

Response to Mission-Led Business Review: Call for Evidence

Instructions for responding to the call for evidence

You can fill out this PDF form to respond to the Call for Evidence. Respondents are invited to respond to all questions or only to some.

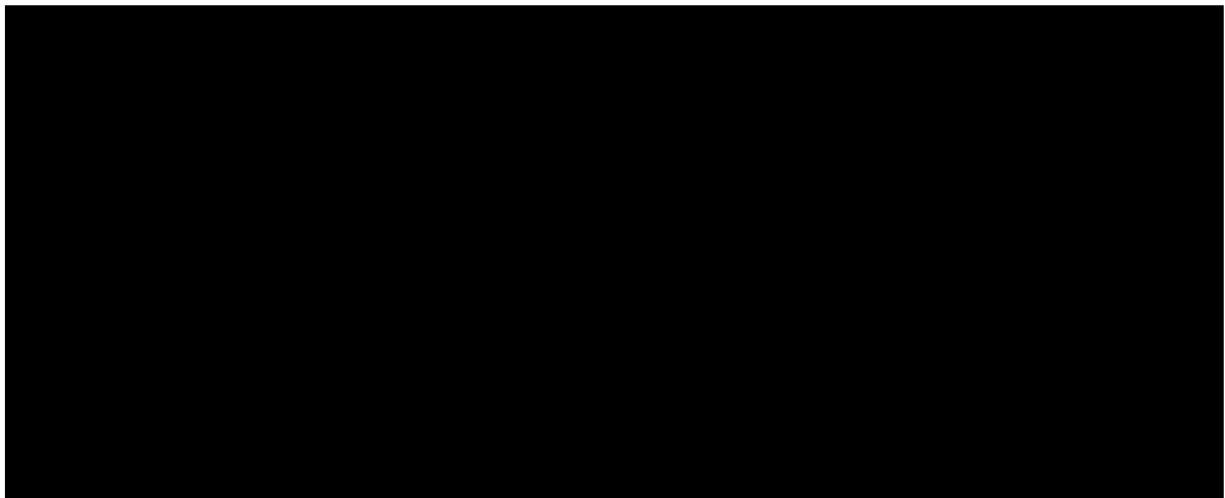
The closing date for responses is 8 July 2016. Responses received after this date may not be read. Call for Evidence responses should be returned to:

missionledbusiness@cabinetoffice.gov.uk

Or if you would prefer to send your response by post:

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

Contact information



Part 1: Profile, drivers and potential of mission-led businesses

Question 1: What do you know about the number and profile of mission-led businesses operating in the UK? Please share evidence.

About me:

I was for ten years head of policy at Co-operatives UK (www.uk.coop), retiring in 2013. Before that I spent 18 years in co-operative development and business support, as founder of Coventry and Warwickshire Co-operative Development Agency (www.cwcda.co.uk). Amongst other roles I was a founder member and first secretary of the Social Enterprise Coalition (now Social Enterprise UK) and a board member of a number of related regional, national and international projects. Prior to that I launched a mission-led co-operative business (bookshop & cafe) and worked in the publishing industry. I am currently a director, and secretary, of a consumer co-operative in the catering industry.

In my opinion all bona fide co-operatives are mission-led business, in that the International Co-operative Alliance's definition of a co-operative, agreed at the ICA's Manchester congress in 1995, accords fully with the Cabinet Office paper's definition of a mission-led business:

1. Co-operatives are, in general, free to distribute their profits as the members see fit. (But see

Question 2: What do you know about the impact of being a mission-led business on business performance and social impact? Please share evidence.

