



Cabinet Office

# Mission-led Business Review

Call for Evidence

May 2016

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## Foreword from the Minister for Civil Society



As Minister for Civil Society, I have increasingly realised how the traditional roles of civil society and business are changing for the better. The social sector is becoming more business-like and businesses are keen to demonstrate their social impact beyond their already important contribution to economic growth; this could revolutionise the way we solve some of our biggest social challenges, like aged care, dementia and unemployment.

Across the country there is a new breed of brilliant entrepreneurs who want to make a profit with their business, but also apply their enterprise and flair to make social impact a core purpose of their business endeavour. Surveys consistently find that one in five people who aim to start a business plan to make it social.

We can already see how these "mission-led businesses" are responding to broader changes in how people want to spend their money and where they want to work: two thirds of consumers will pay more for products with a positive social impact and young people believe that the number one purpose of business is to benefit society.

These business pioneers face some tough challenges: how do they maintain their commitment to social impact as they grow? How do they share their message with consumers, employers and investors? What support do they need from industry and government? I set up the Mission-led

Business Review to answer these questions and others.

The UK is widely recognised as having the most advanced social investment market in the world. We created the world's first social investment bank, the first social investment tax relief and the first-ever social impact bond. It is my ambition to build on that reputation by helping more businesses utilise their inherent drive and ambition to put social impact at their core. This could create value for shareholders and society as a whole. Every business could if they wished, be a mission-led business.

I want every UK entrepreneur to be able to easily establish a business that makes a good profit while at the same time making a commitment to social impact. And I want everyone – consumers, governments and companies – to integrate mission-led businesses into their buying and investing habits.

This Call for Evidence is the first step towards that ambition. I urge you to respond with objective evidence and to be bold in your aspirations for this sector.

**Rob Wilson MP, Minister for Civil Society**

A handwritten signature in black ink, appearing to read 'Rob Wilson', written over a horizontal line.

# 1. Overview

## Introduction

The Cabinet Office's [Mission-led Business Review](#) was announced on 24 March 2016. The Review is focused on understanding the nature, potential and needs of mission-led businesses and identifying private, philanthropic and public opportunities to double the social and economic impact of mission-led businesses over the next decade.

As set out in the [Terms of Reference](#), the Review will meet the following aims:

- Gather data on mission-led businesses: How big is this part of the economy? What are the barriers to growth?
- Set out a vision: What is the potential role of these businesses in a healthy UK economy?
- Develop recommendations: What can industry and if necessary government do to better support mission-led businesses? Any recommendations to government should be limited to issues that fall to the Westminster Parliament.

The Review is led by the Office for Civil Society and Innovation in the Cabinet Office. In addition to issuing this Call for Evidence, the Review is being supported by an Expert Advisory Panel led by Nigel Wilson, Chief Executive of Legal and General Group plc.

## Focus of the Review

Mission-led businesses are part of a wide landscape of socially-focused organisations. On the one side, they sit alongside regulated social sector organisations (such as charities, Community Interest Companies and community benefit societies). On the other side, they sit alongside responsible businesses. Each of these groups make important contributions to the British economy and society but are not the focus of the Review.

Mission-led businesses are mostly a new phenomenon. For the purposes of this Review, however, it is useful to have a simple description of the key characteristics of what makes up a mission-led business, while recognising that this is a developing field. We set out these characteristics below. We recognise that there is a lot of flexibility within these characteristics and encourage you to read these as aspirational and inclusive, rather than static and closed.

The key characteristics of a mission-led business are that it:

- can fully distribute its profits;
- identifies an intention to have a positive social impact as a central purpose of its business;
- makes a long-term or binding commitment to deliver on that intention through its business and operations; and
- reports on its social impact to its stakeholders.

The Review is looking particularly at businesses that operate and trade in the UK. Throughout this Call for Evidence, the term “social” is used as a shorthand to also include environmental benefit.

## Scope of this Call for Evidence

As this is a developing field, we invite responses to this Call for Evidence to cover businesses which would recognise themselves in the descriptive characteristics of a mission-led business today, as well as businesses that do not recognise all those characteristics today, but might in future. This could include businesses that have identified an intention to have a positive social impact, but have not yet made a long-term or binding commitment to deliver on that because, for example, they are not aware of the ways that this can be done.

