



## **In pursuit of impact** Mission-led businesses

November 2016

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# Executive summary



## Purpose of the report



In March 2016, the Office for Civil Society and Innovation (OCSI)<sup>1</sup> launched a review of mission-led business in the UK. Mission-led businesses are for-profit businesses which make a powerful commitment to social impact outside the traditional social sector legal forms.



The review was launched in response to emerging business and market trends that reflect the growing role for mission-led businesses in the wider market. These trends include:



Increasing expectations for business to adopt a responsible role in wider society. For example, nine out of ten millennials believe that the success of a business should be measured by more than just its financial performance;<sup>2</sup>



Employees becoming more optimistic about businesses that make a commitment external to themselves. One survey indicates that workers are twice as likely to be optimistic about businesses with a strong sense of purpose. These businesses are considered more likely to be resilient to future shocks and “able to stay ahead of industry disruptions”;<sup>3</sup> and,



The digital economy creating greater transparency, ensuring trust in business becomes ever more important at a time when public trust in business is at an all time low. In a global survey, only half the public “trust institutions to do what’s right”.<sup>4</sup>



This research was jointly commissioned by OSCI and Big Society Capital (BSC) who both recognise the need for additional research to learn more about those businesses that explicitly seek to make a wider impact on society, in order to consider how best to support them. It seeks to build on a body of existing literature, including the G8 Mission Alignment Group Report ‘Profit-with-Purpose Businesses’, to develop new, independent, primary research that can provide a snapshot of the volume and characteristics of mission-led business in the UK. This research is intended to provide initial insights that can inform policy makers, support BSC in their role as market builders, further the wider conversation on social investment and provide a platform for future research and study.

This research was jointly commissioned by the Office for Civil Society and Innovation and Big Society Capital to provide a snapshot of the volume and characteristics of mission-led businesses in the UK.

Notes: (1) OCSI formerly sat in the Cabinet Office, and is now part of the Department for Culture, Media & Sport. (2) Deloitte Millennial Survey 2016. (3) Deloitte Culture of Purpose 2014. (4) Edelman Global Barometer, 2016.

This report sets out an approach for defining and identifying businesses that have no legal restrictions on their profit distribution but which have a genuine commitment to wider social impact.



## Building a definition of mission-led business

We recognise that this is a complex and developing topic. Mission-led businesses exist within a wide spectrum of businesses and social sector organisations. For the purpose of this research, we have sought to define mission-led business in terms of their motivations and corporate form, in order to examine the characteristics of these organisations and get a sense of the scale of this movement. So, whilst many other organisations may be 'mission-led' (e.g. community interest companies (CICs), charities) they are not the focus of this particular report.



This report sets out an approach for defining and identifying businesses that have no legal restrictions on their profit distribution but which have a genuine commitment to wider social and environmental impact. As an emerging business trend, it is too early to describe this as a clear 'sector' or 'market'. It is better described as a movement or an approach to business where social impact is seen as a critical driver of value creation. The wider 'social impact' movement goes beyond the definition of mission-led business used in this paper.



To identify and explore mission-led businesses, a set of definitional criteria were developed with government officials, Big Society Capital and an expert Deloitte advisory panel. This definition of mission-led businesses is consistent with the definition of 'profit-with-purpose businesses' in the G8 Social Impact Taskforce paper<sup>1</sup> and as set out in the terms of the Mission-led Business Review.<sup>2</sup>



The first element of the identification approach was a clear 'gateway'. To be considered 'mission-led' a business must clearly declare its intent to be so. Once through this gateway, four critical questions were applied:



What is the strength of strategic commitment to a social or environmental mission?



How central is the mission to the core business model – does it reflect the core commercial activity and shape profit distribution?



Does the way the business is governed and operated reflect the mission?



Does the business publicly position itself as mission oriented?



It is acknowledged that this is "an" approach rather than "the" approach. Whilst the research helps to progress our understanding of these business trends, more can be done to refine the approach and build out the necessary data sets to develop a more complete understanding of this movement.

Notes: (1) Profit-with-purpose businesses, G8 Subject Paper of the Mission Alignment Working Group, September 2014. (2) See Call for Evidence, Cabinet Office, 2016.



## The approach we have taken

The research adopts two complementary approaches: (i) a statistical estimate of the size and scale of mission-led businesses within the overall market and; (ii) a review of key characteristics of an example set of businesses that meet the criteria, extracted from a larger set of businesses identified as potentially mission-led sourced from existing literature and expert interviews.

- i. To capture a statistical estimate of the volume of mission-led businesses within the overall market, a random sample of over 500 businesses was drawn from a database of UK private sector businesses. The sample was split to assess those businesses with financial information and those without. This enabled a more precise estimate of overall turnover and workforce. The two samples were assessed against the criteria and brought together to provide total estimates for mission-led business volume, turnover and workforce. Whilst these estimates are statistically robust, the size of the sample meant that this approach was limited in its ability to generate more specific insights.
- ii. A second, complementary approach was used to generate more detailed insight on the characteristics of mission-led businesses. Insights were generated through an analysis of an example set of 250 businesses that were extracted from an examination of over 1,000 businesses that had been identified as potentially mission-led from existing literature and expert interviews. Over 30 interviews were also conducted in order to gain further, detailed insight.

In both cases, each business was first passed through an 'assessment gateway' to identify whether it declared a credible intent to contribute to a wider social or environmental mission. Once through this gateway, the business was assessed against a series of weighted criteria, associated with the key tests of a mission-led business. These weightings were developed pragmatically. For example, whilst reporting against mission would be a strong indicator of commitment, many businesses assessed were too small or too young to have developed a reporting capability, and thus, whilst important, the weighting of this criteria was balanced with other core factors across the tests. Future research could flex these weightings and assumptions to test how they impact outcomes.



Mission-led businesses cover a wide range of industries, sizes and social/environmental focuses. The research suggests that they already account for 4.3% of turnover in the UK private sector.



## Key findings



Mission-led businesses cover a wide range of industries, sizes and social/environmental focuses. The research suggests that they already account for 4.3% of turnover in the UK private sector. This is comparable to the size of the SME market in the Transportation and Storage sector.<sup>1</sup>



Whilst many mission-led businesses have been around for a long time, most are youthful and this, together with the many trends driving the importance of corporate purpose, suggests that these businesses are growing in volume.



Mission-led businesses, in general, exemplify comparatively strong diversity of leadership.



The research confirms evidence that had previously been anecdotal:



Mission-led businesses tend to be more prevalent in sectors which have a more obvious relationship with socio-economic good. This generally enables closer commitment to mission across the core business model and operations and more closely aligns mission, growth incentives and investor interests;



Older mission-led businesses tend to be larger organisations, often with an international focus and strong impact reporting, but alignment between mission and their core product or service may be more nuanced; and,



Younger mission-led businesses are more likely to use innovative business models and to have a mission that is core to the business model, commensurate with being 'born mission-led'. These businesses also tend to be smaller, locally-focused, have less mature reporting structures, and where founder run tend to have limited succession planning.



A sixth of businesses in the example set articulate commitment to mission in key governing documents, and the majority of businesses tended to have 'flatter' leadership structures.



Mission-led businesses in the consumer sector tend to be larger than in other sectors, which could suggest that consumer-facing companies are more likely to 'repurpose' as mission-led.



There is growing evidence that the benefits for businesses of committing to positive social impact are wide-ranging and every business interviewed felt that their mission had been a competitive advantage in terms of attracting and retaining employees and building relationships with clients.



## Recommendations



This report examines the role of mission in catalysing mutual benefits for both business and society. Mission can drive scale and sustainability in business, which in turn reinforces and extends the impact of mission.



There is a new and vital opportunity to support the growing influence of mission. Start-ups and existing businesses can be encouraged to adopt a mission. Businesses can be supported to take forward impact reporting and make quantifiable mission-oriented commitments. Mission-led businesses can be offered help to bolster their commercial expertise and manage competitive challenges.



To make the most of this opportunity, there should be, in the short and medium term, enhanced private or public provision of:



Access to advice and networks to share learning and support decision making, both among mission-led businesses and between mission-led businesses and influential, less mission oriented businesses. This could help foster ecosystems of mutually supportive businesses who are motivated in similar ways; and help mission-led businesses better manage growth and leadership transition;



More accessible and more standardised impact reporting, with access to research, tools and resources to enable this; and



Some form of recognition for mission-led businesses that would support and incentivise further growth.



Finally, this report sets out a range of areas for further research, including further representative sampling, the changing role of mission over the business life cycle and the importance of long-term planning in ensuring the sustainability and success of mission-led businesses.



# Outline of methodology and headline figures



# Identifying mission-led businesses

Mission-led businesses have been identified using a gateway and series of tests that seek to assess both the mission of the business and the way in which the business is designed to deliver on that mission

## Key characteristics of a mission-led business

A number of definitions exist in the market for businesses with commitment to broader impact. These range from 'social enterprises' to 'for-benefit companies' to 'purpose driven businesses', among others.<sup>1</sup>

The core definition of a 'mission-led business', as expressed through the initial Mission-led Business Review Call for Evidence,<sup>2</sup> refers to a business that:

- Can fully distribute its profits, with no legal restrictions on profit distribution either through a profit lock or through legal form (e.g. CICs);
- Identifies an intention to have a positive social or environmental 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.

To fully embody this definition, an exemplar mission-led business will have both a mission that specifically targets social or environmental impact and an organisation that is designed to support this. This includes its strategy, governance, operations (including interaction with key stakeholders e.g. employees, customers, suppliers, community, owners), investor relations and reporting.

## Challenges to identification

Mission-led businesses can be found across the market. However they are difficult to identify given the lack of standardised identifying characteristics, the presence of many younger mission-led businesses that may not have fully configured their organisation or developed reporting, and the limited availability of external data that can be used to assess the smaller and medium sized businesses.

## Approach

Given these challenges, the approach chosen to identify mission-led business is highly pragmatic, and relies on publicly available information for efficiency. The criteria chosen build on the criteria described in the Call for Evidence and the G8 subject paper.<sup>3</sup>

The approach introduces an 'assessment gateway'. This recognizes the central requirement that to be 'mission-led' a business must declare an intention to contribute to a social or environmental mission. Subsequently, four tests are applied to assess the quality of this intent and the degree to which the business is aligned behind the intent.

An exemplar mission-led business will have both a mission that specifically targets social or environmental impact and an organisation that is designed to support this.

Notes: (1) Existing definitions can be found through Social Enterprise UK, GameChangers 500, Blueprint for Better Business, Deloitte US Social Impact. (2) Mission-led Business Review: Call for Evidence, May 2016 (3) Profit-with-purpose businesses, G8 Subject Paper of the Mission Alignment Working Group, September 2014.

For the purposes of this report, we have analysed an example set of mission-led businesses across four areas: intent, business model, governance and operations, and external perception.

**The four tests used in the identification and assessment of mission-led businesses**

The nature of the 'commitment' to mission has been assessed through four weighted tests, developed from existing research and expert interviews, workshops and validation.<sup>1</sup> Those passing a threshold level of commitment have been identified as mission-led businesses.



Notes: (1) See Appendix A for more details on developing the definition, assessment criteria and assessment approach.

# Market size

Mission-led businesses in the UK private sector are estimated to constitute 2.7% of business volume, 4.3% of the economy and 4.5% of the workforce.

## Understanding mission-led businesses

Whilst many businesses will declare commitment to a 'mission' of some kind, these include types of mission that are not socially or environmentally focused (e.g. customer service or innovation), and many organisations that are not truly guided by their mission.

Some businesses, however, are genuinely guided by a social or environmental mission and are sufficiently committed to be considered a mission-led business.

Random sampling of businesses in the UK, followed by application of the gateway criteria and assessment against the four tests, provides an estimate of the size and scale of the 'market' of mission-led businesses (see Appendix A).<sup>1</sup>



**123,000** mission-led businesses

**2.7%** of business volume



**£165 billion** turnover

**4.3%** of the economy



**1.4 million** employees

**4.5%** of the workforce

A random sampling approach provided an estimate for the size and scale of the 'market' of mission-led businesses in the UK.

Notes: (1) Estimates for turnover informed by BIS Business Population Estimates 2015. Estimates for workforce informed by UK Labour Market: August 2016, ONS Statistical release. For further notes on methodology and assumptions see Appendix A.

Exploring mission-  
led businesses:  
How are businesses  
committing to  
mission?



