

# Purpose in business: a review

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## Abstract

Developing purpose in business – defined in terms of focusing on finding profitable solutions for people and the planet – is gaining government, business, and public attention. This is not only in relation to developing ‘purpose’ but also how purpose can enhance productivity in sustainable ways. Although debate about what purposeful business might mean in the 2020s and 2030s is gaining attention in the UK, ideas and practices are still developing. It is complex and there is a lack of clarity about: what purpose means in this context; the value it may offer economically and socially; what policy support is needed; and how it can be put into practice. To address these issues, this review first explores the philosophical debates underpinning purpose in business, then situates purpose in socio-economic relations of business, before addressing the relationship between productivity and business purpose and social purpose. It then considers meaningful work in relation to purpose, which further situates the relational aspect of purpose in the activities of work. This is followed by a discussion of the current approach to purpose in Scotland, which illustrates many aspects of purpose in a grounded way. The conclusion argues that addressing purposeful business as relational enables research, policy and practice to combine the negotiation of purpose with overall ideas about prosperity in investing and leveraging the six capitals.

## **Introduction**

In general terms, business purposes are concerned with the wider long-term goals of a business. Purpose, for each business, expresses its reason for existence, namely what it does, as well as any commitments to its surrounding world. There is a specific – and current - development of ‘purpose in business’ – which is defined in terms of focusing on finding profitable solutions for people and the planet. This meaning and definition is gaining government, business, and public attention. This is not only in relation to defining and delivering ‘purpose’ but also how purpose can enhance productivity in sustainable ways. Although debate about what purposeful business might mean in the 2020s and 2030s is gaining attention in the UK, ideas and practices are still developing. This means that there is a lack of clarity about: what purpose means in this context; the value it may offer economically and socially; what policy support is needed; and how it can be put into practice. To address these issues, this literature review first explores the philosophical debates underpinning purpose in business, then situates purpose in socio-economic relations of business, before addressing the relationship between productivity and business purpose and social purpose. It then considers meaningful work in relation to purpose, which further situates the relational aspect of purpose through the activities of work. This is followed by a discussion of the current approach to purpose in Scotland, which illustrates many aspects of purpose in a grounded way. The conclusion argues that addressing purposeful business as relational enables research, policy and practice to combine the negotiation of purpose with overall ideas about prosperity in investing and leveraging the six capitals.

## **Note on use of the term ‘business’**

Businesses take different forms in relation to type of ownership, size, sector, activities and values. A ‘corporation’ is a type of legal entity that provides a framework for individuals to organise joint activities. In business corporations, these activities are aimed towards the production of goods and services. Often corporations are defined more narrowly as organisations whose (private) purpose is to make profits for their owners and shareholders (Blair 2003, Ciepley 2013, Stout 2012). In much of the literature the term corporation is used. Although corporations take a wide variety of legal forms, the term does not convey the great variety of businesses and social organisations. These include publicly listed limited liability companies (Blair 2003), state-owned enterprises (Detomasi 2015, Scherer et al. 2016), social enterprises (Santos 2012), benefit companies (Vaughan and Arsneault 2017), and cooperatives (Cheney et al. 2014). Businesses include sole traders, partnerships (between 2 and 20 people), micro-businesses, small and medium sized business. and non-profit

organisations. In this paper, I use the term business inclusively to cover all different types of businesses.

### **Philosophical debates about purposeful business**

Current attention and increased focus on the purpose of business aligns with a range of issues that business and society face. These include the climate crisis, environmental degradation, the consequences of Covid-19, geopolitical tensions, misinformation, lack of trust, and growing inequality (Enacting Purpose Initiative, 2023). Another set of factors in play are low economic growth and low levels of productivity (van Ark et al. 2023). Each of these relate to – and impact on – each other. This is creating the context of a ‘polycrisis’ for business and society in which economic, social and cultural values are in play (Enacting Purpose Initiative, 2023). This overall context and each of its factors raise questions about the purpose of business in society, what purpose means to businesses, and how the purpose of business relates to the meaning of work for employees and managers.

This context has precursors in discussions about the role and purpose of business, in debates about climate change, in policy approaches such as neo-liberalism, and trends of low economic growth, low productivity, weakening public infrastructure and services, and increased inequalities. However, each of these and the ways they relate are currently focusing attention onto purposeful business. This is evident in work done by the British Academy, the Enacting Purpose Initiative, the World Economic Forum, and the Scottish Government, as well as from business case studies. The message is clear from this work – there is a need for action to address the purpose of business in society and to foster purposeful business.

In practice, one of the ways business purpose is presented through a business purpose statement, which outlines an enterprise’s core identity for its employees, customers and stakeholders. The statement seeks to create a shared understanding of the business. If the purpose is valued and is seen as being delivered with integrity, it can enable employees, customers and stakeholders of the business to feel that what they do is part of wider socially valued work (whatever their role, task and relationship). Business purpose extends beyond normative business statements to include business ethics, which are often expressed in vision, mission and values statements (Kenny, 2014 Cady et al. 2011, Salem Khalifa, 2012).

The history of purpose in relation to business is long. Although not directly transferable, Aristotle’s exploration of ethics and politics is being discussed in relation to business ethics and the role and purpose of business (Collins, 1987, Bragues, 2006, Hsieh et al., 2018). Drawing on Nicomachean Ethics and Politics, Collins (1987) asserts that, although Aristotle

did not approve of retail practices in Athenian Society, he argued that, if trade is conducted ethically, it can be a force for good. Aristotle posited that 'legitimate trade 'is a set of activities that facilitate the 'good life', situating this argument on the premise that people cannot obtain self-sufficiency in isolation from the remainder of society and that the social organisation of trade is a means of distributing products and services for a good life.