Consumer co-operatives, the bedrock of co-operative business in the UK since the mid 19th century, have had a major impact on the lives of millions of people. During the first hundred years they were at the heart of British life, sustaining communities that often had few other resources. At their height they constituted a major element of the British economy, with a 10% share of the entire retail market and a significant presence in other markets such as agriculture and funerals. Since the 1960s the sector's market share and strategic importance has declined, but it nevertheless plays an important social role. For example it pioneered Fairtrade products and local sourcing. As well as the famous 'divi' consumer co-operatives also continue to offer a wide range of non-financial benefits to members such as education programmes and leisure activities (eg history groups, choirs and orchestras). Furthermore, participation in the democratic structures of co-operatives can itself be seen as socially beneficial in giving people a direct experience of the democratic process and enabling them to develop their activist skills and in increasing the country's 'democratic capital'.

Worker co-operatives, in which the business is owned by its workers rather than - as in the case of consumer co-operatives - by its customers form a smaller proportion of the co-operative economy in the UK than in many other countries. They do, however, provide a glowing example of how businesses can be run in a way that enhances and unleashes the skills and enthusiasm of their workers. Many worker co-ops deliver a double social impact: not only do they benefit the employees but the expressed purpose of the business is itself a socially beneficial one - eg to deliver care services, generate renewable energy, publish books or grow/sell healthy food.

There is also some evidence that co-operatives have a better survival rate than the average of

Question 3: In your view, what are the ways that quantitative data on mission-led businesses could be better captured over time?

N/A

Question 4: Why would a business set-up as or become a mission-led business? Please share evidence.

As social objectives are inherent to co-operatives they are invariably set up by people with a mission. There is congruence between the co-operative structure and the idea of pursuing a social objective, in the market place, with other people, in a socially progressive manner. There is no shortage of such people with good, commercially viable ideas - see next question.

Question 5: How do you see mission-led businesses developing over the next decade? Please share evidence.

I would expect to see a steady growth in cooperatives of all forms, a result of many factors including:

- a disenchantment with corporate capitalism, as exemplified in the behaviour of many large businesses such as tax avoidance and the exorbitant payment of senior executives, especially since the financial crisis of 2008.
- a decline in rewarding employment opportunities for young people combined with an increasing awareness amongst young people of what is possible to do and what needs to be done socially and environmentally. Social media has accelerated this process.
- a limited but real expansion in the support available to aid the growth in mission-led business, such as the emergence of ethical finance. (But see Q.16)

I think it is very difficult to pick sectors or geographical locations that might prove to be mission-led business hot spots. Clearly all businesses need markets, which might be thought to favour more prosperous areas of the country, but in the era of internet selling geography is no longer so relevant and less prosperous parts of the UK have more available labour and, in some cases, a more supportive infrastructure for business creation and development.

As for sectors, one factor is capital requirement. The entry cost for new businesses and the capital needs of businesses seeking to become more mission-driven might favour those sectors with lower

Mission-led business - case studies:

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

If you would like to share examples of more than one business please complete an additional table and submit with this questionnaire.

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

Part II: Challenges faced by mission-led businesses

Question 6: What are the practical steps that a business can take to make a commitment to deliver on its intention to have a positive social impact?

The most effective steps are:

1. build an explicit commitment to deliver a clearly defined social impact into its governing instrument;
2. report regularly, honestly and consistently on achievement (or not!) of these social impacts;
3. adopt structures whereby the people running the business are accountable for their delivery of the business' social impacts.

Bona fide co-operatives do all of these.

Question 7: Do you think these steps could be better communicated to entrepreneurs and businesses? If so, how?

There is a lamentable absence of ethical, social, democratic or mission-led business in the curriculum at all levels of education in the UK. Broadening out the curriculum to include the full gamut of business types would be a major contribution to making entrepreneurs more familiar with these steps and would also make the education experience itself both more interesting and more useful.

Question 8: The loss of focus on social and environmental aims has been identified as a potential problem for mission-led businesses (“mission drift”). When do you think this is most likely to happen? What could be done to prevent this?

There are many pressures on a mission-led business to become less mission-driven and more profit-drive. The co-operative movement has had to work hard to resist these pressures.