# Exploring the characteristics of mission-led businesses

The gateway criteria of a mission-led business have been applied to a long list of candidate businesses to create an example set. The four tests then have been used to examine the mission-led business 'market'.

## Understanding the four tests

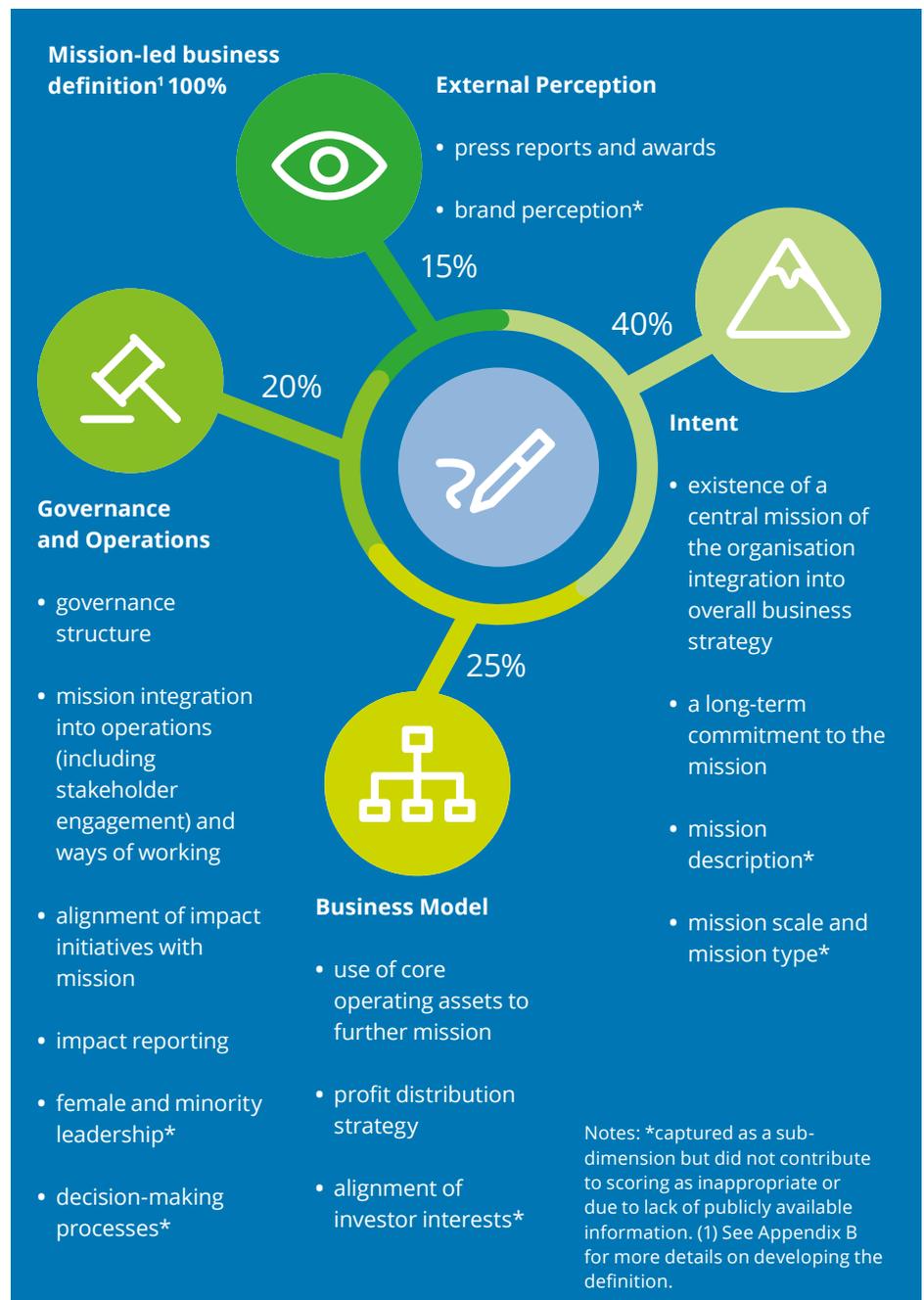
In this section, an example set of mission-led businesses is explored through the four tests using publicly available information. All businesses included pass the initial gateway criteria: being for-profit companies with a social or environmental intent.

The example set was developed from a candidate list of over 1,000 companies.

The diagram on the right shows the contribution of each test to the overall score (out of 10). A company must score >5 to be classified as a mission-led business. Tests were defined for this report in consultation with advisors as described in Appendix B and are made up of sub-dimensions as shown on the right.

The initial gateway is wider than the G8 study which looks for long-term commitment (e.g. through evidence in articles) which may be less present in established businesses looking to transition to being mission-led.

The insights and trends explored using the example set provide some insight into the characteristics of the wider mission-led business 'market'. Further sample-based research would be required to develop statistically representative data.



If a business is founded with a mission inherent to its identity, that mission is unlikely to change. However, some businesses transition to become a mission-led business once they are established.

Notes: (1) Intent accounts for 40% of the overall mission-led business score, broken down into 'Integration into Strategy' (80%) as measured by inclusion of mission into strategic documents and degree to which mission is integrated within the overall business strategy, and 'Long-term commitment (20%) as defined through strategy documentation. (2) Narrowly focused missions refer to missions that are focused on a more specific goal for a smaller community, whereas broadly focused missions relate to grander goals for larger populations. (3) Growing the social impact market includes: support for other social enterprises and third sector organisations, and support for businesses/public bodies to develop social impact; Community support includes: Housing, Support for vulnerable groups e.g. children and the elderly, Improving the local community; Environment includes: Carbon reduction, Waste reduction/recycling, Sustainable growth

# Intent: Mission type and scale

Mission-led businesses in the example set differ in mission type, with the majority focusing on social issues and a quarter focusing on environmental issues.

Intent is the most critical test in defining and identifying a mission-led business and features in the gateway for analysis; stated intent to deliver a social or environmental outcome as a core purpose is a necessary, if not sufficient, feature of a mission-led business.<sup>1</sup>

### Mission description

Mission-led businesses refer to their mission in different ways, there is no common taxonomy. Where Spacehive talk about 'mission', *Unicorn Grocery* offer 'Principles of Purpose' and *Mediae* describe their 'goals'. Across these businesses each of these terms establish a similar imperative for action.

Other mission-led businesses incorporate mission into their description of themselves. For example, "We at *Happiness Works* are passionate about creating a better world of work. We believe if more people genuinely enjoyed their work then everyone would benefit, including employees, customers and shareholders."

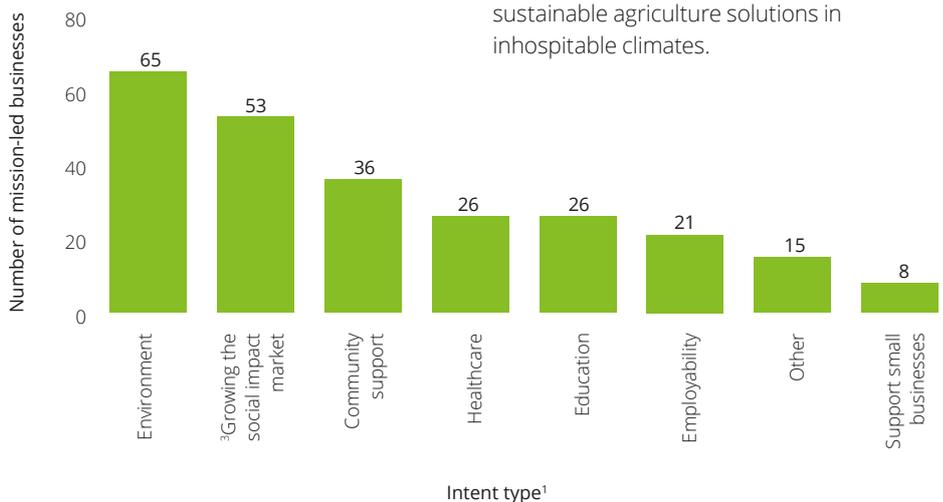
### Mission type

Mission-led businesses have ambitions across a variety of areas. Of the example set, 53% are explicitly focused on social issues and 26% on the environment and sustainability.

### Mission scale

The majority of mission-led businesses (72%) have a narrowly focused mission on an issue limited to a particular beneficiary group or geography.<sup>2</sup> These organisations are more likely to have educational and community goals, often linked to specific locations. For example, *Settle Hydro* is a community-owned hydroelectric scheme which aims to benefit the local community by providing green electricity and using profits to support local projects.

Mission-led businesses with a broadly focused mission are more likely to be international and have a mission related to the environment. Examples include *Elstat* which is a refrigeration company aiming to reduce energy consumption and carbon emissions, and *Seawater Greenhouse* which uses seawater and sunlight to provide sustainable agriculture solutions in inhospitable climates.



# Intent: Score range

Mission-led businesses in the example set identify and commit to a social/environmental purpose. This purpose is typically reflected in their strategy and committed to through a long-term target or goal.

The strength of Intent was assessed against two sub-dimensions: the integration of mission into business strategy and long-term commitment to the mission.

### Integration of mission into business strategy

The majority of these mission-led businesses (65%) are perceived to have strong integration of mission into business strategy.

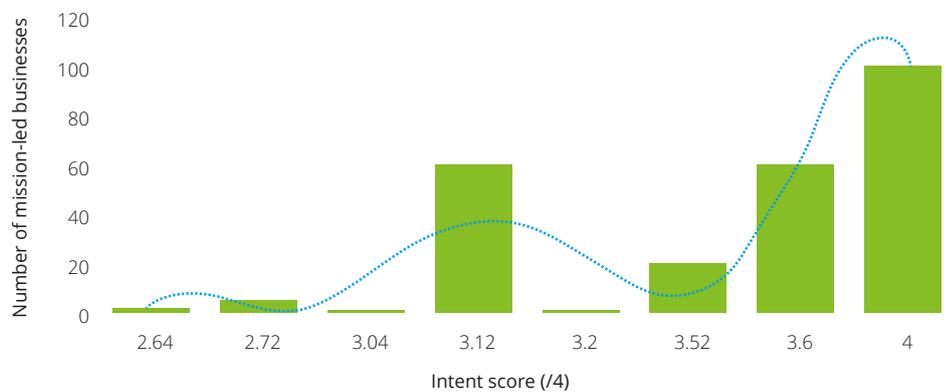
*Oomph!* is one example of a business with this strong level of integration. With a mission to improve the health and well-being of older adults, their strategy focuses explicitly on improving training for care staff in order to enable them to conduct exercises and activities for elderly patients in care homes.

In contrast, one hotel qualifies as a mission-led business but has a less direct alignment between its mission and its strategy. Their mission suggests a commitment to sustainable development of the local environment and community. Whilst this mission forms a strong feature of their business model and operations, the strategic direction of the business is focused on growing a chain of hotels.

### Long-term commitment

The majority of mission-led businesses have a long-term commitment to mission reflected in their public documents, although only half (49%) make a specific measurable commitment. For example, *ClimateCare* commits to cutting 20 million tonnes of CO<sub>2</sub> and improving the lives of 20 million people by 2020. Of the remainder, most (49% of total) make commitments that are less specific or short to medium term.

### Intent scoring



### Intent scores

40% of mission-led businesses in the example set achieved the maximum score for Intent and gained top scores for both sub-dimensions. For example, *Traidcraft* is a leading fair trade organisation dedicated to fighting poverty through trade.

As shown in the graph above, 27% of qualifying mission-led businesses have a weaker<sup>1</sup> Intent score with low scores across this test. Despite getting a low score in the most critical category, these businesses still qualified as mission-led businesses by scoring well in other tests and passing the gateway criteria.

The majority of these mission-led businesses (65%) are perceived to have strong integration of mission into business strategy.

Notes: (1) Weaker Intent scores= 3.12 or less, strong Business Model scores= 2 or more, strong Governance and Operations scores=1.5 or more and strong External Perception scores=0.75

# Business model

The majority of mission-led businesses in the example set accomplish their mission through the core commercial activity of the company, particularly those within the healthcare and energy sectors.