Taking up these ideas, Collins (1987) argues that a business is a conventional entity that works to meet certain needs that an individual, family or village cannot meet. The ways businesses meet these needs involve how they produce and distribute products and services and how they generate wealth and use it. Aristotle contends that wealth created through business should be put to good use, things that support 'the virtues' (moral and intellectual) for individuals and collectives (Aristotle, 2020). Thus, wealth created through the ways a business meets the needs of wider society goes beyond individual wealth because it is not through external goods that people acquire and keep the virtues, rather it is the other way round. Collins (1987) raises the point that a business therefore needs to be careful that its overall policy does not conflict with the virtues that underpin the good life.

Drucker (1985) draws on this realist philosophy to focus on finding business solutions to society's problems. He reasons that business can do well in terms of making a profit by doing good, by which he means serving others. He argues that businesses have a social responsibility, which he sees involves turning a social problem into an economic opportunity that involves turning economic benefit into productive capacity and human competence. Productive capacity also includes creating well-paid jobs and supporting wealth creation. This raises questions about the relationship between the function of business in terms of profit making and the goal of society to enable a virtuous life.

Working from Aristotelian logic, the main issue for the relationship between society and business is stability, which requires having a shared sense of what constitutes a desirable life as a basis for a sustainable society and for sustaining business. There therefore needs to be a constitutional socio-economic and political framework within which business works and produces sustainable outcomes. To maintain such an agreement, the constitution needs to be seen as just. In relation to this point, Drucker argues that, for a corporation to continue, everyone must be able to prosper and live well thanks to its actions (Drucker, 1985). This should be inclusive, for CEOs, managers, workers, society and the whole community. Here, Drucker (1985) argues that all corporations, for their own benefits, should view themselves as a community where their purpose is not merely to provide a living, but to make a life that is good (Drucker, 1985).

Collins and Drucker's positions are based on realist philosophical debates that highlight in abstract terms the role, practices, and purpose of business. Their arguments largely focus on the view that business can be a force for good. However, developing this view is complex, and there are different approaches, with some advocating that business does not have a direct role, and others arguing that it does, and that there are a range of frameworks that shape how business works in society. These debates raise issues about what purpose is and how it is realised. This requires going beyond the realist argument made by Aristotle to focus on agency in relation to purpose. Hobbes (2017) and Spinoza (2002) argue that purpose exists in relation to the interests of an agent. This means considering what people's preferences and interests are, as these are agential properties which feature in shaping and defining purpose. A subject, whether an individual, community, state or business, for example, plays a constructive role in assigning and defining purpose. This suggests that purpose can be identified through what is seen to be useful by individuals, groups, states and businesses, which involves various forms and processes of negotiation. Taking an agentic approach to purpose is useful because it highlights that there may well be different views of business purpose itself, as well as corporate and social purpose. These views might be from workers, managers, CEOs, customers and other stakeholders, and wider public views.

In asking what businesses are for, one of the key complexities is in thinking through business purpose in relation to 'social purpose' and 'corporate purpose'. Purpose, both social and business, may well be shaped by different views, which suggests that, in defining purpose, there will be disagreements that are understandable and reasonable (Rawls, 1996). So far, the discussion suggests that there is some mutuality and reciprocity between business and society. That suggestion is, however, highly debated in terms of whether business has any direct social obligations, and if so, how those obligations operate. This also extends into debates about the role corporate purpose has in both business and wider societal challenges. In negotiating purposes there are situations when most views can be addressed, but this is not always the case. To assess the debates about the relationship between society and business in negotiating and shaping purpose, it is useful to differentiate between social purpose and corporate purpose.

To deepen our understanding of purpose, it is possible to argue that it is constructed from different interests and by an overarching societal understanding of social purpose and business purpose. Social purpose is concerned with any specific contributions a business might make in realising societal goals. It is also possible for a business to make contributions to social concerns without actively pursuing social outcomes. Increasingly wider social purpose also includes environmental purpose. Corporate purpose refers to the

goals of a business, which involves decisions about which goals to pursue (Hsieh, et al., 2018). The distinction between social and corporate purpose raises questions about whether corporations should serve a social purpose, and if so, how and what are the political issues involved in doing so. This is often couched in either minimalist or maximalist terms, the former giving less priority to social and environmental purpose than the latter. Similarly, questions are raised as to whether corporations should proactively pursue social and environmental purposes, and if so, how these are articulated, undertaken and measured. Furthermore, as Hsieh et al. (2018) argue, the ambiguities surrounding the purpose of business are based on how social and corporate purposes relate to each other.

An area of contestation is whether corporations should directly pursue social purposes and/or corporate purpose or focus primarily on the financial goal of maximising profit. The liberalist idea is that the purpose of corporations is totally financial, focusing on narrow definitions of profit. However, the view that the purpose of business can be completely divorced from social and corporate purpose is increasingly being seen as unrealistic (Hsieh et al., 2018). This is because the financial-only-purpose liberalist positions rely on assumptions about markets working within perfect competition. Market failure within a free-market economy acts as a mechanism to indicate when resources and outcomes are not balanced, which often requires policy interventions (Friedman, 1962). Such a narrow lens on markets tends not to consider the value of regulations that frame business activities and feature in business purposes. These include regulations that inform objectives such as providing good work, contributing to sustainable economic development and supporting consumer autonomy. It also fails to acknowledge the relationship business has with society and how business relies on publicly-funded social resources and infrastructure.

The above corporate and social considerations inform approaches based on shared value. These approaches advocate that business should identify opportunities, craft strategies and undertake work that creates profit and also produces value for society (Dembek et al. 2016; Porter and Kramer, 2011). In this approach, business undertakes activities to meet financial goals by also aiming to contribute to broader societal need. There are times when corporate purposes are not profitable in narrow financial terms, and this raises debate within businesses about prioritising different goals in corporate purpose. In these contexts, businesses with a strong corporate purpose will give significant consideration to social goals, whereas those with less buy-in to such purpose are less likely to consider social goals.