A mission-led business is likely to set up as a company limited by shares, rather than use familiar social sector legal forms, such as a charity, a Community Interest Company or a community benefit society. Most mission-led businesses are distinct from most social enterprises because they do not have legal restrictions on how they use or distribute the majority of their assets or profits. Some larger businesses with structures such as a public listed company are also exploring how they can repurpose themselves to become mission-led.

## Structure of this Call for Evidence

This Call for Evidence is divided into two parts:

- Part I focuses on the profile, drivers and potential of mission-led businesses.
- Part II focuses on the challenges faced by mission-led businesses and how private, public and philanthropic actors can address these challenges.

## Audience for this Call for Evidence

This Call for Evidence will be of interest to:

- Existing businesses that identify as mission-led businesses
- Individuals who might consider setting up a mission-led business
- Mainstream businesses that might consider becoming mission-led businesses
- Funders of mission-led businesses, including philanthropic organisations
- Investors in mission-led businesses or investors in mainstream businesses that want to invest in mission-led businesses
- Advisers to mission-led businesses
- Individuals and businesses who engage or want to engage with mission-led businesses (e.g. as consumers, procurers, employees, community members etc.)
- Policymakers at all levels of government who work with mission-led businesses

## Next steps

We are asking for comments on this Call for Evidence by 8 July 2016.

This Call for Evidence will contribute to the Cabinet Office's [Mission-led Business Review](#). We intend to publish a report and recommendations in autumn 2016.

## 2. Call for Evidence

The questions for the Call for Evidence are outlined below, together with background information.

Respondents are invited to respond to all questions or only to some.

### Part I: Profile, drivers and potential of mission-led businesses

This part focuses on gathering evidence on the number and potential of mission-led businesses, as well as the drivers for the development of these businesses over the next decade.

#### *Number and profile of mission-led businesses:*

##### **Question 1**

What do you know about the number and profile of mission-led businesses operating in the UK? Please share evidence.

Issues to consider:

How many companies could already be said to be mission-led businesses? How does this change when you consider businesses that might take this model in future?

What stages of development would you say most mission-led businesses are at today (i.e. start-up, growing, mature), and how would you expect this to change in future?

Are there industry sectors where more mission-led businesses are already operating than others? Are you aware of any geographic clusters of mission-led businesses?

If so, where?

##### **Question 2**

What do you know about the impact of being a mission-led business on business performance and social impact? Please share evidence.

Issues to consider:

What impact does taking a mission-led approach have on business performance (e.g. revenue growth, jobs, business confidence, innovation, resilience, employee engagement)? Do you have evidence of the social impact of mission-led businesses that differentiates them from traditional (i.e. non mission-led) businesses?

##### **Question 3**

In your view, what are the ways that quantitative data on mission-led businesses could be better captured over time?

### *Drivers of growth for mission-led businesses:*

Market influencers like consumers, investors and government are increasingly interested in the social impact generated by business. For example, sixty-six per cent of global consumers, will pay more for products with positive social and environmental outcomes<sup>1</sup> and the 2016 Deloitte Millennials Survey found that the majority of young people believe that the success of a business should be measured by more than profit. This follows similar trends in early surveys.<sup>2</sup>

#### **Question 4**

Why would a business set-up as or become a mission-led business? Please share evidence.

Issues to consider:

What are the advantages (if any) to being a mission-led business? Do you think mission-led businesses are more innovative? If so what is the evidence of this? To what extent is a commitment to social impact important to the stakeholders of mission-led businesses? Why might an entrepreneur choose to set-up a mission-led business? Why, in particular, might they do this rather than using another social sector legal form, such as a charity, a Community Interest Company or a community benefit society? Why might an established business repurpose itself to become a mission-led business?

#### **Question 5**

How do you see mission-led businesses developing over the next decade? Please share evidence.