The business model is the second most important test in determining whether or not a company is a mission-led business and considers the degree to which core commercial activities support the mission.<sup>1</sup>

## Relationship of core commercial activity to mission

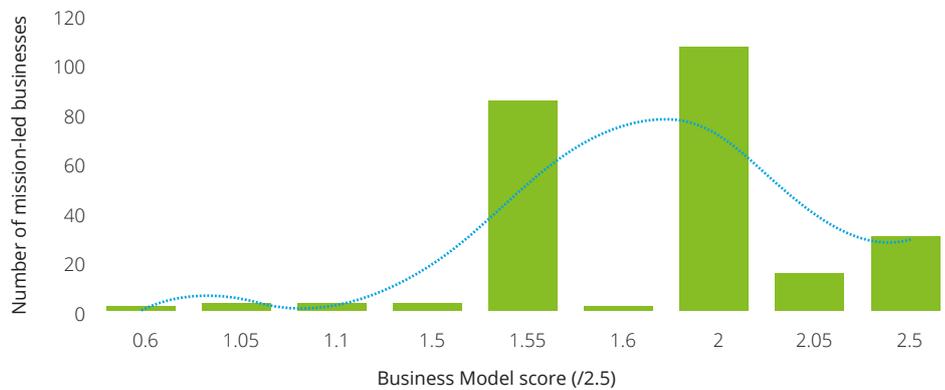
The relationship of the core commercial activity to the mission is determined by considering the alignment of products and services to the mission and how the company uses core operating assets to achieve the mission. The majority of mission-led businesses (56%) in the example set an aim to accomplish their mission through use of core business operating assets.

For example, *MicroEnsure* has a business model that directly addresses its mission to support people in emerging markets through improved access to insurance. It offers new forms of protection for its target audience across micro-health, political violence, crop and mobile insurance.

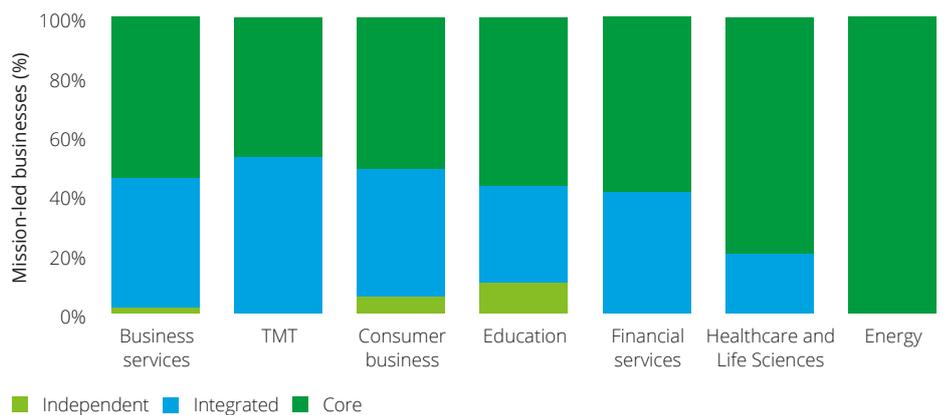
A working farm that we assessed, in contrast, looks to achieve its mission through activities adjacent to its core dairy business. Alongside production and sales of cheese and butter, the farm is dedicated to a mission of sustainability, harnessing natural resources to source electricity and gas from solar and biogas, generated from farm and dairy waste.

Mission-led businesses which use core operating assets to deliver their mission are more likely to be younger businesses, incorporated in the past decade and in the energy or healthcare sectors.

**Business Model scoring**



**Relationship of core operating assets to mission by sector<sup>2</sup>**



Notes: (1) Business Model accounts for 25% of the overall mission-led business score, subdivided into 'Core commercial activity/assets used for impact' (60%), which assesses the use of core operating assets as a proxy for the relationship of the core commercial activity to the mission and 'Profit distribution strategy' (40%) as reported on company websites or annual reports. (2) Only sectors with 10 or more mission-led businesses shown. Business services includes consulting, advisory, legal, marketing, and other business support services.

Other mission-led businesses look to achieve their mission outside core business activities and are more likely to be over 10 years old.

They are also more likely to be in the business services, TMT or consumer business sectors, where the business model may not directly lend itself to furthering a social mission.

# Business model: Profit and finance

Nearly a fifth of mission-led businesses in the example set publicise a commitment to use profits to further their mission, either through reinvestment or distribution to philanthropic organisations. Interviews highlight the importance of having investors that support the social or environmental mission.

## Profit distribution strategy

Whilst mission-led businesses are, by this report's definition, for-profit enterprises, distributing their profit as a contribution to a social or environmental mission can be an indicator of the strength of their commitment to mission.

The majority of businesses in the example set don't publicly describe the distribution of their profits. However, 19% offered a public commitment to either reinvest profits to further serve their mission or to distribute a proportion of profits to philanthropic organisations.

For example, *Mzuribeads* is an ethical bead company which aims to provide sustainable income for the Ugandan community. It invests profits to further its mission by establishing training programmes for women in the co-operative to become future leaders of the business.

*GiveMeTap* strives for everyone to have access to clean water. The company sells water bottles and reports that 20% of revenue from each bottle sold goes to the company's water project fund and gives five years of clean water to a person in Africa.

Some mission-led businesses (14%) have an explicit affiliation with a charitable foundation. These may be external to the company, for example, *Olleco* supports the charity 'Hospitality Action' which helps people in the hospitality industry. Other mission-led businesses have their own charitable trusts, for example, *Recycling Lives* and *Talentino* have their own registered charities which support their missions.

## Alignment of investor interests

For 70% of businesses in the example set, investor interests are clearly aligned with mission interests in that increasing impact is likely to go hand in hand with better financial returns.

In the remainder of cases, investors' financial interests are only somewhat aligned with mission interests. For example, if the business donates a fixed sum to charity each year or carries out mission-related activities that are independent of the core business, growth is not necessarily commensurate with a positive impact on the mission.

Mission-led businesses with aligned investor interests achieve a greater average mission-led business score overall (7.4) compared to those without (6.5).

Those in the TMT sector are less likely to have investor interests aligned with mission interests, while those in Healthcare and Lifesciences, and Financial Services are more likely to be aligned.

“Ensuring that you have the right investors on board can be key to the success of an organisation, as the wrong investors can sometimes compel a business to abandon or deprioritise their mission.”

Investment group working with mission-led businesses

# Governance and operations

A sixth of businesses in the example set incorporate commitment to mission in key governing documents and over a third explicitly mention how the mission is embedded across their operations.

A fifth of the overall mission-led business score depends on Governance and Operations.<sup>1</sup> This test quantifies how the mission is integrated into both governance structure and operations.

## Governance structure

The extent to which mission has been integrated into the governance structure of a business has been assessed through reference to publicly available governing documents.<sup>2</sup> Of the example set of mission-led businesses, 16% embed the mission into their articles of association.

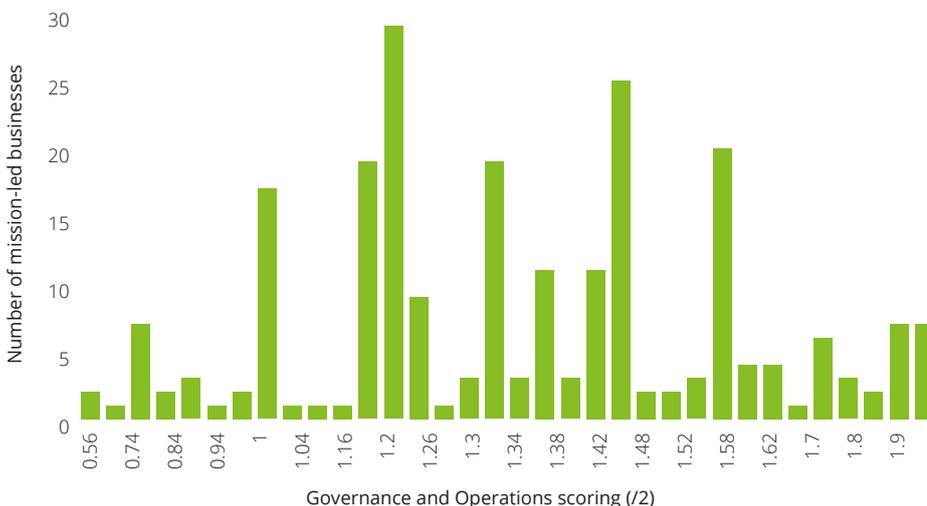
The articles of association of *Unforgettable*, for example, state: “the company’s purpose is the Social Mission, which is to improve the quality of life of all those living with dementia and other neurodegenerative diseases by creating the world’s best marketplace for dementia products and services”.

## Integration of mission into operations

According to company websites, 36% of mission-led businesses explicitly consider their mission across operating layers, including their back office and supply chain as well as customer service. For example, *Cafeology*’s mission is to be a 100% ethical business. They ensure products they sell have Fairtrade, Soil Association and Rainforest Alliance marks and they have direct links with producers in Central America and Africa. Suppliers and subcontractors are selected, in part, on their adherence to ethical purchasing principles.

For 56% of businesses in the example set the mission is not explicitly mentioned in relation to operations in publicly available documents, but the company implies that the mission is considered at all levels of the business. For example, the set of mission-led businesses includes a law firm which provides advice to charities and social enterprises. One of its pledges is to consider the wider environmental and ethical implications of actions at all times. This promise implies some level of integration into operations.

## Governance and Operations scoring



Notes: (1) Governance and Operations accounts for 20% of the overall mission-led business score, subdivided into ‘Governance structure’ (20%), primarily assessed using articles of association, ‘Mission integration in operations and ways of working’ (20%), ‘Impact activities integrated with mission’ (30%) and ‘Impact measurement’ (5% for any measure, 5% for quantitative measures) all assessed using company websites. (2) Largely through Companies House.

# Governance and operations: Impact reporting and leadership

Most businesses in the example set report on the extent to which they have achieved mission-related impact, but less than a third report this quantitatively.

## Impact measurement

65% of mission-led businesses in the example set report their social or environmental impact publicly, whether in an annual report or on a website. It is less common to quantify social impact (beyond financial performance), with 32% of all mission-led businesses reporting quantitative measures.

For example, *Enworks'* mission is to improve the environment and economy by engaging businesses in environmentally sustainable business practice. They provide both quantitative and qualitative measures of the cumulative savings clients have achieved with their help e.g. 13 million cubic meters of water.

An example of a mission-led business that does not quantify its social impact is one which enables property guardianships between landlords and people committed to voluntary work, giving them a cheaper place to live. Their website includes testimonials and case studies but does not currently offer a quantification of social impact.

Mission-led businesses that provide quantitative reports are more likely to be older and larger. Only 15% of mission-led businesses that are less than three years old report quantitatively compared to 56% of mission-led businesses aged over 30 years.

## Impact initiatives

The majority of mission-led businesses (62%) in the example set conduct corporate social responsibility activities (such as volunteering or fundraising) that are directly aligned to their mission.

*Social Bite*, a sandwich business which aims to solve social problems, aligns all impact-related activities to its mission to solve these issues. Profits either go to charities supporting homeless people or to feed 150 homeless people a day. Customers can also buy food for a local homeless person to collect later. The Social Bite Academy provides support to homeless people who want to find employment.

## Decision-making processes

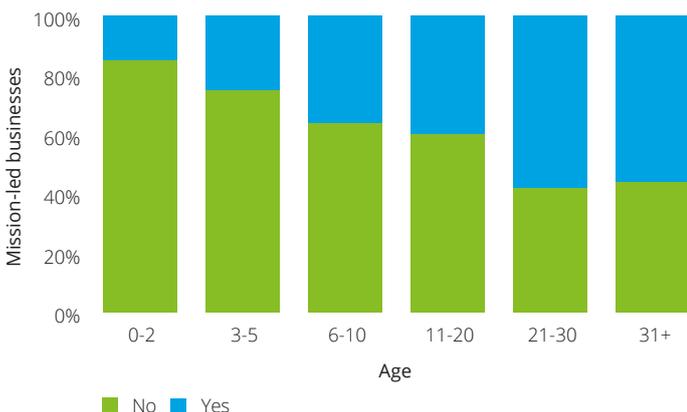
The mission-led businesses interviewed tend to have more informal hierarchies within their organisations, with 'flatter' leadership structures designed to make staff accountable for the mission. Exemplar mission-led businesses use impact reporting not just to appeal to clients but as part of their strategic and decision making processes.