There is some consensus that business should have social purpose, although views about this and the characteristics of such social purpose vary. Social purpose means addressing the role of business in a society or social system. Definitions of society vary, however, to address the purpose of business, a social systems approach provides some insights. Social



systems approaches are largely influenced by theorists such as Habermas (1985) and Luhmann (1977). They argue that social systems such as politics or science are differentiated in functional terms, and that subsystems operate in relation to specific rules that serve purposes. Taking this logic, the social purpose of a business is the contribution it makes to supporting social goals. What differentiates businesses from other organisations such as schools, courts, and public services is their role in the production and exchange of goods and services. What is specific to this is that business facilitates a range of activities that have value within a financial and economic framework. In producing valuable goods and services, businesses provide value (through transaction costs) for customers, and value by being an investment entity for business owners and shareholders. Business can add value beyond these to provide employment and income for people and, through good work cultures, can support personal development and a sense of meaning for people. All of these factors inform the social purpose of business.

Current knowledge identifies four key aspects of social purpose. One aspect is that social purpose can be used in the various ways society is demarcated. This is helpful in that it can address scale, socio-business economy systems and the ways in which global and local challenges relate to each other. In scale, multinational corporations can be seen as part of global society, and smaller firms tend to have social roles related to local structures. Moreover, the 'social systems' approach is useful in addressing global issues that also require local action, such as the climate crisis. Another aspect of social purpose is that it tends to involve a wider range of stakeholders that is independent from the stakeholder framework. Stakeholders are groups that have an interest in the work of businesses. Usually, stakeholders are shareholders and other beneficiaries such as owners, managers, employees and customers, as well as others who are affected by the business and its activities. However, a business does not necessarily need stakeholders to pursue social purposes. Addressing a business through its range of stakeholders provides insights into its social purpose. A third aspect that characterises any instantiation of social purpose is that it often involves disagreement about its focus and detail. Identifying a business's social purpose involves recognising that different purposes may conflict, for instance there may be conflict when a supermarket wants to provide a wide range of vegetables, but its social purpose is to source local produce. This point raises not only the complexities of social purpose, but also the question of whether business is the best place to address grand social challenges. Another point discussed in the literature about social purpose is that not all business activities that have a private purpose have a clear social purpose, and some of these can have negative social consequences. One example cited by Hsieh et al. (2018) is the ways complex financial products that have a lower return are sold to customers rather

than simpler ones, as the purpose is to dupe consumers into buying low-quality assets (Célérier and Vallee, 2013, 2015).

The ways in which purpose features in business varies, and it extends beyond the goals of the financial aim of profit. Purpose, both corporate and social, is complex and highly debated. Nonetheless, business relies on social resources and stability to function. The relationship between business and society is therefore an important aspect of social systems and economic value, as well as the social values generated through them.

### **Situating business in socio-economic relations**

To deepen how to understand business, its role, practices and purpose, we need to consider how business is embedded in socio-economic relations. This varies over historical time and in relation to different kinds of business organisation, and how purpose is shaped socio-economically. The history of business, its purpose as a vision, mission and set of practices, illustrates some of the characteristics of business-society relations. It shows how values are part of these relations, and how they inform different business and management approaches. Although profit is seen as a key purpose of business, the way this purpose is understood and achieved varies in practice. For example, the guilds of medieval Europe took a mutual aid approach amongst merchants by establishing uniform production standards and reducing economic competition. These guilds enabled traders to gain a sense of community and build political influence from the collective spirit of its members. This created a new middle class of powerful merchants in the decades preceding the rise of mercantilism. Mutuality eroded in the rise of mercantilism, whose economic philosophy was that trade generates wealth through restrictive trade practices, such as protectionism. Ideas of a good life for all in this context did not inform business, given that individual global trading companies relied on colonial resources, exports and cheap labour.

The separation of profit from wider public good continued through early capitalist industrialisation, to mid and late capitalism. During these periods, human and environmental capital was exploited with the globalisation of trade, the rise of the factory system and stakeholder capitalism. Especially during early industrialisation, business became a site of conflict between workers and management, and there was little work-place regulation and little public infrastructure such as social services, education and welfare (Wessels, 2014). The context during that time generated public responses, such as lobbying parliament and trade unions. Through a reformist agenda enacted through UK Parliamentary Acts and union activism, working conditions improved, however, the focus of business remained on a narrow sense of profit. There are some examples of business working for the social good, often at a worker and community level, through religion-informed companies

such as Cadburys and Lever Brothers, which built homes, villages and amenities for their workers (Mayer, 2018). The two World Wars contributed to the globalisation of business, which produced military goods, weaponry and advanced machinery. On the home front, factories provided employment and income for families. Globalisation continued to develop, shaping business and its purpose.

In the 1940s to 1970s narrow visions of business in the UK were mitigated by the rise of corporatism informed by Keynesian economics. Corporatism, a social contract between the state, labour, and business, supported the nation's post-war reconstruction, economy and development of its welfare state. Although the need for profit remained key, progressive economic and social policies sought to use GNP for investment in business and society, highlighting the interdependencies between business, society and the role of the state. This concept lost support in the late 1970s and 1980 with economic restructuring and the implementation of Friedman's doctrine of monetarism (1962). The rise of neo-liberalism alongside deindustrialisation and moves to post-Fordism featured in debates about the purpose of business. The (neo) liberal approach favoured a restrictive sense of the purpose of business (Mayer, 2018), that is, being more narrowly understood as focusing mainly on maximising financial profit. The neo-liberal economic policies of Thatcherism shaped the ways in which business understood itself and worked during the 1980s. The focus was on enterprise and flexibility (Wessels, 2014), with secure jobs and factory-based production in decline.

