

Tomorrow's Company

Annual Parliamentary Reception

Business over the Next Decade

Held on 15th November 2017 at the House of Lords, kindly hosted by Lord Haskel and sponsored by ACCA.

Tomorrow's Company, supported by ACCA, was delighted to be joined by senior business, government and civil society leaders at its Annual Parliamentary Reception to discuss what the next decade may hold for business and in particular how business can adapt to upcoming challenges and opportunities in a way that allows both business and society to thrive in the long term.

Stephen Kelly, CEO of Sage, and John Lelliott OBE, Chairman of The Natural Capital Coalition and Chair of the ACCA Global Sustainability Forum, joined the reception to share their views on how they think business will change over the next decade (see speaker biographies in Appendix). They explored in particular the popular contention that 'capitalism is dead'. Below is a summary of our discussion and the conclusion that was drawn from the discussion.

The next decade is expected to fundamentally change business

Every decade heralds change for business and the landscape in which it operates. However, it is generally accepted that the next decade in particular is expected to fundamentally transform both. In his keynote speech, Stephen Kelly suggested that the upcoming decade is expected to impact business in three fundamental ways: firstly, through a changing workforce; secondly, through the way in which businesses connect with their communities, and thirdly, through the accelerated pace of technological change.

We experience the changing nature of the workforce every day, for example through the generational shifts that are taking place. Not only are five generations now working side-by-side but the expectations of younger generations in particular are demanding more from business. A recent study by Sage found that 62% of young entrepreneurs said that they had sacrificed profit in order to stay true to their values and ethics.¹ Though Britain has a rich history of businesses acting as a force for good in society, Stephen aptly highlighted that we are approaching a critical point where, if businesses do not respond to greater demand to adopt a compassionate approach to capitalism, they will lose their relevance.

Such shifts in attitudes and expectations are also in part behind a massive shift from businesses and investors treating CSR as a back-office function to a front-line issue. In parallel, as noted by John Lelliott OBE, there is a shift from backwards-looking to forwards-looking reporting and investors, regulators and business recognise the need to show how businesses create value beyond the financial. These two shifts are changing the way that businesses must connect with their communities and how they could, should and need to report.

Unsurprisingly given technology's pervasiveness in today's society, the rapid pace of technological change is also expected to significantly impact business in the next decade. In particular, in this context it is important to consider how businesses seize the opportunities presented by the advent of new technology so that it benefits all and is implemented ethically and not just profitably, as Stephen emphasised. ACCA's global professional insights programme places ethics and trust at the heart of business decision making in the evolving digital era.

ACCA's recent report *Ethics and trust in a digital age*, finds that strong ethical values will become more important in the future and explores how professional accountants can lead by applying their

¹ Sage report, 'Walk with Me: Meet the new generation of entrepreneurs', <http://www.sage.com/company/news-and-events/2016/07/05/working-to-live-not-living-to-work>, The Sage Group (2016)

existing ethical principles to before unseen scenarios. The global survey examines the attitudes to ethics among 10,000 professional and trainee accountants, and over 500 senior ('C-suite') managers. More than 8 in 10 of these accountants around the world were of the view that strong ethical principles and behaviour will become more important in the evolving digital age. Furthermore, 9 in 10 professional accountants agree that ethical behaviour helps to build trust in the digital age. And 94% agree that the fundamental principles for accountants established by the International Ethics Standards Board for Accountants (IESBA) still apply and remain relevant in the digital age. These are Integrity, Objectivity, Professional Competence and due care, Confidentiality and Professional behaviour.

It is more relevant than ever for business to act as a 'force for good'

Along with the other forces such as political and economic uncertainty that can be expected to affect business over the next decade, the above anticipated changes reinforce the need for businesses to adapt how they work with and support society. Ultimately, business acting as a force for good *"is not just the right way to do business, but the only way"* (Stephen Kelly).

Alongside supporters in the business, investment, political and social communities, Tomorrow's Company has been advocating a business approach centred on purpose, values and long-term relationships for more than twenty years. Whilst in the 1990s it was very much a lone voice, there is now undeniable momentum for such 'compassionate capitalism'. Stephen and John both emphasised that this is largely based on the changes expected to continue to affect business in the next decade and is reinforced by evidence that businesses that adopt long-term-focused, inclusive and purpose-oriented approaches are more commercially successful than those that do not.

Indeed, with governments often saddled with mountains of debt, there is also more need than ever for non-governmental organisations to fill the vacuum left by government to drive and generate social prosperity. Though it was discussed that there may be a need to change the language of business 'acting as a force for good' in society to turns of phrases that recognise business working *with* society, there was agreement among speakers and attendees that business is ideally placed to take up this mantle and act as society's wealth-creation engine. It is therefore more relevant than ever that business play a positive role in society.