## Leadership and equality

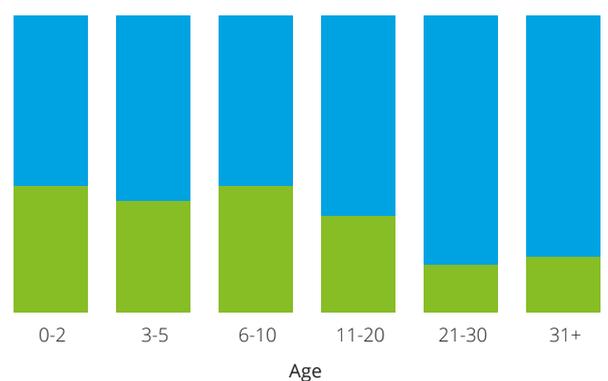
35% of mission-led businesses in the example set are led by women or minority ethnic groups. This can be compared to levels in the broader SME market where 20% of businesses are estimated to be majority led by women and 6% minority ethnic group led.<sup>1</sup> Furthermore, mission-led businesses that are led by women or ethnic minorities achieve a greater mission-led business score than those that are not (7.3 vs 7.0).

Notes: (1) Contribution of women-led and MEG-led businesses to the UK non-financial economy, 2014, Department for Business, Innovation and Skills.

## Quantitative impact reporting



## Any impact reporting



# External perceptions

Nearly half the businesses in the example set have been recognised for their social or environmental impact through awards or inclusion on sustainable business lists.

The final test of a mission-led business is the way it positions itself publicly and if it portrays itself as 'mission-led'. A proxy for this is external perception and whether the business is recognised as being socially or environmentally driven.

### Press reports and awards

Inclusion on a social award or impact list was used as a proxy for consumer recognition of the social or environmental impact made by businesses. 51% of the example set of mission-led businesses were included on one or more lists such as the FTSE4Good UK 50, GameChangers 500 or NatWest SE100.

### Examples of social and environmental impact awards



2% of mission-led businesses in the example set  
e.g. *Developing Youth Practice, Policy in Practice*



4% of mission-led businesses in the example set e.g. *Cause4, Patients Know Best, Social Stock Exchange, Mustard Seed*



11% of mission-led businesses in the example set  
e.g. *Good Energy, Paramo, Winnow, Neighbourly*

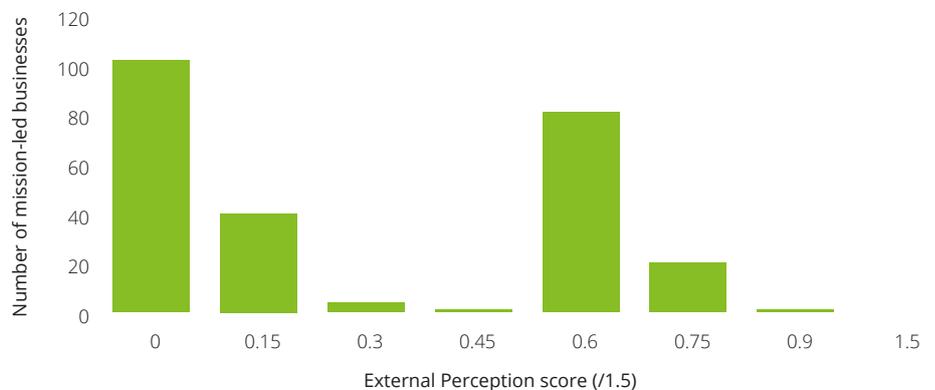


11% of mission-led businesses in the example set  
e.g. *Mazuma Mobile, Kiwi Power, Seawater Greenhouse*

Mission-led businesses interviewed indicated that being identified as mission-led had a universally positive impact on their business in terms of customer or client perception.

Notes: (1) External Perceptions accounts for 15% of the overall mission-led business score and is made up of 10% for presence on each of these lists: FTSE4Good UK 50, GameChangers 500, Guardian Sustainable Brands, NatWest SE100, Global 100 Most Sustainable Companies, B-Corps; and 40% for presence on any other list or award.

### External Perception scoring



### Brand perception

In the case of some larger companies, the mission is recognised as part of the brand e.g. *The Body Shop* and *Patagonia*, measured through social media reviews and other customer inputs.

Exploring mission-  
led businesses: What  
are the key insights  
into mission-led  
businesses?



Smaller mission-led businesses tend to have a higher score in the mission-led business assessment, suggesting that a smaller business is better able to maintain a focus on mission.

## Size and mission-led scores

The majority of businesses in the example set are small businesses; small businesses typically have a greater commitment to mission than the larger businesses profiled.

Mission-led businesses were classified according to size by the BEIS definition, i.e. small businesses have <50 employees, medium businesses 50-249 and large businesses 250+ employees. The small businesses figure also includes companies that do not report employee data, which is not a requirement for this classification.

### Behaviour of smaller mission-led businesses

There are a large number of small businesses in the example set. Smaller mission-led businesses tend to have a higher score in the mission-led business assessment, suggesting that a smaller business is better able to maintain a focus on mission.

Smaller mission-led businesses are also likely to have the following characteristics:

- Adoption of a **local** or **national focus** for their mission, while larger mission-led businesses are more likely to have a broad international focus;
- Be **younger** companies, less than 5 years of age, while the majority of large and medium mission-led businesses were over 10 years old; and
- Have a mission that is **core** to their commercial activities, while larger businesses are more likely to have mission-oriented activities which are adjacent to their core business model.<sup>1</sup> This may be because larger, older businesses have transitioned into mission-led businesses while smaller businesses in the set are more likely to have been founded as mission-led businesses.

Mission-led business numbers and score by size



Notes: (1) For example, a water and waste management company aims to work in a sustainable manner and support local community and environment

# Sector and mission-led scores

Mission-led businesses can be found in a wide range of sectors. The most commonly represented in the example set are business services, technology and consumer business.

## Leading sectors

Key sectors represented across the example set of mission-led businesses include:

- Business services;
- Technology; and
- Consumer Business.

The highest proportion of mission-led businesses in the example set is in business services. This implies a close relationship between providing support to other institutions and to wider society. This trend may also reflect the business development incentive for businesses in this sector to be a part of mission-led business networks and promote themselves publicly.

Mission-led businesses in some sectors are likely to have related missions.

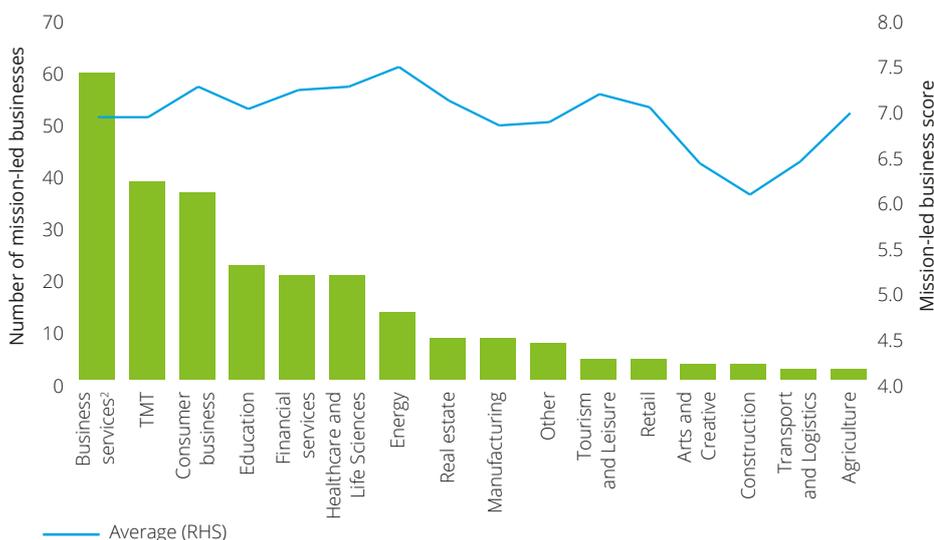
For example, 70% of mission-led businesses in the Healthcare and Lifesciences sector have a Healthcare related mission, and 85% of Energy businesses have an environmental mission. Where a sector has a natural relationship with socio-economic good, mission-led business scores tend to be higher.

A higher proportion of the mission-led businesses analysed from Consumer Business or Energy sectors were larger businesses compared to those in other sectors. This suggests that established businesses in these sectors may find it easier to transition to become mission-led. For example, *Seacourt* is a printing company that was established in 1946 but fifty years later realised the significant environmental damage the traditional printing industry caused. It is now a green printing company that uses waterless printing technology.

Leadership by a woman or ethnic minority is more common in mission-led businesses in some sectors, such as the Education and Healthcare and Life Sciences sectors. This reflects trends in the wider SME market.<sup>1</sup>

The highest proportion of mission-led businesses in the example set is in business services.

Mission-led business numbers and score by sector



Notes: Business proportions by sector are not intended to be statistically representative of the larger economy, as figures above refer to profiled businesses and are not statistically representative of the population. (1) Small Business Survey, Department for Business Innovation & Skills, 2014. (2) Business services includes consulting, advisory, legal, marketing, and other business support services e.g. *Futerra*, a change consultancy and *Policy in Practice*, a consultancy that aims to make government policy simple to understand

“As time goes by, it becomes harder for mission-led businesses to retain long-term mission and original governance structure, particularly with changes in ownership and investors.”

Consultant to a large mission-led business

# Age and mission-led scores

The majority of businesses in the example set have been incorporated since 2010, with only a small minority having been incorporated over 30 years ago.

### Younger mission-led businesses

The majority of businesses in the example set entered the market over the last 15 years, with the majority of those profiled launched between 2010 and 2015. Potential reasons for this development are broad, ranging from increased awareness and cultural recognition of ‘mission’ to increased support from government.

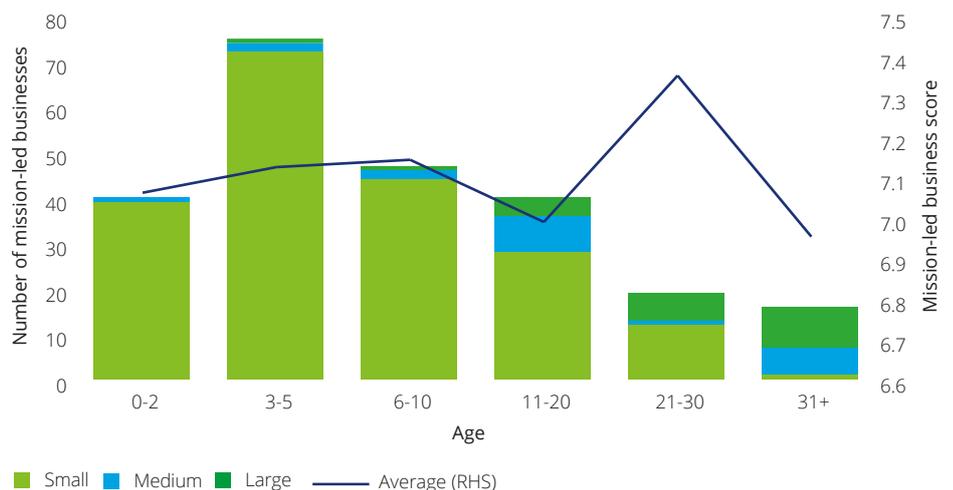
Interviews suggest that there may be a point of ‘peak maturity’ for mission-led businesses, after which it is harder to maintain focus on mission and original goals as investors and leadership change.

This is indicated by high scores for businesses between 21-30 years old and low scores for businesses over 30 years old. Interviews also suggest founders typically neglect succession planning which may contribute to this dynamic.

Younger mission-led businesses have a range of particular characteristics:

- Younger mission-led businesses are more likely to be **smaller businesses**, while businesses over 20 years old are more likely to be medium and large businesses;
- Younger mission-led businesses are less likely to **report quantitatively on impact** (see page 17). Interviews suggest that this is because they are challenged in terms of both capital and capacity; and,
- Younger mission-led businesses are more likely to have a mission that is **core to the business model**. This implies that they are established as mission-led businesses and are structured to focus on the mission (see page 20).

Mission-led business size and scores by years since incorporation date



# Geographical focus and mission-led scores

Nearly 70% of businesses in the example set operate at a national level and a fifth have an international focus.

## Geographic breakdown

The majority of the example set of mission-led businesses profiled have a national focus (68%). Profiled businesses operate across all areas of the UK although interviews indicate that networks tend to be London-centric.

A significant proportion have an international focus (20%), often distributing profits to mission-oriented activities abroad, for example *Falcon Coffees* supports coffee farmers in rural communities across the world and *Climate KIC* supports innovation in dealing with climate change in Europe.

A smaller group of mission-led businesses have a regional or a local focus, engaging a local population in their mission through business activities.

Businesses with a local focus are more likely to have:

- Slightly **stronger commitment** to mission than those with a broad remit across national and international markets. This may indicate that businesses find it easier to commit to a mission if it is narrower in geographical scope; and
- A mission dedicated to **educational and community goals**. Regional businesses are similar in mission motivation to local businesses, but are also more likely to support small businesses. Internationally-focused businesses are more likely to have an environmental goal as their mission.