The 1980s revived small businesses, fostering an enterprise culture, flexible production processes, and short-term and casual job contracts (Cross and Payne, 1991, 2018). The growth of smaller businesses, whether in terms of size or turnover, is characterised as highly variable, which affects the ways in which purpose in business might be understood across business communities (Burrows and Curran, 2018). One of the consequences of the increase in small businesses was that research and policy became aware of the geographical aspects of business, including how locality features in business activity and in the relations between businesses, stakeholders and wider society (Burrows and Curran, 2018). This meant that a business's purpose was negotiated at the local level and in relation to dependencies in the wider business ecosystem. The focus tended to be on wages, contracts and supply chains, with less attention being paid to fairtrade, climate concerns, and wellbeing at work for example. Deregulation, loss of collective union power, and changing values based on individual wealth were prominent during this time.

In the same period, digital technologies and e-commerce emerged, creating novel business practices and changing the main organisational form from the previous single corporate entity into networks (Castells, 2003). Flexible accumulation and flexible work featured in

the ways these networks operated. In this period, inequality widened and deepened, environmental degradation reached high levels, and climate change was acknowledged. There was a general recognition that a neo-liberal policy did not support the sustainable development of business, society and the environment. A lack of trust in businesses arose from consumers and other stakeholders, and the quality of business leadership was questioned. As with previous trends in the ways business operate in society, the backlash to these was a shift towards sustainable and socially responsible business practices.

One of the early responses to failing neo-liberal economic policy and business practices was corporate social responsibility (CSR). As a way to counter perceptions of unjust business practice, CSR is a business model that helps a company remain socially accountable to itself, its employees, its stakeholders and agents, and the public (consumers). CSR encourages business to self-regulate in alignment with the public good, while contributing to societal goals of philanthropic, activist or charitable endeavours. Adding to the discussion and work about CSR, Elkington (2004) developed the idea of the Triple Bottom Line in relation to addressing sustainability. As an accounting system, this addresses profit, people, and the planet. It considers economic capital, human capital, and natural capital to assess the success that accrues in all three aspects. Another response in relation to sustainability and purpose is B Corp accreditation awarded by B Lab, which first certified suitable companies in 2007. This has a strong link with purpose in that Certified B Corporations are businesses that meet verified high standards in social and environmental performance criteria, public transparency, and legal accountability to balance profit and purpose (see B Corp Directory, B Lab, 2024)). B Corps are seen as part of a shift in which the purpose of business is starting to be seen as contributing to an inclusive and sustainable economy, as well as producing sufficient profit to continue in its own right. B Lab argues that business is part of the solution, rather than part of the problem. The development of CSR, the Triple Bottom Line, and B Corps has opened up discussions about purpose. Although this was seen as a positive development by some policy communities, activists and some businesses, some commentators question the depth and commitment to CSR and the Triple Bottom Line, although the stringent B Corp certification process has gone some way towards addressing this criticism (Mayer, 2016). Nonetheless, changing values and practices emerged in the 1990s, with some early business leaders taking ethical business practice into the commercial mainstream, a well-known and oft-cited example being The Body Shop (which began in 1976).

Despite some pockets of good practice, trust in business continued to erode in the 1990s and into the 2010s (Mayer, 2018). On the one hand, this was in light of unethical business practices, poor working conditions and zero-hour contracts in the emergent gig economy

(De Ruyter and Brown, 2019). On the other hand, issues such as climate change, environmental degradation and wellbeing at work entered public discourse and policy agendas (Maslin, 2021, Dryzek, 2013). These combined to forge a discourse and policy that focuses on sustainability in economic, social and environmental terms. Evidence of the need to address sustainability directly is increasingly being established, complemented by some indications that sustainable approaches may relate to financial success. This is not only the case for individual businesses, but it also supports national levels of productivity that underpin spending on infrastructure and public services to create a well-resourced and stable environment for business (UNU-IHDP and UNEP, 2014). Given these trends and changes in values, a wider discourse about the purpose of business has arisen that focuses on prosperity.

This involves assessing the relationship between business and society in framing how purpose may be understood. This relationship is discussed at a high level, highlighting that business provides the goods and services people need, but can also be a negative force, creating products that can harm people, exploiting natural and human resources and fostering risky consumption patterns (Mayer, 2018). The monetarism espoused by Friedman is being questioned, with arguments put forward stating that neither business or society prospers in free market capitalism and where business is not being embedded socially and environmentally. Mayer and colleagues counter that business is more sustainable when it takes a purposeful and ethical approach – one that is also well supported by law, regulation and good practice guidelines, such as work regulations, and environmental controls. He expands by recognising that, while business has a predominantly financial goal of profit, it also has another role of generating prosperity for the wider population beyond shareholders. In addressing this, he explores whether businesses, especially corporations, can actually achieve this. There is little evidence that businesses are able to generate a more inclusive prosperity when operating within Friedman's monetarism and in policy shaped by that – as inclusive prosperity is an anathema to this doctrine. Furthermore, there is little trust in society in business and in accountable business practice, which was particularly dented by the 2008 financial crisis.

Therefore, Mayer (2018) argues that a new perspective and framework is needed to support the role of business to generate prosperity. He argues that '[t]he purpose of business is to produce profitable solutions to the problems of people and planet, and in the process, it produces profits' (2018, p. 10). This is a departure from Friedman's doctrine which was prevalent over the last 60 years, in which public purposes are detached from business and corporations. Mayer's (2018) thesis is not without precedent, however. Aristotle raised the relationship between business and society, the establishment of corporations was under

Roman laws, and progressive social and economic policies featured in industrialisation and post-World War II regeneration. Nonetheless, monetary policy and a set of social and political values emerging over the last 60 years have shaped thinking about purpose in the relationship between business and society.

