

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.

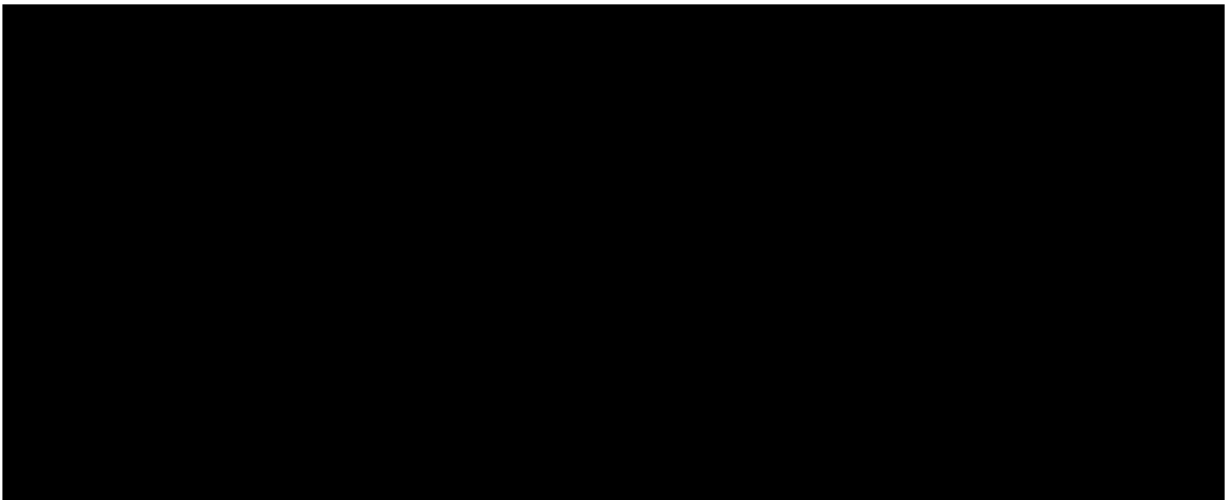
The closing date for responses is 8 July 2016. Responses received after this date may not be read. Call for Evidence responses should be returned to:

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.

There has been a growing acceptance that organisations and businesses that genuinely (NB) hold a purpose or mission that transcends the immediate interests of profit or shareholder return perform better and are more sustainable in the long term. In research (EY/HBR) 87% of managers surveyed believed “companies perform best over time if their purpose goes beyond profit: and there is compelling evidence that such businesses recruit and retain talent more effectively, grow faster, and generate more value. Businesses as large as Unilever have identified this effect; Paul Polman says “purpose driven brands accounted for half the company’s growth in 2014 and grew at twice the rate of the rest of the business”.

Most organisations have created a sense of purpose or mission that is greater than shareholder return (usually serving of society). Whether most of these missions has yet actually made a difference to business behaviour is an open question. Much of this is still window dressing. At the other end of the spectrum increasingly start-up businesses have a social purpose. This is particularly the case in businesses started by younger people (millennials). There is a concentration of these businesses in tech and in large urban centres but the pattern extends to a wide range of businesses and into rural areas.

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

Havas Meaningful Brand Index 2014: Meaningful brands connected to purpose outperformed stockmarket by 120%

EY / HBR: 87% of respondents stated that “companies perform best over time if their purpose goes beyond profit. 80% stated that a purpose created “better customer advocacy” and “higher-quality products and services”.

Paul Polman CEO, Unilever “purpose driven brands are growing ahead of the market” : “these brands accounted for half the company’s growth in 2014 and grew at twice the rate of the rest of the business.

Burson-Marsteller / IMD (2010) “a strong and well communicated corporate purpose can impact financial performance by up to 17% (NB The paper does stipulate that to reap these benefits, the company must integrate purpose with the broader corporate strategy).

Deloitte’s 2015 Millennials survey: A strong sense of purpose positively correlated with perceived positive financial performance.

Alex Edmans “the companies with the highest employee satisfaction out performed the market by 2-3% per year over a 26 year study period”

Deloitte’s 2015 Millennials survey: 77% of interviewees responding that they joined their current

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

The big challenge is that much of the evidence is anecdotal and causation is not clear. Companies like Unilever believe that their integration of a purpose (mission) into their strategy has driven company performance but there are a host of factors at play in that performance. Where is the direct causal link that will persuade pension funds and analysts that an investment in purpose / mission is critical to future return.

In the majority of businesses (far smaller and less sophisticated than Unilever) the evidence is simply not gathered.

Purpose (mission) is an imprecise and subjective concept. Having a purpose has no impact; fully integrating it has. How is that integration measured?

The adoption of purpose into profit-making businesses is quite new. Long term studies are not easy.

What is needed is a rigorous, long term, academic study of businesses large and small, old and new that have adopted and fully integrated into their strategy a clear and compelling purpose. This study first needs to define 'purpose' and then what 'integration' means. It must be independent and academically rigorous.

The impact could be significant. Business people instinctively know that purpose 'works' (as well as being the right thing to do). Those who impact on our decisions (investors, advisors, markets,

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

Why not?

It's the right thing to do.

It's personally more satisfying and fulfilling.

Talent is easier to attract and retain.

Engaged people are more innovative and more committed; businesses move faster and are more agile. In a world in which speed is everything this is a critical factor.

Consumers mostly prefer to buy from such businesses.

Long term, sustainable return is (probably) better.

The only reasons not to are that government and the banking / pension industry don't support it.

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

In smaller businesses it will increasingly become the norm. I think there has been a sea-change in attitudes amongst a significant proportion of younger people. They want to spend their lives in a meaningful (but profitable) endeavour.

For larger businesses it could go one of two ways.