## Mission-led business footprint (by volume)



“The share of conversation around networks and policy-making is very London-centric. As a business based outside London, we were definitely at a disadvantage as the network for social organisations is patchy outside of London.”

Mission-led business based in Birmingham

Notes: The stated geographical operating area of businesses was used to categorise their geographic footprint. Local refers to mission-led businesses that operate on a city or town level (or below) e.g. Leeds, while regional refers to firms operating in a larger area but not on a national level e.g. South of England

“We chose to be a private limited company because we want to create a drive for change and enable people to help themselves while doing business, instead of just giving them resources with a more charitable model.”

# Corporate form

Mission-led businesses can take any legal form that enables profit distribution and often choose to be private limited companies in order to have more control over their business.

### Legal type

The majority of the example set of mission-led businesses profiled are private limited companies (82%). A small proportion are public limited companies (PLCs; 5%). PLCs are more likely to have a mission with an international focus than private limited companies.

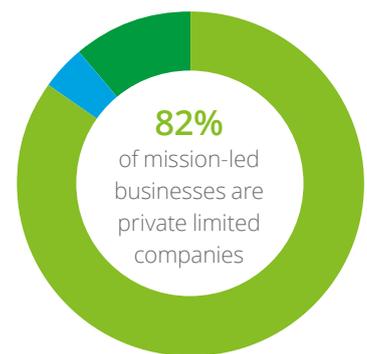
The 12 public limited companies span a range of sectors such as Consumer Business (e.g. *The Body Shop*), Energy (e.g. *ITM Power*) and Financial Services (e.g. *Unity Trust Bank*).

Other corporate forms include co-operatives (e.g. *The Southern Co-operative*), limited liability partnerships (e.g. *Empower Community Management LLP*), and unincorporated associations (e.g. *Vandanamu Ethical Cottons*).

### Exclusions to legal type

As enterprises with the freedom to make and distribute profit, mission-led businesses are by this report’s definition organisations with legal structures that are not charities, CICs or CLGs.

This is not to say that companies with these legal structures do not have a mission or that it does not lead their actions, indeed in most cases, they are “mission-led”, but they are not the particular focus of this report or the broader Mission-led Business Review.



■ Private limited ■ Public limited ■ Other

‘Other’ includes co-operatives, limited liability partnerships, partnerships, unincorporated associations, unknown.



# Innovation

Mission-led businesses incorporated in the last three years tend to have innovative business models.

Of the example set of mission-led businesses, 34% have an innovative business model, defined in this context as one that behaves in a fundamentally different way to other businesses operating in their sector.

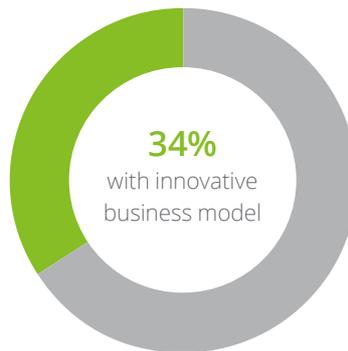
For example, *2|Events* is a venue and events management company that proactively supports local schools by facilitating hire of school facilities.

Use of an innovative business model is much more prevalent in younger organisations, and ranges from 55% in those under three years old to 6% in those over 30 years old.

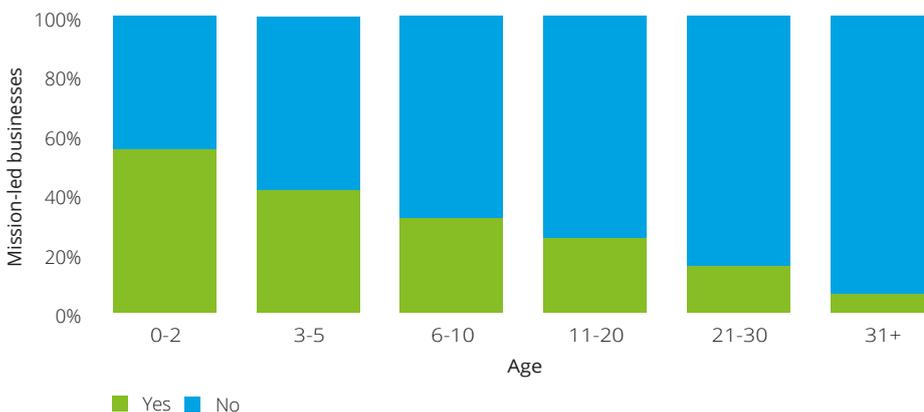
A higher proportion of mission-led businesses in Energy (69%), TMT (55%) and Healthcare and Life Sciences (55%) sectors have innovative business models. Similarly, a higher proportion of mission-led businesses with a Healthcare related mission are innovative (54%).<sup>1</sup>

Mission-led businesses have different goals from the broad swathe of their competitors, encouraging if not demanding creative and innovative approaches to the market.

**Proportion of mission-led businesses with innovative business models**



**Mission-led businesses with innovative business models by age**



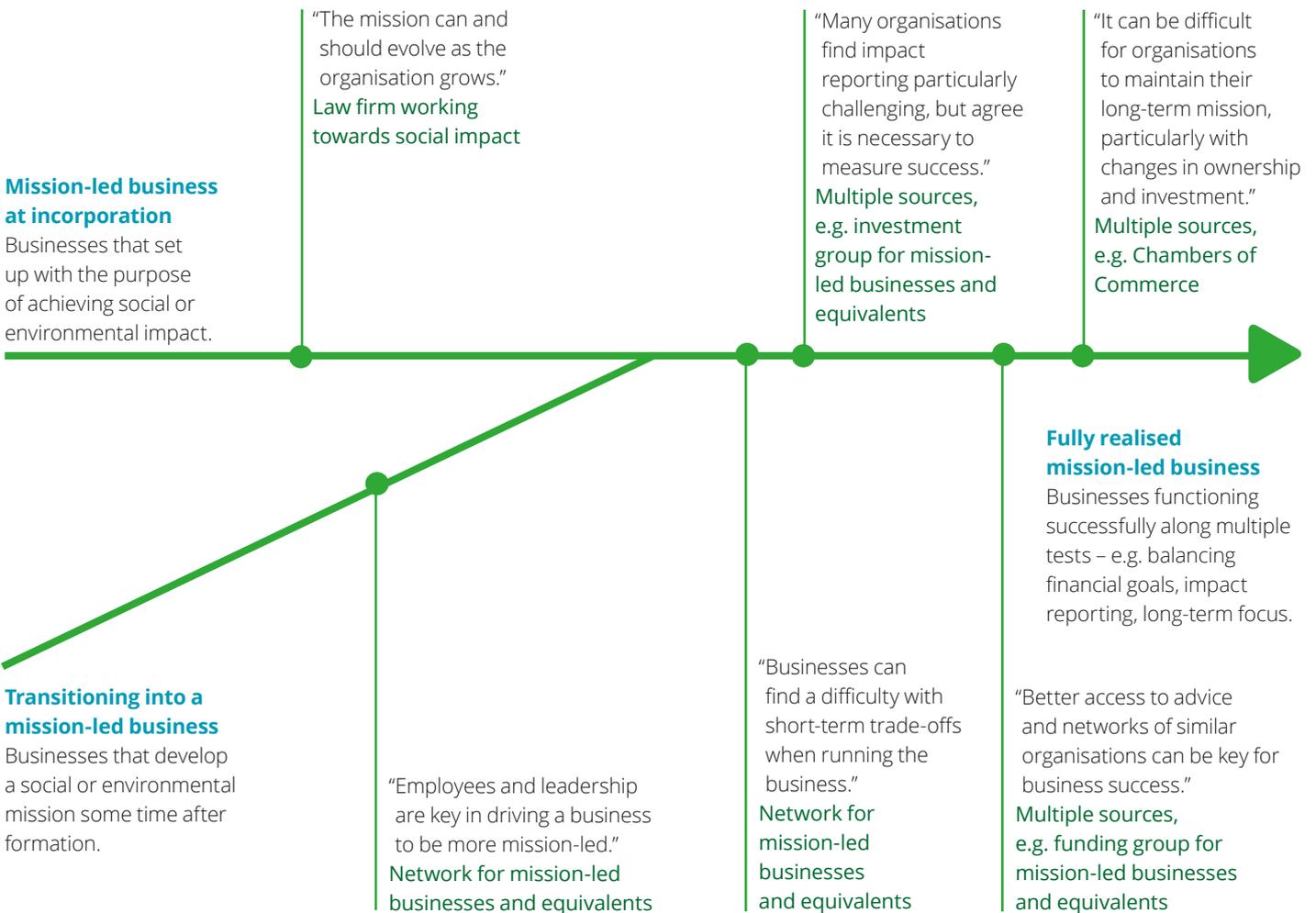
“We aim not just to have a mission but to be actively disruptive in the space with our solutions for the issues we are trying to tackle.”

Award-winning mission-led business

Notes: (1) Healthcare related missions include Healthcare and Improving physical and mental wellbeing

# Developing a mission

Businesses take different paths to becoming mission-led. Some begin with mission as a core objective, while others transition to adopt a mission at a later stage.



# Conclusion: Looking ahead



Where companies exist not just to make a profit, but to add value to customers, partners, shareholders, employees, and suppliers, they are able to scale and achieve sustainability.

# Mission as virtuous circle

Commitment to a mission can drive both social/environmental impact and growth of the business. In turn, these benefits reinforce the mission which continues to drive benefits, forming a virtuous circle.

## Benefits of mission

The benefits of business commitment to mission are deep and wide ranging.

- Business support can be transformational, for the environment, local communities or wider society. For example, *Neighbourly* has facilitated the pledging of nearly £4m to social organisations and causes.
- Mission can also drive business success. Every business interviewed said they felt their mission had been a competitive advantage, in terms of attracting and retaining high-quality employees, and differentiation to clients. Mission can thus also contribute to success by reducing risk and increasing sustainability. Mission-led businesses appear to be at least as large on average as other businesses, and a growing body of literature points to the tangible impact of mission for business growth.<sup>1</sup>
- Today's economy rewards businesses which have a holistic look at their role in society. Where companies exist not just to make a profit, but to add value to customers, partners, shareholders, employees, and suppliers, they are able to scale and achieve sustainability.

In turn, as mission-led businesses grow as businesses, their ability to have a greater impact grows too.



## Key policy challenges

Policy makers are looking to encourage more businesses to make a commitment to social and environmental impact and to help sustain and scale mission-led businesses. Insights generated from profiling and interviews with mission-led businesses point to a range of critical challenges for the future in three broad stages of the business life-cycle:

1. *Creation*: How can we support new start-ups to commit to a social or environmental mission? What support is required?
2. *Sustaining*: How can we help mission-led businesses retain their commitment to mission?
3. *Scaling*: How can we support mission-led businesses to grow in a fast-moving business environment?

Notes: (1) 22 Research studies proving the ROI of sustainability, Sustainable Brands, 2016

# Key challenges faced by mission-led businesses

The creation, sustaining, and scaling of mission-led businesses in the UK is important to further develop the virtuous circle, but businesses face a number of challenges at these stages.



Creation

- **Creating new mission-led businesses:** Businesses that did not have access to quality advice often chose their legal structure randomly. Almost universally, businesses interviewed felt that being located outside London was a disadvantage to gaining advice critical at these early stages.
- **Existing businesses wishing to adopt a mission:** Those familiar with the sector suggested that leadership and employee sentiment were the most influential factors in whether a business was able to transition into being mission-led, and many large companies struggled with this transition.



Sustaining

- **Monitoring and reporting impact:** Mission-led businesses described impact reporting as a challenge in interviews, particularly for smaller and newer businesses. This was reflected in the profiling where only 32% reported quantitative measures of impact and younger businesses were even less likely to report quantitatively, (15% of those <3 years old).
- **Maintaining a long-term strategic commitment to mission:** Not all mission-led businesses think about their long-term goals and sustainability, and advisors warned that 'mission-drift' was a major risk many mission-led businesses faced. Only half of the mission-led businesses in the definitional analysis publicised a specific long-term commitment to mission.



