

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.

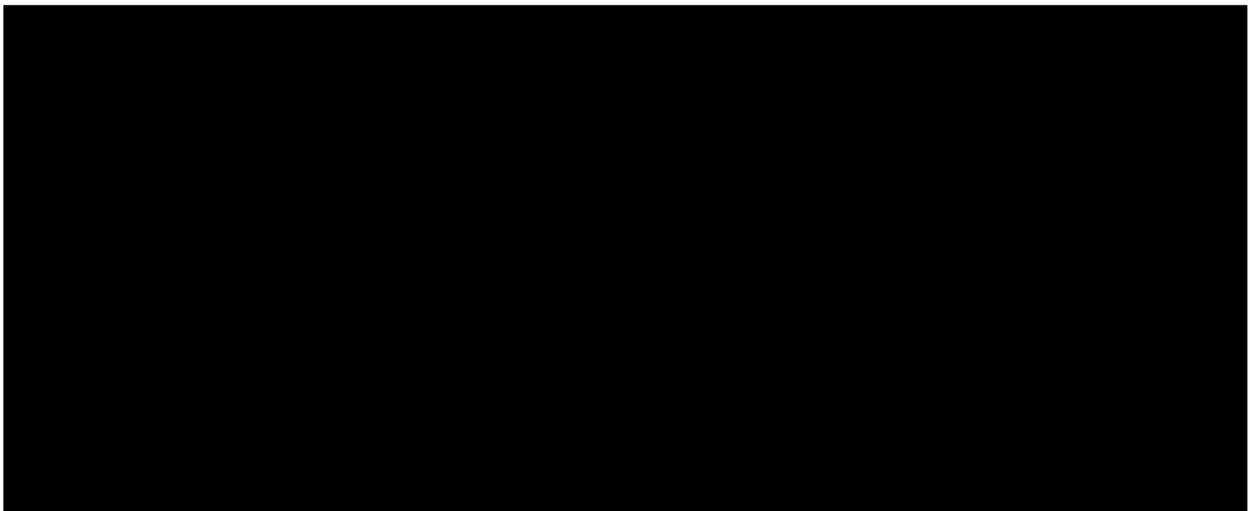
The closing date for responses is 8 July 2016. Responses received after this date may not be read. Call for Evidence responses should be returned to:

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.

In our sector (real estate) we are the first UK bcorps. We are not aware of many other businesses in our sector (limited examples include small businesses like Bio-regional and Living Villages Trust) although the sector does include housing associations (many of which are charities) some of whom may qualify as mission led. There is also an increasing number of purely profit driven businesses that pursue corporate social responsibility with differing degrees of seriousness. We also see a small number of businesses, usually family owned and managed, that while they wouldn't describe themselves as mission led share some of the characteristics.

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

We have a sample of one (our own experience) and have been unable yet to identify a methodology given this small sample size that can provide reliable quantitative evidence of the link between business (and property development) financial performance. Anecdotally however we have seen our projects sell and lease faster (particularly through the recession) and achieve higher values (particularly in the medium term) than similar projects produced by non mission led businesses.

We have also seen outperformance in securing public land in competition with non mission led businesses but this has been a moving picture dependent on changing Government policy.

We do collect examples of ways (and audit each project) in which our projects outperform the market in terms of impact on People, Place and Planet through our igloo Footprint approach which emphasises design quality, social progress, environmental sustainability and health, happiness and well-being.

Our audit committee is chaired by Jonathon Porritt and we would be happy to make the audit results available.

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

This is a current challenge for us. We had hoped to be able to measure financial and non financial metrics for projects developed by us and comparable projects (in time, place, scale and use) by non mission led businesses. However this has proved impossible to deliver cost effectively.

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

In our case we were set up as a mission led business to deliver competitive advantage in a market niche at the point in time we were founded.

This competitive advantage derived from a number of dimensions. We secured more land, at lower cost, produced more valuable projects more quickly and attracted better staff.

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

We see a macro trend in favour of mission led businesses in the UK and the developed world more generally. The bcorps movement is an example of this. We see this as being driven to an extent by generational cultural change particularly amongst millennials and in the tech sector.

It is possible however that this is more of medium term fashion than a long term driver.

We also see strong barriers to change particularly from the perspective of investors and their interpretation of their duties being to maximise short term (usually risk adjusted) returns. In the UK we also increasingly see Government policy as favouring financially driven market forces rather than recognising the market failures that mission led businesses are often trying to correct.