Whenever sales or profitability drop, or the business experiences other commercial difficulties - as it is bound to do from time to time - there are calls to focus on the business side at the expense of the social side. Investors are particularly prone to this behaviour and mission-led businesses must therefore be very careful in their choice of investors.

Binding social objectives into the very fabric of the business and creating robust governance structures that resist efforts to dilute the business' social mission are the best way to maintain the social mission. At the same time the business needs to be nimble enough to adapt both its commercial operations so that they remain profitable in fast changing markets and its social objectives so that they remain attractive and relevant.

There is some evidence from within the co-operative movement that as a business grows its social mission can become weaker as commercial imperatives come to dominate. It follows from this that to some extent 'small is beautiful'. A counter argument is that larger businesses have more impact than smaller businesses. One way to resolve this tension is to encourage federal structures in which smaller business units collaborate. Inspiring examples of this are the Italian social co-operatives and the Mondragon Co-operative Federation in Spain.

Question 9: Have you identified barriers to new entrepreneurs or established businesses who want to easily convert their intent to make social impact into a long-term or binding commitment?

If yes, please provide details of these barriers, in particular identifying those that may be caused by regulation.

N/A

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Question 10: In your view, what are the barriers to a large corporate (including a public company) to becoming a mission-led business or owning a mission-led business within its group structure?

See comment above concerning larger businesses.

Question 11: Do you think mission-led businesses have or should have a different culture/values system to traditional (i.e. non mission-led) business? If yes, please provide best practice examples of this.

N/A

Question 12: What challenges do mission-led businesses face when engaging with potential customers, employees and investors about their social impact?

N/A

Question 13: What do you think is the role of certifications systems (e.g. B Corps) or of frameworks (e.g. Blueprint for Better Business) in helping mission-led businesses engage with external stakeholders?

I am sceptical about the value of certification systems, mainly because there are so many of them! The public is confused. However, there is a value in the use of certification in specific circumstances, eg in assuring investors of the authenticity of a business' claim to be mission-led. I would advise caution in devoting resources to the development of such systems unless and until thorough research has been undertaken into their usefulness for potential audiences - such as investors.

Question 14: What are best practice examples of social impact measurement and how are they being applied by mission-led businesses?

As with certification, there are too many ways of measuring social impact. An effort should be made to rationalise them and then to devote significant resources and shared commitment behind making them stick. An exemplar would be the BSI 'kitemark'.

Question 15: Have you identified specific barriers to the growth of mission-led businesses? If yes, please provide details of these barriers, in particular identifying those that may be caused by regulation.

The main barrier to the creation and growth of mission-led businesses is the general lack of awareness of them, eg amongst investors and professionals (especially lawyers and accountants). As with education more generally (see Q.7 above) it is imperative that the training and CPD curricula for professionals are extended to include the full range of business types. This would go a long way to solving the problem.

Co-operatives that use the 'society' legal structure suffer the additional barrier of it being a Cinderella form, with an under-resourced and inadequate register, additional regulatory burdens and an inappropriate government departmental responsibility (Treasury rather than BIS). These burdens should be lifted as a matter of urgency so as to put societies on a similar basis to companies.

A further barrier is the lack of good quality advice and support for mission-led business (see below, q.16)

Question 16: What do existing mission-led businesses need in terms of support and what do you think could be done to incentivise the creation of more mission-led businesses over the next decade? Who is best placed to do this?

The business support system in the UK - and England in particular - is chaotic and inadequate. Government policy has changed with dizzying speed and frequency over the last few years. The current LEP-based system in England does not serve the needs of businesses and is highly inefficient. A well-resourced, stable, long-term, national system of business support, covering all forms of business including the mission-led, should be introduced, staffed by a cadre of trained and qualified professional advisers.

Serious consideration should also be given to allowing (or possibly compelling) businesses that define themselves as mission-led to allocate a small proportion of their pre-tax profits to a fund for investing in, and otherwise supporting, mission-led businesses, as is the case in, for example, Italy.

Thank you for your response.