As discussed above, society can be considered as the configuration of social systems and relations. Each subsystem has a purpose and values shaped by its relations, which exist and operate in relation to the wider social system. Business is in one of these subsystems and is embedded more widely in the social system. Mayer's (2018) vision follows a similar logic in that he reconceptualises capitalism as an economic and social system, which produces profitable solutions to the problems of people and planet. Importantly, he moves from seeing businesses as nexuses of contracts to conceptualising businesses as nexuses of relations of trust, which are based on principles, values and a broader corporate purpose. Business owners and boards are expected to be committed to these and to ensure they are upheld and honoured. If this way of thinking is taken up in the rest of the 21<sup>st</sup> century, Mayer (2018) argues, there is potential to address the growing void between market failures and regulatory effectiveness (which is especially relevant in the wake of technological change based on digital technologies).

This high-level argument is laudable, it is in line with current economic and social challenges many societies face and aligns with changing values. Mayer (2018) identifies two underpinning factors that are required to reconceptualise business in this way – trustworthiness and values. Committing to, and delivering for, a corporate purpose requires reciprocal relations of trust, which he claims will result in more loyal customers, more engaged employees, more supportive shareholders and, ultimately, greater revenues and lower costs. Trustworthiness is cultivated through strong corporate values of honesty and integrity, and cultures of committing to the corporation's purpose. Mayer argues that, in order to cultivate purpose, trustworthiness and value, policy needs to change in four areas: law and regulation, ownership and governance, financial performance measurement, and finance and investment.

In Bebchuk and Tallarita's (2020) terms, purposes can support both instrumental stakeholder concepts that correspond with shareholder primacy and stakeholder plurality, where parties other than shareholders are the primary beneficiaries. In neither case does any party benefit at the expense of another and, therefore, the complex trade-offs about stakeholder plurality do not arise. Law and regulation should serve to align corporate purposes with public purposes where appropriate, Mayer (2018) cites banks and audit companies, utility providers, and infrastructure companies as important actors in this space. Corporate ownership should entail an obligation and responsibility to uphold corporate

purposes, recognising that there are different types of owners who are best suited to achieve that function, including families, foundations, employees, the state, and institutional investors. Mayer (2018) argues that modern governance needs to focus on aligning the interests of management with corporate purposes. Financial performance measurement needs to move beyond merely accounts of financial and material capital to include other forms of capital, namely human, natural, and social capital. These have become scarcer and more important in the 21<sup>st</sup> century and, given this, profits and performance should therefore be measured as a net of the cost of maintaining these capitals.

Mayer's (2018) thesis is thought provoking, and it is part of a wider move to thinking through what the role of business in society is. His thesis does raise questions, however, which bring to the fore the agentic and negotiation aspects of working through and addressing purpose. This can be seen in Mayer's assertion that corporations are a rich mosaic of different purposes and values, with many purposes and objectives. This complexity makes it difficult for businesses to formulate purpose. Mayer thinks that this can be resolved if a business is released from its shareholder, employee and government interest. In response to this, Otteson (2020) raises several questions. He asks how a single business can serve a boundless set of purposes when it also has a clearly defined purpose? This is possible, as shown by Cornford and Pollock (2002) in their analysis of putting universities online: universities have a main purpose of knowledge creation but also have many other purposes that underpin this main one. The neo-liberal university is a legal and financial entity, although operating with charitable status. Within its overall purpose, it has other purposes including research excellence and teaching excellence, as well as following ethical and best practice agendas. Another question Otteson (2020) broaches is how might a business serve its customers and communities, when freed from serving the interests of shareholders, employees and government? Related to this question is whether business directors know what best serves the interests of communities, and if so, if they can be trusted to do this in practice. These types of questions show the complexities of purpose, whether business and/or social, and the fact that it involves agency and negotiation.

This overview of Mayer's argument and some of the issues it raises highlights the relationship between business and society in shaping purpose. Businesses are shaped socially and economically in how they see purpose. The purpose of business to meet needs and desires is aligned with wealth creation. The focus on profit is strong, however, through changes in socio-economic relations between business and society, questions are being raised about how that profit is best used – as investment into business, to provide good working conditions and income, to support public infrastructures and services, maintain the environment, or contribute towards generating a prosperous society, widely defined.

The literature to date mainly focuses on corporations as a particular kind of business organisation, and it tends to be biased towards exploring purpose in the context of US corporations. There are some historical assessments of purpose within UK trade and business, with Pettigrew and Brock (2017), for example showing that purpose in some guise is an integral part of business. The question is, however, what the character of that purpose is. Profit and prosperity are enduring themes of purpose. Debates from ancient Greece onwards have considered how prosperity can be achieved and distributed. Prosperity has a wider meaning than just financial profit and can extend ideas about profit to consider the use and replenishment of capitals, including investing in human, social and environmental capital, which are part of the resourcing of financial capital. This debate is relevant to 21<sup>st</sup> century capitalism in which human, social and environmental capital is depleted and under stress. These concerns relate to wider global challenges which are also felt locally, such as the climate crisis, geo-political conflicts, and food, fuel and other resource insecurities.

Much of the debate is at a high level of abstraction, but the notion that business purpose includes social purpose is gaining credence. Research is being carried out at think-tank and policy level, and evidence is accruing through case studies. European business currently outflanks the US in terms of sustainable approaches to business and does so whilst experiencing lower productivity and growth than the US (McKinsey, 2024). The UK is focusing on purpose with organisations like The Purposeful Company (2018), the Enacting Purpose Initiative (2024), the British Academy's programme on purposeful business ([2018a](#) and [2018b](#), 2019, 2020, 2021) and the Scottish Government's policy on purposeful business (Scottish Government, 2023). Although there is consensus about the potential of using purpose in the business and wider community, less is known about how to work with it and, importantly, how productivity features in purpose. This is not only whether it improves or detracts from productivity in the traditional sense of the value of outputs in relation to inputs, but also whether purpose can redefine and refine what productivity means in sustainability.