Issues to consider:

What are the drivers for businesses to become mission-led over the next decade (e.g. consumer demand, employee interest, investor interest)? Do you have evidence of entrepreneurial demand to create mission-led businesses? What is the size of demand from consumers, employees and investors (or any one of these groups) for mission-led businesses over the next decade? Is the mission-led business model more likely to be relevant to businesses at certain stages of development than others? (i.e. start-up, growing, mature). What industry sectors do you think have the biggest potential for growth amongst mission-led businesses and why? What geographic areas in the UK do you think have the most potential to develop mission-led businesses and why? Do you see any risks in the development of mission-led businesses?

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<sup>1</sup> Nielsen, [Global Corporate Sustainability Report](#), 2015.

<sup>2</sup> Deloitte, [Millennial Survey](#), 2016.

## Mission-Led Business Review: Call for Evidence

### *Mission-led business – case studies:*

We want to gather illustrative examples of mission-led businesses.

If you are a mission-led business, or know of mission-led businesses that you are willing to share publicly, please complete the following table. Please complete one table per business.

Name of business	
Contact details for business	
Brief description of business (please keep under 5 lines)	
Why is this a mission-led business? Please include details on any corporate governance or reporting steps.	
Stage of business development (i.e. start-up, growing, mature, repurposed)	
Industry sector	
Geographic focus	
Evidence of financial growth	
Evidence of social impact	
Any other details (e.g. legal form)	

## Part II: Challenges faced by mission-led businesses

This part focuses on challenges faced by mission-led businesses and the opportunities for private, philanthropic and public actors to address these challenges.

### *Routes to becoming a mission-led business*

We want to understand what being “mission-led” means in practice, as well as how a business can become mission-led and the ways that this could be made easier.

An important characteristic of a mission-led business is that it has taken steps to make a long-term or binding commitment to have a positive social impact through its business and operations. This commitment is what distinguishes mission-led businesses from ordinary businesses that engage in social responsibility initiatives separate from their core business.

We already know that there are different ways that businesses are making this commitment to make a social impact, such as by changing their governance or using external compliance mechanisms. These are sometimes referred to as “mission locks”. However, these ways are still developing and are often poorly understood by businesses and by policymakers. The questions below are designed to bring out evidence to clarify this landscape. We also want to know when a business’ commitment to its social impact might be tested.

Constraining profit distribution is one way that businesses make a commitment to make a social impact, but is not the focus of this Review. These measures (often referred to as “profit locks”) are based on the idea that the use of profits and/or assets is constrained in order to support and protect social mission. Certain legal forms in the UK have a profit lock built in, such as a charity with a trading arm or a Community Interest Company. Social enterprises are also often defined by the fact that they are legally bound to put the majority of their profits back into their social mission. As the mechanisms for introducing a profit lock are well understood, they are not the focus of this Review.

This Call for Evidence is focused on ways that a commitment to a social impact can be made other than by using a profit lock. Responses to these questions are likely to focus on corporate governance steps, or contractual/investor-led mechanisms.

#### **Question 6**

What are the practical steps that a business can take to make a commitment to deliver on its intention to have a positive social impact?

Issues to consider:

What is the role of frameworks/tools such as corporate governance structures, amendments to articles, using golden shares, appointing social impact directors, using external certification systems, involving stakeholders in decision-making? Who are the enforcers of these types of mission lock? What is the role for investors or employees in helping businesses to become and remain mission-led? How does your answer differ depending on the size and profile of the mission-led business? What are the pros and cons of these steps? Please draw on best practices in other countries or sectors if relevant.

### Question 7

Do you think these steps could be better communicated to entrepreneurs and businesses? If so, how?

### Question 8

The loss of focus on social and environmental aims has been identified as a potential problem for mission-led businesses (“mission drift”). When do you think this is most likely to happen? What could be done to prevent this?

### Question 9

Have you identified barriers to new entrepreneurs or established businesses who want to easily convert their intent to make social impact into a long-term or binding commitment? If yes, please provide details of these barriers, in particular identifying those that may be caused by regulation.

### Question 10

In your view, what are the barriers to a large corporate (including a public company) to becoming a mission-led business or owning a mission-led business within its group structure?

### Question 11

Do you think mission-led businesses have or should have a different culture/values system to traditional (i.e. non mission-led) business? If yes, please provide best practice examples of this.