Scaling

- **Improving the efficiency, and effectiveness of mission-led businesses, particularly in terms of financial sustainability:** Mission-led businesses can struggle with financial sustainability. Financial challenges can be contributed to if the business turns down opportunities that do not fit the company mission or values. Some mission-led business founders also stated that they come from a public sector or charity background and did not necessarily have the right financial or business experience, which can be particularly disadvantageous when a business is trying to grow.
- **Differentiating mission-led businesses from non-mission-led businesses to customers:** Aiding mission-led businesses in building public awareness of their model and their support requirements is important, as mission-led businesses (particularly those in more conservative sectors) have faced significant challenges on this front. The scale of the sized mission-led business 'market' suggests that there is huge potential for increased recognition. The Social Value Act<sup>1</sup> is seen to be good in theory, but mission-led businesses often face challenges in application. Many suggested that commissioners continue to choose their preferred suppliers and find 'work-arounds'.
- **Supporting scale-ups:** A subset of mission-led businesses are scaling rapidly and require specific support such as accessing talent, developing leadership, increasing customer sales, accessing finance and accessing infrastructure. This support may come from ecosystems being set up by the Scale-Up Institute around the country.<sup>2</sup>

Notes: (1) The Public Services (Social Value) Act requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. (2) The Scale-Up Report on UK Economic Growth, Sherry Coutu CBE, 2014

# Possible responses

In order to address the challenges faced by mission-led businesses, a number of possible solutions would be helpful to businesses across specific support, advice, tools and regulation.

## Support and advice

Good advice and access to networks are invaluable to a mission-led business's success, particularly at the early stages. Providing this access to businesses outside of London is necessary to bridge the current information gap. Areas that these networks and advice must address are:

- **Good financial advice:** This is necessary to help mission-led businesses find investors aligned to their mission goals. Analysis shows that those mission-led businesses with aligned investor interests tend to score higher, suggesting they are more financially successful. Training and advice on financial planning is also important, as a number of mission-led business founders have no prior business experience. Advice about the implications of choice of corporate form was also considered to be required.
- **Development networks and advisors:** Mission-led businesses felt that access to networks of mission-led businesses similar in mission or size was the most helpful in tackling business challenges. Alternatively, pairing smaller mission-led businesses with those that are larger could aid them in specific scaling challenges and impact reporting. Being part of incubators, accelerators, or receiving advice from larger firms (e.g. the Deloitte Social Pioneers Programme) was also rated as highly valuable to the development of a mission-led business. We also heard from businesses like *Rubies in the Rubble* that sector networks can be more helpful than mission-led business networks.
- **Long-term sustainability:** Mission-led businesses that are most successful in thinking about long-term sustainability are flexible in their operations, continuing to evolve and adapt their approach to issues based on the needs of the market, while being true to the spirit of the mission. Advice on sustainability should cover succession planning for founders.

The prevailing view is that it is easier for well established businesses to gain access to advice and networks. This may suggest mentorship programmes and alliances between large and smaller businesses could be effective and could provide advantages to both.

## Tools and regulation

Interviews and incorporation dates of mission-led businesses suggest that trends in the market are changing, both in terms of consumers and employees recognising mission-led businesses and wanting to be associated with them. Several mission-led businesses such as *Reason Digital*, *Cause4* and *Pop Up Business School* said that despite turning down opportunities not matching their mission and reducing the potential short term revenues, they felt that abiding by the mission had been advantageous in the longer term.

Interviews with mission-led businesses suggest that they feel existing regulation is sufficient in meeting their needs, and that adding anything further would only 'box businesses in'. Useful tools and applications of regulation would include:

- **Standardising impact reporting:** Several impact reporting frameworks are being developed in order to help businesses have more standardised ways of reporting their impact, particularly by using real-time data. Organisations such as *Neighbourly*, *Social Value UK*, *Reason Digital* and others have worked on this. Whilst complex, standardising and increasing access to these tools for all mission-led businesses is critical.
- **Online resources available nationwide:** Some businesses suggested that online access to tools and advice could be useful in bridging the network gap for businesses outside London.
- **Applying the Social Value Act:** Stronger application of the Social Value Act by commissioners would help give mission-led businesses a greater competitive advantage, and help the act achieve its intentions to increase social and environmental impact.

Source: All content drawn from interview inputs and example set analysis

# Areas for further research

This report characterises the mission-led business market and provides a foundation for further research into this area, particularly in quantifying sub-segments of the market and investigating challenges that mission-led businesses face.

## Impact reporting

Mission-led businesses vary widely in the degree to which they report their impact, and quantitative reporting is particularly rare for younger businesses. Interviewed mission-led businesses highlight logistical and financial difficulties in establishing reporting mechanisms, particularly in early stages. Certain tools and frameworks have already been developed to assist businesses with these, but determining where they are available is the first step in standardising the process and making it accessible to all businesses.

## Transitions to mission-led businesses

Some businesses transitioned to become mission-led businesses once they were already established, rather than being incorporated with the mission already in mind. A sub-set of these businesses could be identified and studied to explore the reasons behind the transition, the challenges faced and how it has affected the business. It may be that more businesses would consider transitioning to become mission-led businesses if there is particular support available, or if the benefits of doing so are clear.

## Mission sustainability and mission drift

Interviews and examination of the example set suggest that as mission-led businesses grow they risk losing focus on their mission (see page 22), experiencing 'mission drift'. Further research is required to determine whether this is a common problem and what type of support might mitigate this risk.

## Other businesses

Many businesses have material social impact but don't meet our criteria for mission-led business. These could be investigated further and characterised. It may be that these companies are more likely to transition to mission-led businesses in the long term.

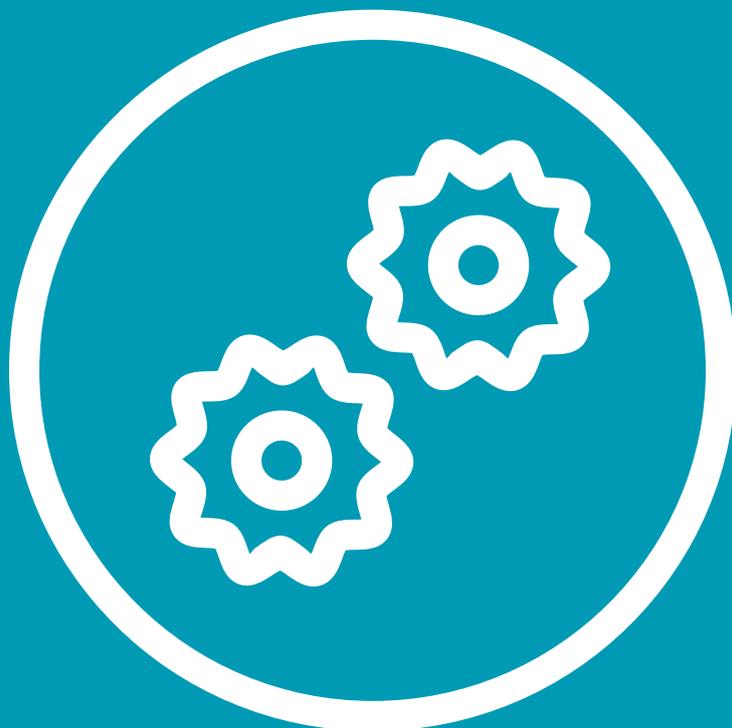
## Representative sample of mission-led businesses

The definitional characteristics of mission-led businesses were explored using an example set of mission-led businesses which were compiled using a variety of sources. While there is no inherent bias to this list, it is not a statistically representative sample and results can only be considered to be indicative of the wider market of mission-led businesses. A random sampling approach (similar to that used to size the mission-led business market) could be used to make conclusions about detailed characteristics of mission-led businesses. Some of the areas of interest are:

- **Sector:** Preliminary analysis suggests that business services, TMT and consumer business make up the largest proportion of mission-led businesses and that those in consumer business are larger than in other sectors. It may be that this is the case because consumer-facing companies are more likely to transition into mission-led businesses.
- **Size:** Analysis of the example set of mission-led businesses indicated that smaller mission-led businesses are more likely to have a mission that is core to the central business activity.

- **Geography:** Geographical spread of mission-led businesses throughout the UK should be explored and used to inform future decisions about location of support groups and advice networks, as well as drawing lessons from international practice.
- **Leadership:** It appears that mission-led businesses are more likely to have women or minority leadership than the wider SME population. This may be due other factors such as sector composition; the mission-led business market may be weighted in favour of sectors which have a greater representation of women and minority leadership. If it is not a product of the composition of the market, this may be explored further with women and minority business leadership groups.

# Appendix A: Methodology: Sizing the mission-led business market



# Methodological approach & challenges

The size and scale of the mission-led business market was assessed using a random sampling approach.

## Market sizing approach

A sampling method which gave a pre-specified level of confidence in the estimates of volume, revenue and workforce of mission-led businesses was used.

- An initial database of ~4.56m private sector businesses in the UK was compiled. The database was split into two segments broadly reflective of business size:<sup>1</sup> businesses with reported turnover or financial information (~1.08m) and businesses with no reported turnover or financial information (~3.47m).
- To be 95% confident that estimates would be within +/-7% of the result, the n (sample) was backwards inducted from the N (population), giving c.300 businesses
- Random samples of businesses were drawn from each segment, representative of sector (see page 36). 300 businesses were sampled from the segment with financial information. 200 businesses were sampled from the segment without financial information.
- Each sample was screened along an assessment gateway to identify whether it declared intent to contribute to a wider social or environmental mission and was suitable for further analysis. Businesses that passed the gateway were then tested along nine agreed definitional criteria which were weighted to deliver a final score out of 10.0. Organisations that scored greater than 5.0/10.0 qualified as 'mission-led businesses'. Analysis of these businesses was then conducted through in-depth review of publicly available information on company websites and on Companies House.

- Alongside the volume of mission-led businesses, information on revenue and employee size were captured to enable overall market estimates.

## Exclusions and replacements

Businesses whose legal status was that of a CIC, charity or CLG were not considered mission-led businesses as they have regulatory constraints on how they distribute their profits (e.g. an asset or profit lock).

Inactive businesses, businesses in the process of being dissolved or going into administration, and businesses with no publicly available information were all replaced in the sample with other randomly selected businesses from the same sector.

## Key challenges and limitations to this approach

Accuracy of assessment reflects the public availability of information on the business (e.g. company website or Companies House). This includes financial reporting, legal status, number of employees and sector information. As many of the companies tend to be smaller in size, this information is limited.

The sample of businesses with financial information is sufficient to provide statistically confident estimates of mission-led business market share in terms of revenue. However the sample size is too small to infer statistically relevant findings for other segmental attributes e.g. sector or size.

The sample of businesses with financial information is sufficient to provide statistically confident estimates of mission-led business market share in terms of revenue.

Note: (1) Companies meeting two of the following criteria do not have to report their turnover, although they may still choose to do so: (i) Turnover <£6.5 million, (ii) Balance sheet <£3.26 million, (iii) Employees <50.

# Understanding market statistics

Sampling techniques provided an overall estimate of mission-led business market volume, revenue and workforce.



## Volume of mission-led businesses

Of the 1.08m businesses with reported turnover or financial information, 3.4% qualified as mission-led businesses. This was extrapolated to indicate a total of 36,720 mission-led businesses. There is 95% confidence in this figure with +/- 5.6% accuracy.

Of the 3.47m businesses with no reported turnover or financial information, 2.5% qualified as mission-led businesses, implying a total 86,750 mission-led businesses. There is 95% confidence in this figure with +/- 6.9% accuracy.

The two figures added together established the estimated overall number of mission-led businesses at 123,470 (2.7%). Considering the statistical confidence of the figures, the estimated range of the number mission-led businesses in the market is 115k-132k.

## Mission-led business revenue

BIS Business Population Estimates 2015 indicates a total revenue in the UK private sector of £3.83tn. That is split by 67% revenue for large and medium businesses and 33% for small businesses.

Mission-led businesses made up 4.7% of the revenue of companies that report financial information, implying mission-led business revenue is £120bn. To estimate the revenue of mission-led businesses that do not report financial information, we assume that the ratio of the revenue of those reporting financial information to those that do not is the same as for the volume, and infer that revenue of this segment is £43.7bn.

Adjusting for the smaller proportion of mission-led businesses in the sample of businesses that did not report financial information, mission-led business revenue made up 3.5% of the segment total. The sum of the two revenue figures established the estimated overall revenue of mission-led businesses as £164bn (4.3%). Statistical confidence in this figure relies on the assumption that mission-led businesses behave similarly whether they report financial information or not and that the segments map closely to the split in business size and revenue as set out in the BIS Business Population Estimates 2015.