### **One of the central conundrums: productivity, business purpose and social and environmental purpose.**

One of the themes revealed through this review is if – and if so, to what extent – business and/or social purpose features in business subsystems. There is an emerging consensus that a reasonable stable business environment requires sustainable production and consumption. The resources businesses rely on are those of human, social and environmental capitals. These are depleted and hence attention is being paid to how these need to be invested in and sustained. Addressing the sustainability of capitalism and business means working out how to improve productivity in terms of using resources more effectively, efficiently and sustainably.



Productivity is generally understood as a measure of output relative to input. Labour productivity is the most common productivity measure, which is defined as economic output (gross domestic product, or GDP) per hour worked. Labour productivity is a significant determinant of economic and wage growth in the long term. However, in economic terms it is not the sole determinant; economists also measure human, environmental and social capital, as seen for example in the six capitals, namely financial, manufactured, intellectual, human, social and relationship, and natural. What the six capitals and capital productivity show is how productivity features in improving living standards, social conditions and levels of investment in public services, in private companies, and in the environment. This focus has sustainability embedded within it and, in this context, business and social purpose can both be built into a capital framework.

Capital is made up of tangible and intangible aspects (see Adam Smith's (2003) seminal definition of capital, 1776, Book 2, Chap. 1, Sect 1). Tangible capital is comprised of the physical assets a business owns, such as buildings, equipment, inventory, land, vehicles and furniture. Intangible capital includes common norms, trust and high levels of cooperative performance. Capital comprises both tangible and non-tangible wealth that affords its owner revenue without immediately, or at all, being consumed itself (Svendsen et al., 2007). Velben (1908) raises the potential influence of intangible capital on productivity. Although intangibles are largely invisible and not easily measured, they nevertheless impact socio-economic outcomes. Given this, intangibles are part of productivity in line with tangible forms of capital. Uneven levels of intangible capital may explain differential economic performance between firms with the same stock of physical, economic and human capital (Svendsen et al., 2007). Intangible capital is important in terms of business norms and culture that influence workers' motivation, productivity and collaborative working, in using resources efficiently and sustainably. It also highlights the importance and value of public and customer trust.

The digital revolution – or evolution of digital services – has focused further attention on intangibles in terms of assets. The digital economy has transformed the business landscape, giving prominence to assets that are not physical but that create significant value. Intangible assets, from proprietary software to digital and e-commerce platforms, to AI-driven analytics tools, are now cornerstones of business. Although these assets often have shorter life cycles than tangible ones, they can drive significant revenue. The intangible has value in terms of branding and digital presence in the marketplace. The value of a strong brand, augmented by a digital footprint, can be significant in driving customer loyalty and demand (IFRS Foundation, 2024.). Given the recognition of the role and values of intangibles, methods for measuring them continue to develop (Moro-Visconti, 2022), however, there is

some consensus that intangible capital features productivity, although more research is needed on this.

A wider definition of capital which includes the six capitals and intangible as well as tangible capital opens up space to consider purpose. The six capitals approach includes natural, social, human and intellectual capital as well as manufactured and financial capital (developed by International Integrated Reporting Council). This wider capital framework frames purpose not just in terms of business sustainability, but also social and environmental sustainability, as well as in generating wealth. The distinction between tangible and intangible capital also raises questions about how purpose features as an intangible asset in relation to tangible assets. Purpose involves some intangible aspects, and therefore has potential value for business profit and wider prosperity. Intangibles also feature in productivity in relation to workplace norms and culture, in collaborations often shaped through purpose and in trust. An emerging question, therefore, is how intangibles and purpose interact with tangible capital in productivity and prosperity.

This is especially relevant in the UK and its devolved nations. UK productivity has flatlined and lagged behind France and Germany since 2008 (van Ark et al, 2023; van Ark and O'Mahoney, 2023). The reason for low productivity in the UK is complex. It involves a slowdown in investment, composition of the economy in terms of the ratio of high and low productivity sectors, and labour market trends such as hoarding labour, and the rise of part-time and self-employment. These interact in the dynamics of worker output per hour, affecting the productivity of the workforce. (Office for Budget Responsibility, 2024 Coyle et al., 2023, McCann et al., 2023). Analysis of this trend is socio-economic and political. Neo-liberal and monetarist economy policy's narrow view of the purpose of business as one of profit operating in a free market is not placed to invest in underpinning social and economic infrastructure for a vibrant economy. Financialisation, wealth hoarding (Arestis and Karakitsos, 2013), and monopoly capitalism (Schwartz, 2021) undermine investment in business and act as a barrier to innovation. Another aspect is the chronic lack of investment in the public sector and welfare systems that undermine wellbeing, education and strong social capital (van Ark et al 2023). Attention is also paid to the quality of work, which notes the lack of investment in employee development and training and the proliferation of precarious work models (Chada and Venables, 2020).

These wider aspects of productivity affect how well employees can work, what they feel they achieve through work and what a culture of good work means for their overall wellbeing. The contractual obligations of employment shape how work is experienced. The ways workers are valued and rewarded for the added value they create is constantly negotiated. Legislation has improved working conditions and seeks to ensure that workers are rewarded

rather than exploited. Whilst recognising that this is imperfectly realised, especially with the rise of flexible work, heightened in the gig economy, 'good work' is seen as beneficial for people and society (see Dame Carol Black's work (Black, 2008, COVER, 2023)). The focus is not just on healthy and supportive workplaces but also how work can contribute to self-development, be empowering and support social and economic wellbeing. Work can also be harmful, featuring stress, tiredness, bullying and so on. Work has a purpose for employees, which can be financial, career development, a vocation, and generating senses of social and cultural participation. It is therefore possible to argue that work has meaning (Steger, 2017).

