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Mission-led Business Review Secretariat
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To whom it may concern,

The IoD welcomes the opportunity to respond to the call for evidence on mission-led businesses in the United Kingdom.

About the IoD

The Institute of Directors is a non-party political organisation, founded in 1903, with approximately 35,000 members. Membership includes directors from right across the business spectrum – from media to manufacturing, professional services to the public and voluntary sectors. Members include CEOs of large corporations as well as entrepreneurial directors of start-up companies. The IoD was granted a Royal Charter in 1906, instructing it to "represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation." The Charter also tasks the Institute with promoting "for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors", which the IoD seeks to achieve through its training courses and publications on corporate governance.

Response

Rather than answer the questions in turn, we will instead offer some initial thoughts on mission-led businesses and the reputation of business more generally, and would welcome the chance to discuss in greater detail at a later date. In particular, we would be keen to bring together some of our members who consider themselves to be leaders of 'mission-led' businesses with officials and Ministers in order to enhance understanding in this area.

One of the questions asked in the Call for Evidence is how to improve the quantitative evidence base in this area. We would be pleased to work with Government on how best to do that.

There is no question that the idea of 'profit with purpose' has increased as a theme in recent years, going far beyond that which was once described as 'corporate social responsibility.' Unfortunately, our evidence gathering on the topic has been low to this point.

Indeed, when surveyed, it is clear that our cohort of young entrepreneurs agree with this view. When asked what the most important factor was in their decision to start their company, delivering a ‘positive social impact’ was chosen as the most important factor by more than one in five, significantly ahead of financial reward or personal status.

Build a successful business	36%
Desire to work for myself	22%
Positive social impact	21%
Create a successful product or service	15%
Financial reward	4%
Personal status and reputation	1%

It is interesting that mission-led businesses are on the rise at a time when the reputation of business is not as strong as it might be. In the aftermath of the financial crisis, many people clearly felt that ‘the game’ was rigged. Further revelations at some of Britain’s most well-known firms, from LIBOR fiddling to the scandals at BHS and Sports Direct, have only furthered the impression amongst many people that business is somehow not a force for good. Whatever one thinks of the vote to leave the European Union, it is clear that the calls from some large businesses and ‘establishment’ economists to vote to remain were not heeded; perhaps because many people felt that those businesses and economists did not ultimately have their best interests at heart.

The IoD believes firmly that business *is* a force for good. Even in normal businesses who do not necessarily meet the criteria set out to be ‘mission-led’, their job and wealth creation are inherently good things for individuals and the country at large.

But across our membership, there remains a feeling that some businesses are still not playing fair - some 89% of IoD members welcomed the Government’s plans to clamp down on aggressive tax avoidance, for example.

This in large part may explain the rise of mission-led businesses; there is clearly a feeling that business sometimes doesn’t ‘do enough’ in wider society. Putting mission at the heart of a company’s core purpose provides reassurance both internally and externally that that is not the case.

There is also a common refrain across the wider evidence base, which we are sure the Cabinet Office will have received as part of this consultation, that many people entering the workforce are now looking for explicitly mission-focussed jobs. Mission-led businesses may well feel that they have an edge when it comes to recruiting.

Governance

The IoD has long championed the cause of high quality corporate governance; it is, literally, written into our Royal Charter. It is our belief that good governance is even more important in mission-led businesses, just as is the case in charities or social enterprises.

It is crucial that there is good governance in these well-intentioned businesses. We have seen in the charity sector that breakdowns in governance can lead to poorly performing charities which are failing to help those most in need. It is imperative that business leaders do not let good intentions crowd out good governance.

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The IoD does not have sufficient evidence in this space, at the present time, to offer much more than the above. We do, though, look forward to working with Government on developing our work in this area.

Yours sincerely,