## Mission-led business workforce

UK Labour Market, August 2016 statistics from the ONS indicate that the total workforce in the UK private sector is 31.6m. This is split by 52% within large and medium businesses and 48% in small businesses.

Mission-led business made up 5.1% of the segment total workforce within the sample of businesses reporting financial information. This implies a mission-led business workforce within the segment of 837,873. Adjusting for the smaller proportion of mission-led businesses in the sample of businesses that did not report financial information, mission-led businesses made up 3.8% of the segment total workforce. This implies mission-led business workforce within the segment of 568,693.

The two figures added together established the estimated overall mission-led business workforce at 1.41m (4.5%). Statistical confidence in this figure relies on the assumption that mission-led businesses behave similarly whether they report financial information or not and that the segments map closely to the split in business size and workforce as set out in the UK Labour Market August 2016 statistics.

# Qualifying mission-led businesses

A random sample of businesses included a number of qualifying mission-led businesses.

## Explaining our sample

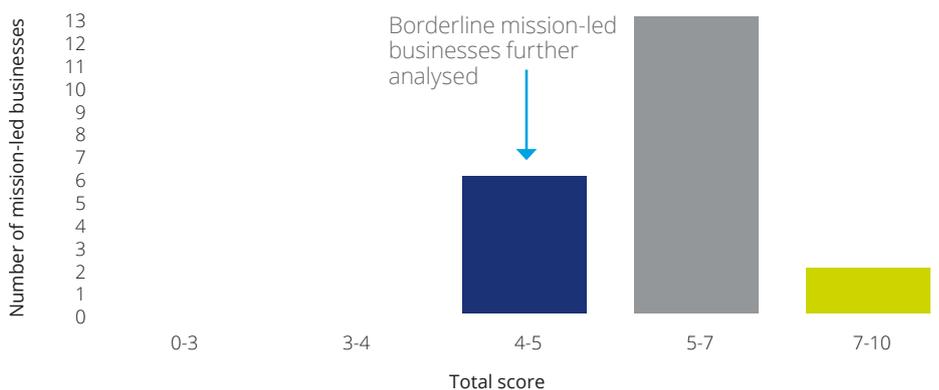
- The majority of businesses (89%) were profit-focused with no indicated commitment to a social or environmental goal.
- A number of mission-oriented businesses were excluded (8%) as they did not enact their stated mission through their activities. For example, one organisation championed sustainability, but did not commit to sustainable business practices themselves. Other organisations were excluded because they were charities, Community Interest Companies (CICs), or limited by guarantee (CLG).
- The remaining businesses were mission-led businesses.

## Distribution of mission-led business scores

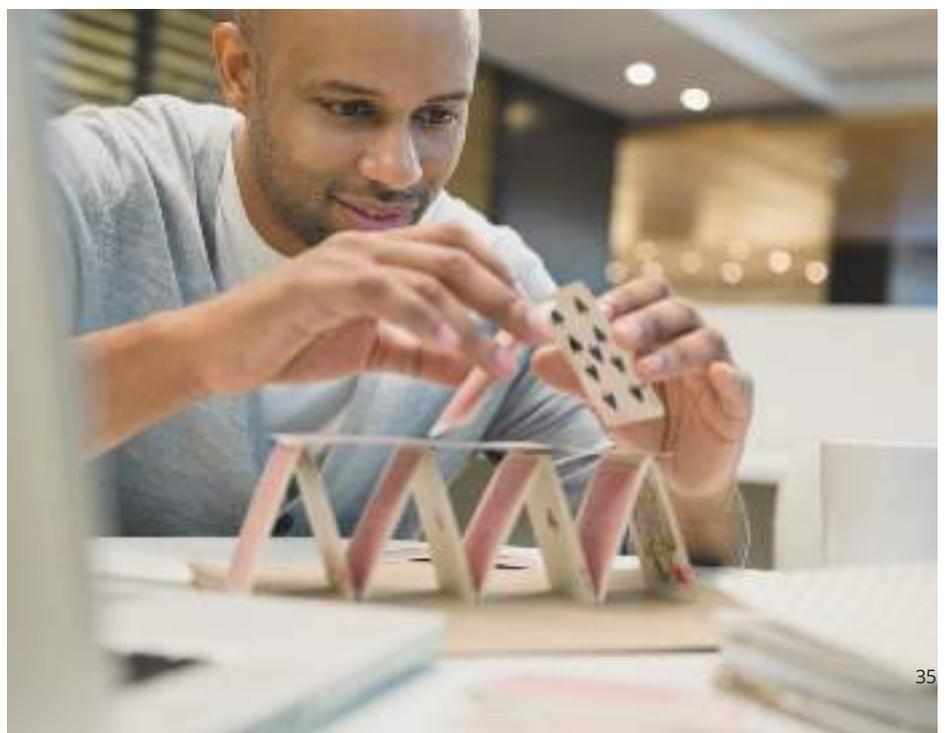
A range of different kinds of companies selected in the random sample qualified as mission-led businesses. For example:

- *Health Partners International* and *Suma Foods* scored strongly, as businesses with a clear and focused mission, that integrate it into almost all aspects of the organisation, including day-to-day activities; and
- Organisations scoring lower on the criteria tended to have a mission integrated into strategy, but scored weaker on areas around impact reporting and integration with business activities.

Organisations sampled (500)



Source: Deloitte analysis



# Sector representation

## Reflecting the market

To enable a fair statistical estimate the sample of businesses assessed was structured to reflect the sector breakdown of the wider market.

Size of business (turnover)	% of database	
<£50k	79.0%	
£50-£100k	4.8%	
£100k-£500k	9.4%	
£500k-£1m	2.2%	
£1m-£10m	3.5%	
>£10m	1.2%	

Size of business (employees)	National %	% of database
0	76%	77.9%
1-49 (small business)	23.3%	20.4%
50-249	0.6%	1.3%
250+	0.13%	0.4%

Location*	National %	% of database
England and Wales	93.3%	86.2%
Scotland	5.2%	8.1%
Northern Ireland	1.4%	1.6%

Sector	National	Database
Agriculture, Forestry and Fishing	3%	1.5%
Mining and Quarrying, and Utilities	1%	0.6%
Manufacturing	5%	3.8%
Construction	19%	7.8%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	10%	9.3%
Transportation and Storage	5%	2.1%
Accommodation and Food Service Activities	4%	4.7%
Information and Communication	6%	6.3%
Financial and Insurance Activities	2%	2.0%
Real Estate Activities	3%	4.0%
Professional, Scientific and Technical Activities	15%	10.0%
Administrative and Support Service Activities	8%	7.3%
Education	5%	2.3%
Human Health and Social Work Activities	7%	5.0%
Arts, Entertainment and Recreation	5%	2.4%
Other Service Activities	6%	5.1%
Missing	-	24.1%

\* Note: Percentages do not add up to 100 as some company information is missing

Source: Business Register and Employment Survey, ONS, 2014

# Appendix B: Methodology: Profiling mission-led businesses



# Methodological approach & challenges

The profile of the mission-led business market was assessed using an example set of known mission-led businesses.



## Profiling known mission-led businesses

A number of companies known to share many characteristics of a mission-led business were gathered from a wide variety of sources. These included recipients of various awards designed to recognise the social impact of a business, investment and funding networks likely to include mission-led businesses, OSCI contacts, Deloitte internal contacts and programmes, businesses self-identifying as having a social purpose, and various other sources.

This list originally consisted of nearly 1000 organisations. All businesses included in the example set passed the assessment gateway and were not CICs, charities or CLGs and had an environmental or social mission that is considered in the business strategy. This left approximately 350 organisations that were tested using the detailed metrics in order to determine qualifying mission-led businesses, leaving 250 businesses.

These businesses were examined qualitatively on a number of measures in order to gain detailed information about the profile of the mission-led business market.

## Key limitations

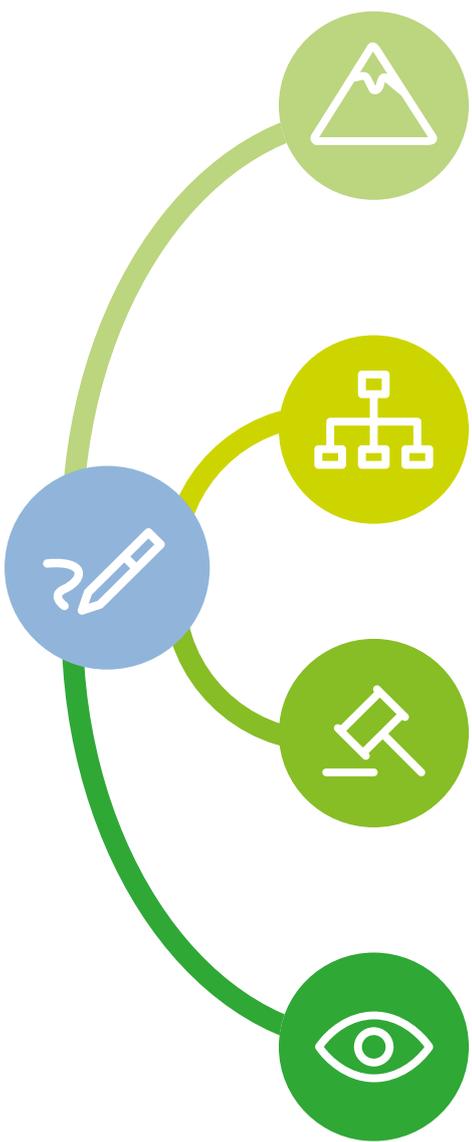
As many of the mission-led businesses are smaller in size, they are not required to report their financial information to any public bodies. They may still choose to do so, but many do not.

As a result information and analysis relating to profitability and growth are inferred from available data and do not reflect a statistically confident view of the entire market.

# Criteria weighting

## Tests

In conducting an assessment, criteria relating to each test are weighted by relative importance, with intent the key determinant of whether a company is a mission-led business. The approach is designed to be flexible.



Description	Weighting	Sub-dimension	Sub-weighting
Strength of strategic commitment to a social or environmental mission	40%	1. Central ambition	80%
		2. Long-term commitment	20%
Centrality of mission in core business activity and profit distribution	25%	3. Core commercial activity	60%
		4. Profit distribution	40%
Integration of mission across governance, business operations and ways of working	20%	5. Governance structure	20%
		6. Mission integrated in operations and ways of working	40%
		7. Impact-related activities integrated with mission	30%
8. Impact reporting			10%
Public recognition for business commitment to mission	15%	9. Press reports and awards	100%

# Intent

## Quantitative Research Methodology

This test measures the degree to which social impact is integrated into the company's overall strategy and long-term mission.

Total Weight	Sub-Dimension	Sub-Dimension Weight	Metric	Response Score	Assessment method	Example of high-scoring mission-led business
40%	1. Social Impact Integration in Global Strategy	80%	Inclusion of social or environmental impact as central purpose in mission statement or elsewhere	Yes (10) No (0)	Company website, especially 'Home' and 'About us' section. If available, use annual report	All companies which meet the definition of a mission-led business score the maximum
			Perception of integration of mission into overall business strategy based on annual report/website	Core (10) Integrated (7) Independent (4) Nonexistent (0)	Company website, especially 'Home' and 'About us' section. If available, use annual report. Assess how business strategy relates to the stated mission	<b>Oomph!</b> Mission is to improve the health and well-being of older adults  The business strategy is to do this through training support care staff to deliver exercise and activity sessions
	2. Long-term Strategy	20%	Long-term commitments made to mission	Specific (10) Somewhat (5) No (0)	Company website. If the mission is core to the business and the only business activity the company undertakes, then this is also determined to be a specific long-term commitment	<b>ClimateCare</b> Mission is to tackle sustainability challenges such as climate change and poverty  Commits to cutting 20 million tonnes of CO <sub>2</sub> and improving the lives of 20 million people by 2020

# Business Model

## Quantitative Research Methodology

This test measures the extent to which a mission is central to core business activity and profit distribution.