### **Situating work in purpose**

In general, meaningful work is based on the possible range of meaning that employees gain from work. This may be negative or positive, which can affect how well they work (Goetzel and Ozminkowski, 2008, Rath and Harter, 2010). The focus on meaningful work is often seen as a strategy by business to improve worker productivity. This understanding and remit have widened however, and to some extent relate to the purpose not just of work but to business and social purpose.

The debate about meaningful work has moved from organisational practices that focus on maximising effort and output to wider social and business purposes. Policies such as incentives, engagement, and commitment were narrowly focused on improving output. The limitations of these have been recognised and practice has turned to augmenting effort and output with improved welfare for a wide range of organisational stakeholders, ranging from shareholders to employees to host communities (Steger, 2017).

Meaningful work seeks to create working lives whereby employee motivation, effort, and productivity are enhanced. It also encourages employees to feel ownership, responsibility, and citizenship toward their organisation, through which they gain greater senses of wellbeing, health, and belonging. This definition of meaningful work invites extension into social and business purposes. Notions of ownership and citizenship evoke wider social purpose and what the purpose of the business is. Employees are attracted to different sectors, occupations and businesses, and so the meaning of work goes beyond the quality of a contract to that of a purpose and how employees relate to that purpose. This relationship between work and its purpose bridges the social subsystems of business and an array of subsystems depending on the sector.

There is an opportunity for business purposes to enhance productivity, and part of that is how to empower employees to drive purpose (BPC, 2023). It is uncertain about whether and

how ‘purpose’ features in both employee and business perspectives beyond the lens of mutuality (Mayer and Roche, 2021). To date, little is known about what purpose in business means for employees, how it might motivate them and enhance their productivity, and to what extent it supports employee retention. Furthermore, there is a lack of understanding about how business can empower employees to drive purpose. But there is a general recognition that empowering employees needs to be built on fair work principles (<https://www.fairworkconvention.scot/the-fair-work-framework/>) (Fair Work Convention, 2024.)

Increasingly it is being understood that empowering purpose-driven employees requires changes in work organisation, job redesign and crafting, meta-skills development, people management, and worker voice representation (Mayer and Roche, 2021). However, little is known about the details of such changes in relation to business purpose understood in the higher sense of solutions for people and planet (Quinn and Thakor, 2018). In terms of business potential, there are early indications that purpose-driven employees improve worker retention, financial returns, and innovation (Gast, et al., 2020).

The purpose of business, and the social role of business and of work are recognised in T.H Marshall’s classic 1950 work, ‘Citizenship and Social Class’ (Strangleman, 2015). It is through the dynamics of the six capitals in relation to social citizenship that meaningful work materialises (these are seen as activities), which is part of the negotiation of purpose (developed through values) and frameworks of prosperity (the reason to follow purpose) in the 2020s and 2030s. The development of purpose may be able to generate a positive contribution to improving productivity because it can be shaped in relation to sustainability and have value across the six capitals. This may also foster trust between businesses, employees, and wider societal stakeholders.

### **Policy and Business community example: developments to date in Scotland**

Scottish Government and business in Scotland provides an example about how ‘purpose in business’ is being discussed and implemented. In commissioning research to consider the role of purpose in Scottish business, the Scottish government has recognised that business purpose, governance and company ownership rarely feature in the public debate about Scotland’s economic performance, and that this is an oversight (Scottish Government, 2023). It builds on the arguments set out above, increasingly seeing approaches to corporate governance that focuses mainly on the short-term interests of shareholders above those of stakeholders (employers, employees, suppliers, customers, communities, planet) as part of the UK’s relatively poor performance on business investment, skills formation, productivity, research and development and equality.

The discourse about business purpose discourse is becoming more mainstream in the UK. In policy and industry, evidence is emerging about the potential of purpose in business (in terms of business purpose and social purpose). Support is increasing for the purposeful business agenda, as seen in examples including:

- The British Academy's project on the Future of the Corporation.
- The Big Innovation Centre's Purposeful Companies Taskforce.
- The Enacting Purpose Initiative.

Scotland is experiencing a weak and unequal recovery from the 2008 financial crisis, the challenges of Brexit and the Covid-19 pandemic. Research on Scotland, shows that within its remit and culture as a devolved nation within the UK, it recognises the significance of the climate crises (Mulholland and Millar, 2022). In response to the Business Purpose Commission Report *Now is the Time for Purpose* (Scottish Council for Development and Industry (2023), the Scottish government agrees that there is a good case for understanding the business purpose agenda and its relevance to Scotland's businesses, wider society and economy (Scottish Government, 2023). The Scottish government sees strategic alignment between business purpose and its own ambitions for a fairer, wealthier and greener economy.

The Scottish National Strategy for Economic Transformation emphasises wellbeing and prosperity for all of Scotland's people and places in a transition to a wellbeing economy. Scotland's business communities are recognised as key partners in pursuing a fairer, wealthier, greener country. A specific commitment in this strategy is to support businesses in delivering positive impacts in prosperity, wellbeing and environmental sustainability. It anticipates further benefits of business purposes, such as profitability, resilience, and longevity. This involves stimulating entrepreneurship; opening new markets; increasing productivity; developing skills; and ensuring fairer and more equal economic opportunities.