Issues to consider:

Do you think that behaviour of directors of mission-led businesses differs from directors of traditional (i.e. non mission-led) businesses? If yes, please share evidence. If no, please set out whether you think this should be the case and how. What do you think are the practical ways that a mission-led business can ensure that it is “living out its values” and serving wider stakeholder interests through its business and operations?

### *Understanding how mission-led businesses can engage with potential customers, employees and investors:*

It can be difficult for market players like customers, employees, investors and other funders to easily identify and understand which businesses are mission-led businesses, and which are not. It can also be difficult to assess the extent to which commitment to making a social impact through their business and operations is credible, rather than just marketing.

Industry has already been responding to these challenges. There are a number of steps that mission-led businesses are taking to use their mission-led approach to engage with stakeholders, but these are often not widely shared.

#### Question 12

What challenges do mission-led businesses face when engaging with potential customers, employees and investors about their social impact?

Issues to consider:

How can customers and employees differentiate between a mission-led business and good marketing? What practical steps could be taken to raise consumer awareness of the “value” of buying from mission-led businesses? In your view, what is the impact of being mission-led on attracting talent (i.e. employees)? Please share evidence.

#### Question 13

What do you think is the role of certifications systems (e.g. B Corps) or of frameworks (e.g. Blueprint for Better Business) in helping mission-led businesses engage with external stakeholders?

### *Mission-led businesses: Reporting on social impact*

An important characteristic of a mission-led business is that it has taken steps to report in a transparent and accountable way on its social impact.

There are a number of ways that mission-led businesses report on their social impact. These range from reporting on delivery of social outcomes and social impact measurement to reporting to performance on wider economic, social and governance (ESG) criteria.

#### Question 14

What are best practice examples of social impact measurement and how are they being applied by mission-led businesses?

Issues to consider:

What do you think is best practice in social impact measurement and how is this being applied by mission-led businesses? What wider reporting frameworks are you aware of to help businesses report in a transparent and accountable way on their social impact? What are the pros and cons of these different frameworks? What can be done to improve uptake of best practice in reporting by entrepreneurs and businesses? What is your view on the role of self-certification versus independent analysis in reporting practices?

*Support for mission-led businesses*

The questions below aim to develop a better understanding of additional challenges faced by mission-led businesses and the ways that mission-led businesses can be incentivised.

**Question 15**

Have you identified specific barriers to the growth of mission-led businesses? If yes, please provide details of these barriers, in particular identifying those that may be caused by regulation.

Issues to consider:

These barriers might include investment into mission-led businesses, availability of advisory services (including pro bono advice), public awareness and trust and competition with traditional (i.e. non mission-led) businesses.

**Question 16**

What do existing mission-led businesses need in terms of support and what do you think could be done to incentivise the creation of more mission-led businesses over the next decade? Who is best placed to do this?

Issues to consider:

Should investment in mission-led businesses be rewarded? What would help large corporates to actively invest in mission-led businesses (e.g. incentives, visibility, capacity)? Should mission-led businesses benefit from tax incentives? Why? What could these look like? What is the role for mentoring schemes, partnering, advisory services and supply chain procurement?

## 3. How to Respond to this Call for Evidence

### Deadline

We need to receive your response to this Call for Evidence by 8 July 2016.

### Contact information

In case we need to contact you for further information we would be grateful if you could provide contact information including the name of the respondent, name of organisation and contact details (email and telephone).

### Contact details for response

The response questionnaire can be downloaded from [www.gov.uk/government/publications](http://www.gov.uk/government/publications) until the Call closes. Responses should be sent to [missionledbusiness@cabinetoffice.gov.uk](mailto:missionledbusiness@cabinetoffice.gov.uk)

In exceptional circumstances we will accept submissions in hard copy. If you need to submit a hard copy, please send your response to:

Mission-led Business Review Secretariat  
c/o Alexandra Meagher  
Cabinet Office  
1 Horse Guards Road  
London  
SW1A 2HQ

### Handling of information and publication of responses:

We may publish any responses to this Call for Evidence unless you ask us not to. The information you send may also need to be passed to colleagues within Cabinet Office or other Government departments.

If you want your response to remain confidential, you should explain why confidentiality is necessary and your request will be acceded to only if it is appropriate in the circumstances. We will not take a standard confidentiality statement included in an email message as a specific request for non-disclosure.



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