Standards play an important role in raising the bar for sound and sustainable business practice. John noted how professional qualifications, such as that offered by ACCA, drive up ethical and technical standards in business. This is an important aspect of getting those in business to think longer-term, rather than focus on short-term gains. On 31 October, ACCA put this in to action with the launch of the ethics and professional skills module to the ACCA qualification. This reinforces ACCA's mission to be a global leader in the profession by truly shaping the professional accountant of the future.

Businesses can practice 'compassionate capitalism' in a variety of ways

Exactly how businesses can put 'compassionate capitalism' into practice will depend on each organisation, the challenges it faces and the needs of its stakeholders and community. However, several key suggestions were made during the discussion. One way is for businesses to review how they engage with their communities and how they can help tackle challenges currently facing society. Sage, for instance, adopts a '2+2+2' approach through its Sage Foundation. It donates 2% of Sages free cash-flow to charitable causes, allocates 2% of colleagues' time as paid volunteering and donates 2 free software products to every not-for-profit and charity around the world. Where it is not possible for companies to conduct such philanthropy through a foundation, Stephen recommended simply engaging with colleagues to harness people's passion for having positive impact.

In addition, it is important to learn from one another and collaborate both internally and externally to influence a global, rather than UK-only, movement towards business as a force for good. This could be done through utilising global networks, as ACCA does through its global membership, or through sharing knowledge with institutions such as schools and the United Nations, as Sage does. Businesses should better communicate their positive impact and actions to the public and be more honest about their challenges to rebuild public trust and to help change media narratives which often portray business negatively and encourage public distrust.

A call to action

There is every reason to be optimistic about business and its opportunities over the next decade, provided businesses reboot their approaches in response to a shifting social and technological landscape.

Tomorrow's Company recognises that there are many individuals and organisations helping to lead the way to realising business as a force for good. However, it would reinforce the conclusions reached in this discussion by calling on all those who play a role in and engage with business to inspire and enable business to work with and support society to face the changes over the next decade.

Tomorrow's Company would like to thank Lord Haskel for hosting, the colleagues at ACCA for sponsoring, Stephen Kelly and his colleagues from Sage and John Lelliott OBE for taking the time to speak at our reception, and of course our partners and wider community for joining us for a provocative and inspiring discussion on the challenges facing business over the next decade and how to tackle them. If you have any feedback on the event or on this theme, please don't hesitate to get in touch at events@tomorrowscompany.com.

Appendix

Speaker Biographies



Stephen Kelly has been CEO of Sage, a FTSE100 company, since November 2014. He has over 30 years' leadership experience in the technology sector having led successful businesses in California, New York and Europe. He previously served as CEO of Chordiant Software, Inc and Micro Focus International plc. In 2012 he was appointed Chief Operating Officer for UK Government. Stephen was the most senior Executive responsible for UK Government's Efficiency & Reform Program - Digital, Commercial, IT, Major Projects and SME strategies.



John Lelliott OBE is Chairman of The Natural Capital Coalition, Non-Executive Director Royal Bournemouth & Christchurch NHS Foundation and The Covent Garden Market Authority. He is also a Trustee and Vice Chair of Asthma UK. John retired from The Crown Estate in September 2016 where he was CFO.

Tomorrow's Company

Tomorrow's Company is an independent non-profit think tank that exists to inspire and enable companies to be a force for good. It believes business can create more value for shareholders and society by adopting an approach that focuses on purpose, values, relationships and the long term. It succeeds in its goal by convening business leaders, investors, policymakers and NGOs to develop practical solutions. Tomorrow's Company was founded in 1995 following the RSA inquiry into the role of business in a changing world.

Sage

Sage is the market leader for integrated accounting, payroll, and payment systems, supporting the ambition of the world's entrepreneurs. Like many of the businesses it serves, Sage began as a small business and has grown beyond what seemed imaginable. Today over 13,000 colleagues now support millions of entrepreneurs across 23 countries as they power the global economy. Sage helps drive today's business builders with a new generation of solutions to manage everything from money to people. Sage's social and mobile technology provides live information so you can make fast, informed decisions anytime, anywhere in the world. Sage supports business builders for life by offering choice, support, expertise, and innovation.

ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants, offering business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its 200,000 members and 486,000 students in 180 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of 101 offices and centres and more than 7,200 Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

ACCA is currently introducing major innovations to its flagship qualification to ensure its members and future members continue to be the most valued, up to date and sought-after accountancy professionals globally.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. More information is here: www.accaglobal.com