities of The Growth Company and Business Growth Hub. At the same time, there is currently no coordinating body that assimilates all of the relevant information and support offerings that businesses can utilise to support making changes to become more responsible. This creates a lack of clarity as to where companies can go to find information and relies on them taking steps to seek it out, with the attendant problems of a self-directed approach discussed in the preceding section. From the interviews, a number of potential roles for such a body could undertake were identified:

- Ownership and Monitoring role. The convening body could take on responsibility for promotion of the responsible business agenda within Greater Manchester, and would adopt appropriate targets for achieving this. In their monitoring role, they would be better placed to identify dimensions of the responsible business agenda that are not being considered. They would also better understand what sectors, locations and business types may not be engaging- highlighting areas for improvement.
- Providing a one-stop shop on responsible business. This could involve signposting to information and services. The convening body would be able to simplify the language and translate/collate information into a simplified, accessible and consistent form. This also enables the embedding of the inclusive growth agenda in services offered by the broader business support infrastructure. They may also be able to facilitate a practice advocacy model through consultancy engagement with businesses providing tailor-made solutions that deal with the realities and priorities of specific companies.
- Coordinator of responsible business activity in the locality. A convening body would also be able to link support providers and membership organisations to businesses. They could also identify a set of recommended accreditation schemes and coordinate a communications message targeting businesses as well as for celebrating positive behaviour.
- Provide or coordinate training and development on issues such as inclusive growth and social responsibility.

Different businesses will vary markedly in their capacity to engage with an inclusive growth and responsible business agenda. The value of a convening body is that it can help tailor services to the specific needs and priorities of businesses whilst encouraging organisations to go the extra mile and engage with agendas which they may have previously not considered.

A further issue raised in our interviews is that there is a large number of accreditation schemes available to companies seeking to demonstrate their commitment to various aspects of the responsible business agenda. Indeed over 400 award schemes

operate in the UK in the environmental and sustainable development area alone. Due to the volume and variety of schemes, the usefulness of accreditation is limited. One suggestion was that a convening body could help outline a set of preferred accreditations/awards for the Greater Manchester region (perhaps on an industry basis). This for example could engage with the promotion and monitoring of an employment charter.

Furthermore, companies may struggle to understand the value of pursuing more challenging accreditation if customers do not use them to differentiate companies. It was felt in our interviews that firms may choose to accredit with schemes offering criteria that they already meet or can meet with little effort – rather than engaging in schemes that would encourage them to reassess their business practices and make more substantial changes. A culture of "box ticking", and a lack of ambition in developing further responsible business practices may result. Therefore this report suggests that there is scope for GMCA, in consultation with relevant charities and business support organisations, to propose a list of preferred accreditations that best support the inclusive growth strategies and commit to the promotion of these to consumers and other companies.

A further issue raised is that business support services need to be tailored to the specific business life cycle point of organisations. For example, this may include creating a specific toolkit for pre-start-ups and start-ups with responsible business information and guidance that builds awareness of the issues and the establishment of best practice from the outset. Early provision of information and support to pre-start-ups and start-ups in the region could set new baseline expectations of company obligations and expectations. Embedding responsible business priorities and practices from inception allows for them to be more deeply integrated into longer-term strategic plans, and shifts emphasis to the risk mitigation aspect of uptake. This could be facilitated through working with educational institutions and incubators/hubs that have on-going contact with start-up businesses. The co-ordinating body could also proactively target new businesses and offer networking opportunities, information or training through which best practice from current businesses regarding responsible business could be shared.

A final role discussed for a convening body was in developing networks and alliances. Such a body could provide facilitated and incentivised networking around responsible business to build relationships, particularly within sectors. This may help create forums for best practice and information sharing. Such issues may be particularly pertinent for small businesses. For example, through forming alliance partnerships with other organisations this may have benefits in terms of sharing training and labour markets.



## Combining services

An advantage suggested of having a convening body is that services that support inclusive growth and responsible business objectives can be combined with other business services to increase their attractiveness. This can be used to generate bespoke packages or sequences of services that include activities aligned to inclusive growth objectives. The advice and information available are held in multiple locations by multiple bodies, and companies are required to seek them out as and when they need/want to. If businesses are to be encouraged to make these changes, then it may be more useful to package up support with other services or to train business advisors to facilitate sequentially delivered services in a bespoke and timely way. This can be carried out by forging links between the various business support services themselves – in which companies seeking assistance relating to environmental sustainability are also offered information about organisations who can assist with employment relations, for example.

One issue raised here however is whether businesses would welcome additional support beyond issues upon which they sought engagement. This could present a disincentive and increase the cost of client acquisition for business support services. It may therefore be necessary to combine such an approach with some forms of incentives for businesses who engage with broader IG issues beyond their main topic of enquiry.

One suggested approach is horse-trading. For some organisations, meeting aspects of the inclusive growth agenda may involve trade-offs and costs for the business. Here other support and services that organisations are interested in can be offered free or at a reduced rate in return for business engagement with a specific aspect of the inclusive growth agenda or by making access to contracts conditional on meeting certain requirements as seen in the social value agenda.

A major implementation problem for an integrated approach is that contracts that fund business support often have set terms of reference and deliverables that may preclude a more integrated approach or inhibit 'mission creep' onto broader agendas. Many of the activities suggested will be resource intensive for a convening body meaning bureaucratic silos will require dissolving to promote integration and additional funding will likely be required above current activity.

## Raising Social Accountability awareness

A further potential option suggested in our interviews is to require a social accountability statement for all anchor institution tenders – including higher education institutions, councils, public services (fire, police, hospitals) and to create and fund training schemes to support business to create a social accountability statements. There are a number of reasons why this may be beneficial. Firstly, current social value requirements only apply to larger tenders. There is also limited scope to audit

the self-assessments and supporting evidence over the course of the procurement process, leaving it open to misrepresentation. Lastly, this is limited to only those businesses dealing directly with the authority and has little to no effect on the broader economy. This study suggests that if there is a real commitment to promoting inclusive growth, then this process should be rolled out further. All anchor institutions, including universities, hospitals and local authorities, should require social value assessments to be provided as part of their tendering processes, regardless of value. Smaller companies can be supported in adhering to these processes by the simplification of requirements (as above) and through the provision of subsidised Social Value Assessment training, for example, as offered by Give2Gain.

# Appendix A. Examples of support and regulatory actors for businesses in Greater Manchester