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 | igloo Regeneration |
| Contact details for business | As above |
| Brief description of business (please keep under 5 lines) | Leading UK purpose driven responsible real estate business for People, Place and Planet. igloo is a developer, funder & partner. Works with landowners, investors & communities who want to make the world a better place. |
| Why is this a mission-led business? Please include details on any corporate governance or reporting steps. | Originally founded as purpose driven/mission led to give competitive advantage in the public land regeneration market where public agencies were seeking more than just highest price for land. Has evolved to use the competitive advantage deriving from being purpose driven in a variety of niche real estate markets. |
| Stage of business development (i.e. start-up, growing, mature, repurposed) | Fifteen years old and continuing to grow. |
| Industry sector | Real Estate |
| Geographic focus | UK - primarily top 20 cities. |
| Evidence of financial growth | Reasonably consistent year on year turnover and profit growth |
| Evidence of social impact | igloo Footprint audits |
| Any other details (e.g. legal form) | A limited company with bcorps articles. All staff own purpose shares. |

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 words 'to make a commitment' seem superfluous?

Delivery is about finding markets where social impact (or other forms of positive non financial impact) are supportive of competitive advantage.

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

Entrepreneurs will find these opportunities.

The education needs to be directed at Government and the investment community. Changing the narrative from cash maximisation only (and everything else is bad and/or illegal) to one where profit is required to sit alongside positive non financial impacts.

Publicising the riskiness of non purpose driven businesses like VW and BP (and many more) to investors for example. Making simple changes to Government guidance and regulation to ensure that Government activities seeks to optimise a range of policy goals not just financial receipt.

I'm not sure if UK business schools teach this stuff but if not they should.

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?

This is most likely to happen where the purpose/mission does not contribute to competitive advantage.

So alignment with competitive advantage is key to avoiding this and that is supported by creating supportive institutional environments within which markets can operate to optimise non financial outcomes.

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.

In real estate competitive advantage is driven primarily by short termist investor pressures (from investors who can disinvest quickly) and currently by unfavourable Government regulation.

For example design quality, environmental sustainability and other similar Government policy objectives used to be 50% or more of the evaluation criteria on public land disposal for development. Today they are frequently less than 10%. This directly results in poor quality placemaking, greater NIMBY objection to development and so less development (and lower financial receipts as a result).

The question here suggests the problem. The implication is that regulation is bad. In the world of market failure, which is the mission led/purpose driven world, regulation seeks to mediate and mitigate market failure. While this brings the risk of Government failure the case for regulation is strong.

However there are other approaches. League tables based on non financial outcomes could be used to prioritise or pre select bidders or to enable light touch regulation for example.

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?

As above, the culture of the investment community is to assume that mission led reduces the short term financial returns investors seek. Analytical techniques for assessing risk fail to identify the Black Swan events that poor corporate cultures and short term profit driven management generate.

UK corporate regulation eg Companies Act 2006 s172 are relatively poorly understood by directors and investors and yet are significantly ahead of, for example, standard US practice. More importantly directors in the UK don't get sued if they fail to have regard for 'the impact of the company's operations on the community and the environment'. Government enforcement in relation to this provision eg in cases like VW or BP would substantially strengthen the ability of companies to become mission led.

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.

Each company will have its own culture/values system that will evolve over time. The best cultures reinforce the competitive advantage of the business, whether greed or purpose driven.

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

The first challenge is with investors who doubt the ability or ambition of the company to deliver financial returns. When we launched the world's first responsible real estate fund (according to the United Nations) in 2001 one major prospective investor (LaSalle Investment Management) refused to listen to the section of the presentation on environmental sustainability because they weren't interested in it (although it was fundamental to the fund's competitive advantage and therefore its returns).

Another challenge for these businesses is that they become more open to criticism partly because they set a higher bar for themselves and partly because they become a target for their greed driven competitors.

They can also struggle to communicate their differentiation in the face of well funded 'greenwash' from greed driven competitors.

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?

The jury is currently out on these systems. Neither currently has much traction, they bring together disparate businesses, they have little profile or value for customers or investors. It would be nice, but probably naive, to think that will radically change mainstream corporate culture in the UK or globally on their own.

However they may start to signpost to markets and Governments a better approach to business resulting in larger markets where purpose driven businesses have competitive advantage.

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

In a study for Scottish Government igloo's Footprint approach was highlighted as best practice in this area.

Social impact measurement is in its infancy which allows Greenwash and its equivalents to hold sway.

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.

See Q9.

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?

Government, through some simple regulatory and guidance changes, is best placed to accelerate the success of purpose driven businesses and at the same time maximise desired public policy outcomes.

Thank you for your response.