The *Now is the Time for Purpose* report discusses ten case studies on business purpose that reveal some of the business and social benefits of purpose. These include improved trust levels, better use of resources and financial returns, and contributing to generating employment opportunities and better environmental processes. There are also programmes in place that have a business purpose focus. These include the Highlands and Islands Enterprise's Business Values Ladder, which benchmarks businesses on their journey towards net zero, improved innovation and fair work practices. Scottish Enterprise (SE) has aligned its corporate plan with business purpose by placing fair work and net zero at the heart of its support for businesses. It provides practical guidance for businesses on business purpose journeys, including expert advice and peer to peer support. There are also

financial incentives to work with purpose: Scottish Enterprise will only provide funding for businesses that demonstrate or commit to adopting fair work and net zero practices. Furthermore, from July 2023 all Scottish organisations receiving public sector grants must pay at least the real Living Wage to all employees and provide appropriate channels for effectively expressing workers' voices, such as trade union recognition.

In contrast to the strong focus on corporations in the academic literature and in policy-related literature such as that written by the British Academy, Scottish policy deliberately seeks to increase the number of social enterprises, employee-owned businesses and cooperatives in Scotland. It also aims to develop relations between business purpose and social purpose through its Community Wealth Building legislation, its Green and Sustainable Financial Services Taskforce, and by establishing an investor panel that focuses on investing in infrastructure. The values aspect of purpose is also evident in the Scottish government's Inward Investment Plan, which places these values at the centre of engagement with current and potential inward investors. All of this together generates a framework for a socio-economic relational approach to purpose – one that is operationalised through partnership approaches. It combines many, if not all, aspects of business purpose and its role in social purpose, taking into consideration the entrepreneurial, financial, work, social and environmental aspects of purpose. Prosperity is seen as being central to purpose and, in terms of distribution, this is understood through the idea of a wellbeing economy – benefiting society and business in sustainable ways.

Thus, the Scottish context is already working with many of the ideas within debates about purpose. Its overall approach is one of prosperity, which to some degree takes a 'good life' stance on purpose. It also recognises the agentic aspects of purpose, in understanding that purpose means different things to different people and that purpose is negotiated. It is addressing the perceived concern that financial and social purposes may not align, by gathering evidence to show where these are mutual and benefit businesses, social life and the environment. It is still early days in this development, and evidence is based on government reports and business case studies.

## **Conclusion**

One way of thinking through purpose is in a basic way that sees purpose as finding ways of solving problems profitably, where profits are defined as a net of the costs of avoiding and remedying problems. This definition goes some way towards seeing both purpose and profits in relation to the potential to enhance the wellbeing and prosperity of shareholders, society and the natural world. It also raises the point that profit and the purpose that is being pursued should not disadvantage any party. This is because profits can only be legitimate if

they are not earned at the expense of other parties. Corporate purposes are only valid if they are profitable in this sense. Although this assessment covers many of the key aspects of purpose in business, it underemphasises the ways in which purpose is embedded on social and economic systems, the relational aspects of purpose, its overall goal and the ways in which it is negotiated.

Debates about the purpose, role and activities of business from Aristotle to Mayer demonstrate that business features in generating conditions for the good life and prosperity. There is discussion about how to balance profit with corporate and/or social purpose. Historically, ideas about this have varied in line with socio-economic and political frameworks of the time. The main lines of debate are between liberal free-market monetarist approaches and approaches that understand capital more widely through a six-capital approach. Monetarist assumptions that social and natural capital could be endlessly exploited without being replenished and that social and physical infrastructures do not need ongoing investment widen and deepen inequalities and undermine a stable social system that underpins business and society. The limitations of monetarist approach are increasingly evident in 21<sup>st</sup> century economic and social challenges such as the climate crisis, increased social inequalities, and low growth and productivity. Lack of investment in the social system and its subsystems, including business, poor business practices, working conditions and customer relations, undermine not only businesses viability but also a prosperous economy and society.

The current challenges facing business and society are prompting ideas about how these relate to each other. There is a strong focus on sustainability – economic, social and environmental – and in redefining what prosperity means in the current context. This focus is guiding much of the development of purpose in business. Although there is an analytical distinction between corporate and social purposes, these are increasingly being considered in relation to each other. The role of business is being seen as having some responsibility for supporting inclusive social and economic prosperity, as business is being recognised as a nexus of relations and not just contracts. This means that it must pursue profit by contributing to social and natural capital to develop business sustainably. Business relies on manufactured, intellectual, human, social and relationship, and natural capital to develop financial capital. Intangible as well as tangible capital features in productivity. There is a more holistic and multidimensional understanding of how business works and its relationship with society. These socio-economic and environmental challenges are also part of changing values. Values based on sustainability are informing new ways of addressing prosperity and are shaping how purpose is negotiated. There is growing consensus for an inclusive definition of prosperity and in driving prosperity through a six

capitals approach. There is also recognition that purpose is negotiated and that different groups have different views of purpose. This is resulting in a focus on governance that extends beyond shareholder interests, and even stakeholders, out to wider society.

The literature suggests that one aspect of purpose is at an abstract realist level. This involves a consensus about inclusive prosperity, widely defined to include social, natural and economic sustainability. There are, however, agentic aspects to purpose in that purpose is related to the meaning it has for different people and groups. The overarching consensus about prosperity can guide these meanings, however, here it is important to consider meaningful work and how work crafts relations between business and social purpose. There is an emerging understanding that empowering purpose-driven employees requires changes in work organisation, job redesign and crafting, meta-skills development, people management, and worker voice representation. Some headway is being made in these areas in Scotland, with the Scottish government developing an institutional, policy and practice framework for supporting purposeful business. It is, however, still early days, and more knowledge is being developed about purpose. Developing knowledge, policy and practice about purposeful business could take a multidimensional and relational approach that combines the negotiation of purpose with overall ideas about prosperity in investing and leveraging the six capitals for wide ranging economic and social benefits.



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