- If purpose is adopted but not integrated (window-dressing) it will make not a jot of difference and Boards will look for the next 'big idea'. The likelihood is that these businesses in most cases will be overwhelmed by the fast moving and innovative disrupter, purpose-led and asset-light.

- If businesses genuinely bring purpose to the centre of strategy AND change how they think about and manage people (see Google, Unilever etc.) they will be able to flex and adapt in the volatile world and will grow and prosper. This will only happen either through inspired and clear leadership or if the tax/investment paradigm changes to encourage a more purpose-led (less short term) business model.

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	Contexis Ltd
Contact details for business	
Brief description of business (please keep under 5 lines)	We help create brighter futures by connecting people to purpose. We help big companies harness the power of purpose through entrepreneurial thinking.
Why is this a mission-led business? Please include details on any corporate governance or reporting steps.	Central to our strategy is our purpose. Our purpose drives our decision-making, defines our products, guides how we behave to staff, suppliers, customers and our community. All of our processes are open. Salaries are decided by a vote of all. Once we've paid our people, our suppliers and our government our priorities with our surplus are to give money away to charity (external energy) and to educate and develop our people
Stage of business development (i.e. start-up, growing, mature, repurposed)	Start-up / growing
Industry sector	Consulting / advisory
Geographic focus	Global
Evidence of financial growth	Year 2 will be 3x Year 1
Evidence of social impact	Our impact is on the lives of those we work with. We support charities. We give our time to society-serving organisations.
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?

1. Create a clear understanding of the purpose the business serves beyond immediate shareholder interests. This MUST be congruent to both the history of the organisation and to what it does. It must be credible but also inspiring and stretching. It must be articulated in brief but emotive terms.
2. The Purpose MUST be 'owned' by everyone in the organisation. It could be created 'from the grass roots' but in larger organisations for practical reasons it will come 'from the top'. Ownership can then be achieved if, at every level, teams are allowed the space to interpret and own the Purpose for their own business area.
3. It must be held in a far broader set of behavioural changes in terms of how people are managed. For purpose (mission) to be 'owned' people must first feel trusted. The organisation must adopt a set of people-management processes and values that are broadly compassionate and treat people with respect (respecting the whole person).
4. The purpose MUST sit at the heart of strategy; it must become the context against which all decisions are made. It doesn't mean all decisions are socially-focused or altruistic but the purpose provides a framework against which decisions are judged. It creates some clarity in a vcomplex and volatile world.

So: creation; ownership; trust; context (strategy). Without these the purpose is merely marketing hyperbole or window dressing.

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

Yes. Mainly to large corporate organisations.

By academics and thinkers through papers, books, courses.

By third sector organisations (Blueprint has started) through providing a framework and sharing best practice.

By government through supporting and encouraging purpose-led behaviours.

By government and the financial services sector by providing fiscal (tax, investment) encouragement to long-termism not short term, profit-focused aims.

What is needed is a forum (a 'Purpose Davos'), sponsored by government, for inspiring purpose leaders (Polman, Branson, Musk), businesses, charities, academics and the pensions/investment community to come together to share best practice, learn from each other and make commitments.

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?

Internal factors: A change (new CEO, market challenge) can easily blow purpose off course. Why?: the purpose was never integrated into strategy, it was not relevant or congruent, it was not believed or owned by the team, it was not "Plan A".
Business needs to ensure purpose IS strategy and fully implement it.

External factors:

- government policy undermines purpose. The unintended consequences of government social or fiscal policy may be to undermine purpose (e.g. the unintended consequence of a Living Wage) might be to drive up costs such that employers can no longer afford purpose-led employee policies)
- more damagingly, the short term policies of pension funds and investors preclude companies from implementing purpose-led initiatives (e.g. environmental sustainability) that may offer long-term financial benefits but at a short term cost to returns or margins.

Government needs to consider its short term impact (positive and negative) on purpose agendas in every aspect of business policy.

The investment industry must be educated / empowered / compelled to consider the long term and not the the old shareholder return model for their investments to be sustainable. The best way is to influence the leaders of these businesses through a Purpose Davos approach (leading purpose practitioners demonstrating sustainable returns).

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.

1. Leadership belief. Solved through education and inspiration by others.
2. Staff belief. Solved by the purpose being fully integrated, Leaders walking the walk, compassionate management etc.
3. Fiscal short-termism (investment)

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?

1. Leadership belief. Solved through education and inspiration by others.
2. Staff belief. Solved by the purpose being fully integrated, Leaders walking the walk, compassionate management etc.
3. Fiscal short-termism (investment)

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.

Yes, but all business must be ultimately purpose-led to survive.

The old control / fear - based, hierarchical management structures suppress talent, alienate entrepreneurship and prevent velocity and agility.

Business must be led by a clear and energising purpose (e.g. Apple, Teslar)

It must be consistently, bravely and congruently led (e.g. Unilever, Bastows)

It must integrated into strategy (M&S, J&J)

It must respect the individual and encourage people to bring their whole selves to work (Linkedin, Grant Thornton)

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

Purpose (mission) is not JUST about social impact. The purpose of the business can be legitimate and transformational when focussed on a narrower group (staff, customers).

Purpose which is seen as irrelevant or not congruent gains no traction with customers (or employees).

Purpose which offer customers or investors no benefit (emotional, energetic) will be judged on its cost. Without a reason to invest it will be rejected.

Some customers and investors are simply short-term and self-interested. A purpose which carries short term cost implications will be rejected by these people. Does the business ignore or compensate?

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?

Helpful guidance. We found Blueprint a useful guide and check-in.

Reassurance and public acknowledgment / endorsement. We are seeking to become a B Corp (its a good discipline and would be nice to be recognised)

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

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.

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?

as above

Thank you for your response.