Total Weight	Sub-Dimension	Sub-Dimension Weight	Metric	Response Score	Assessment method	Example of high-scoring mission-led business
25%	<b>3. Core business operating assets used for impact</b>	60%	Assessment of extent of which core commercial activity (i.e. what the business does to make money)/ assets used in order to create impact/ achieve mission	Core (10) Integrated (7) Independent (4) Nonexistent (0)	Company website, to assess the use of core operating assets as a proxy for the relationship of the core commercial activity to the mission	<b>Give Vision</b> Mission is to help those with varying levels of sight loss to help them to see the world better  Company does this through developing and delivering new wearable technology
	<b>4. Profit Distribution</b>	40%	Means and purpose of distribution of profits (if any)	Impact-led (10) Not mentioned (5) Largely for investors (0)	Company website and annual report (if available). Search for whether profits are reinvested in company to increase impact of mission or a proportion of profits are distributed to divisions or charities that carry out the mission	<b>GiveMeTap</b> Mission is for everyone to have clean water. Up to 20% of revenue from each bottle sold goes to the company's water project fund and gives five years of clean water to a person in Africa
	<b>Investor Interests</b>	N/A	<i>Alignment of investor interests with business interests (how growth of the business ties into growth of impact)</i>	Unable to score	<i>Not included as part of the scoring criteria due to difficulty determining alignment using publicly available documents</i>	N/A

# Governance and Operations

## Quantitative Research Methodology

This test quantifies the mission priorities of a given organisation through the company's governance, activities, the degree to which existing capabilities are utilized as well as the level of overall integration.

Total Weight	Sub-Dimension	Sub-Dimension Weight	Metric	Response Score	Assessment method	Example of high-scoring mission-led business
	<b>5. Governance structure/ articles of association</b>	20%	Extent to which mission is embedded in key governing document (e.g. governance structure, articles of association)	Yes (10) Somewhat (5) No (0)	Check whether Articles of Association (in Companies House) embed the mission in the Objects of the company  Company website or annual report also used if governance structure is available	<b>Unforgettable</b> The Articles of Association state: <i>"the company's purpose is the Social Mission, which is to improve the quality of life of all those living with dementia and other neurodegenerative diseases by creating the world's best marketplace for dementia products and services"</i>
20%	<b>6. Mission integrated in operations and ways of working</b>	40%	Perception of the level of integration of mission into business model across operations/ divisions/products/ supply chain etc. based on organisational structure	Core (10) Integrated (7) Independent (4) Nonexistent (0)	Company website, to determine whether mission is considered across operations. If this is not explicitly mentioned, the company cannot score >7 even if the website implies the mission is considered across the business	<b>Cafeology</b> Mission is to be a 100% ethical business. They ensure products sold have Fairtrade, Soil Association and Rainforest Alliance marks. The company has direct links with producers in Central America and Africa. Suppliers and subcontractors are selected, in part, on their adherence to ethical purchasing principles

# Governance and Operations (continued)

## Quantitative Research Methodology

This test quantifies the mission priorities of a given organisation through the company's governance, activities, the degree to which existing capabilities are utilized as well as the level of overall integration.

Total Weight	Sub-Dimension	Sub-Dimension Weight	Metric	Response Score	Assessment method	Example of high-scoring mission-led business
20%	<b>7. Impact activities integrated with mission</b>	30%	Extent to which impact-related business activities (e.g. donations/volunteering) are carried out, and how they are aligned to the mission goals and help advance it	Core (10) Integrated (7) Independent (4) Nonexistent (0)	Company website, to determine how activities align with mission, and then assess effectiveness. If social impact activities do not directly tie into mission, a company cannot score >7 even if they create a lot of impact	<b>Ecotricity</b> Vision is for a Green Britain  Energy company which sources all its energy from renewable sources and uses profits to fund the building of new sources of green energy
	<b>8. Impact Measurement</b>	5%	Existence of quantitative measures to quantify social impact (beyond financial performance)	Yes (5) No (0)	Company website and annual report (if available) used to determine whether quantitative or qualitative measures of social impact are reported to the public	<b>Enworks</b> Mission to improve environment and economy by engaging businesses in environmentally sustainable business practice  Company website includes both quantitative and qualitative measures of cumulative savings clients have achieved e.g. 13m cubic meters of water
		5%	Existence of reporting of social impact across company communications to investors/website			
	<b>Integration of mission into decision-making</b>	N/A		Unable to score	Would like to include, but unable to assess through publicly-available information	N/A

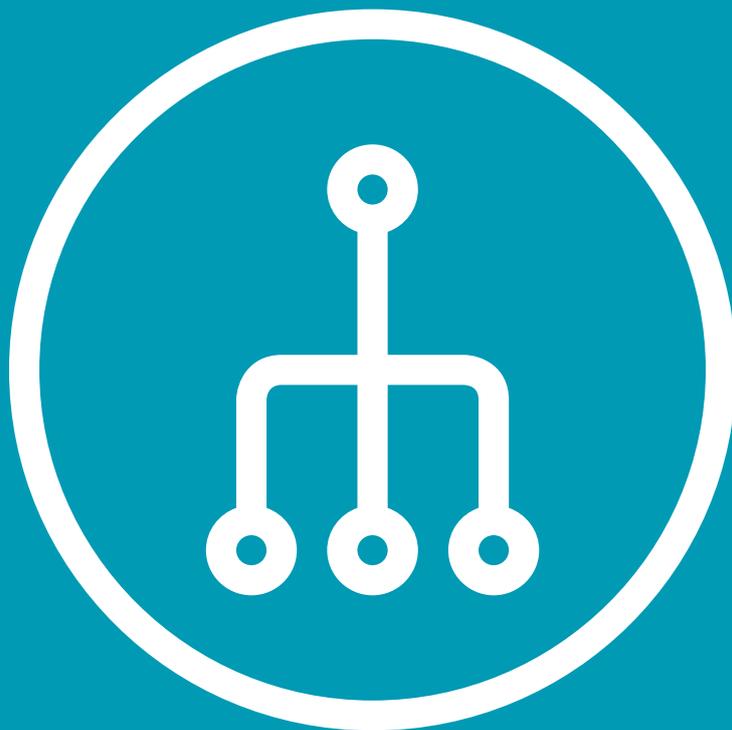
# External perceptions

## Quantitative Research Methodology

This test measures the public recognition for commitment to mission.

Total Weight	Sub-Dimension	Sub-Dimension Weight	Metric	Response Score	Assessment method	Example of high-scoring mission-led business		
15%	9. Press Reports/ awards*	100%	FTSE4Good UK 50	Yes (1) No (0)	Companies present in the list score 'Yes'	N/A		
			GameChangers 500	Yes (1) No (0)				
			Guardian Sustainable Brands	Yes (1) No (0)				
			SE100	Yes (1) No (0)				
			Global 100 Most Sustainable Companies	Yes (1) No (0)				
			B-Corps	Yes (1) No (0)				
			Other awards/lists	Yes (4) No (0)			Companies with other sustainability/social/ environmental awards listed on their website score 'Yes'	<b>Neighbourly</b> Social platform that connects local projects with people and organisations who want to help  A 2016 Tech4Good Award winner
			<b>Brand perception</b>	N/A			<i>Perception of brand image by customers, and extent to which mission is recognized as part of brand</i>	<i>Unable to score</i>

# Appendix C: Example set of mission-led businesses



# Example set of mission-led businesses

The example set of 250 mission-led businesses used to profile the market is summarised below:

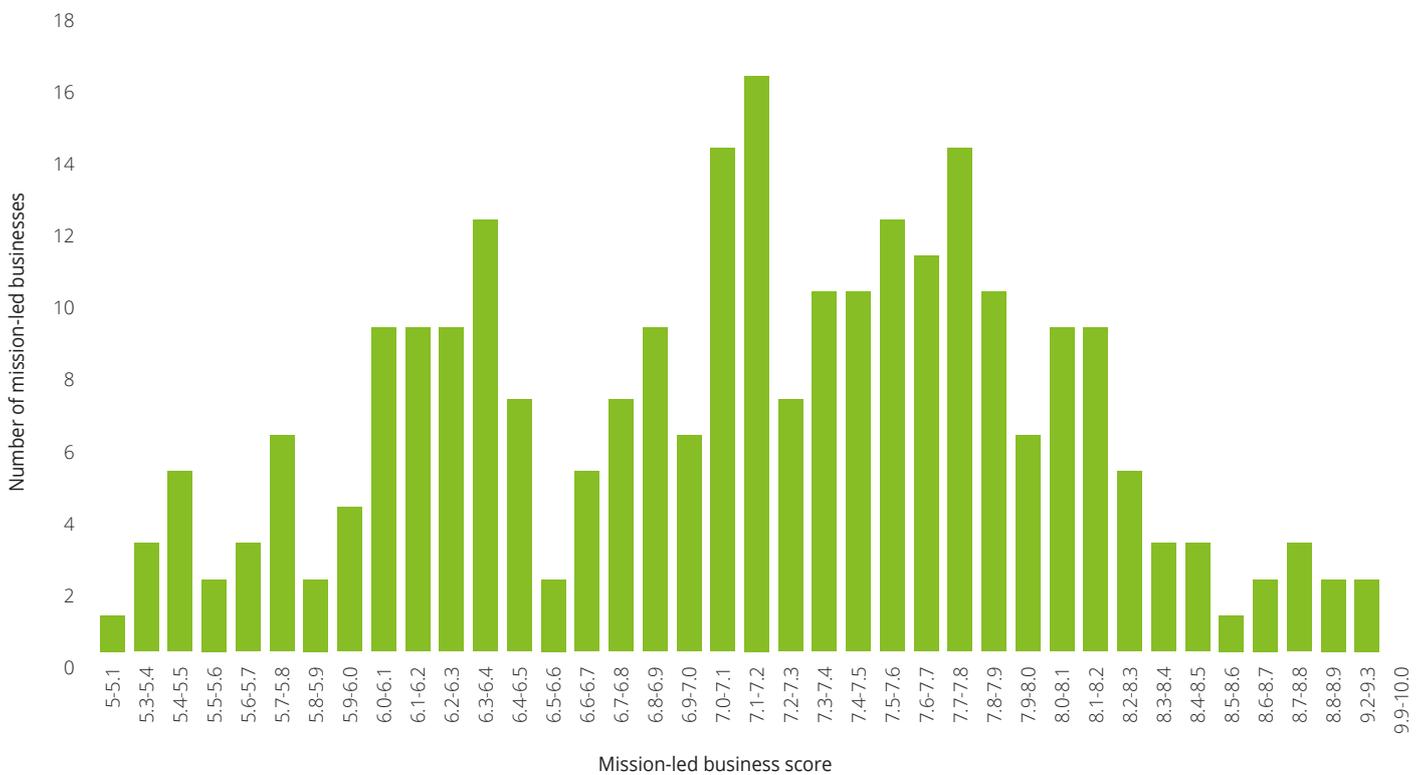
Sector		Mission Type		Age (years since incorporation date)	
Business Services	23.6%	Sustainable growth	13.6%	0-2	16%
TMT	15.2%	Support other social enterprises and third sector organisations	12.8%	3-5	30%
Consumer Business	14.0%	Education	10.4%	6-10	19%
Education	9.6%	Carbon reduction	8.4%	11-20	16%
Financial Services	8.8%	Employability	8.4%	21-30	8%
Healthcare and Life Sciences	8.0%	Support businesses/public bodies develop social impact	8.4%	31+	6%
Energy	4.8%	Support vulnerable groups (e.g. children, elderly)	7.6%	Unknown	5%
Real Estate	3.2%	Healthcare	5.2%		
Other	3.2%	Improving physical and mental well-being	5.2%		
Manufacturing	2.8%	Improving local community	5.2%		
Tourism and Leisure	2.0%	Waste reduction/recycling	4.0%		
Arts and Creative	1.2%	Support small businesses	3.2%		
Retail	1.2%	Housing	1.6%		
Agriculture	0.8%	Other	6.0%		
Transport and Logistics	0.8%	Transport and logistics	0.8%		
Construction	0.8%	Construction	0.8%		

Size of business (employees)	
0-49 (Small business)	83.2%
50-249 (Medium business)	7.6%
250+ (Large Business)	9.2%

# Mission-led business scores of example set of mission-led businesses

Businesses which scored less than 5 did not qualify as mission-led businesses. Of the example set, scores ranged from 5 to 9.25 and the mean score was 7.1.



# Interviews

In the first stage of interviews, 16 businesses and networks were interviewed to understand the sector landscape and inform our definition, while the second phase involved detailed profiling interviews of seven selected businesses to gain insight on the inner workings of a mission-led business.

- Anthony Collins LLP
- Belu Water
- B Lab UK
- Co-operatives UK
- Cause4
- Destria Partners
- Neighbourly
- Oomph!
- PopUp Business School
- Power to Change
- Recruit for Spouses
- Social Value UK
- Social Finance
- Staffordshire Chambers of Commerce
- The SWEET Project
- UnLtd







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Fax: +44 (0) 20 7583 1198.

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