

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.

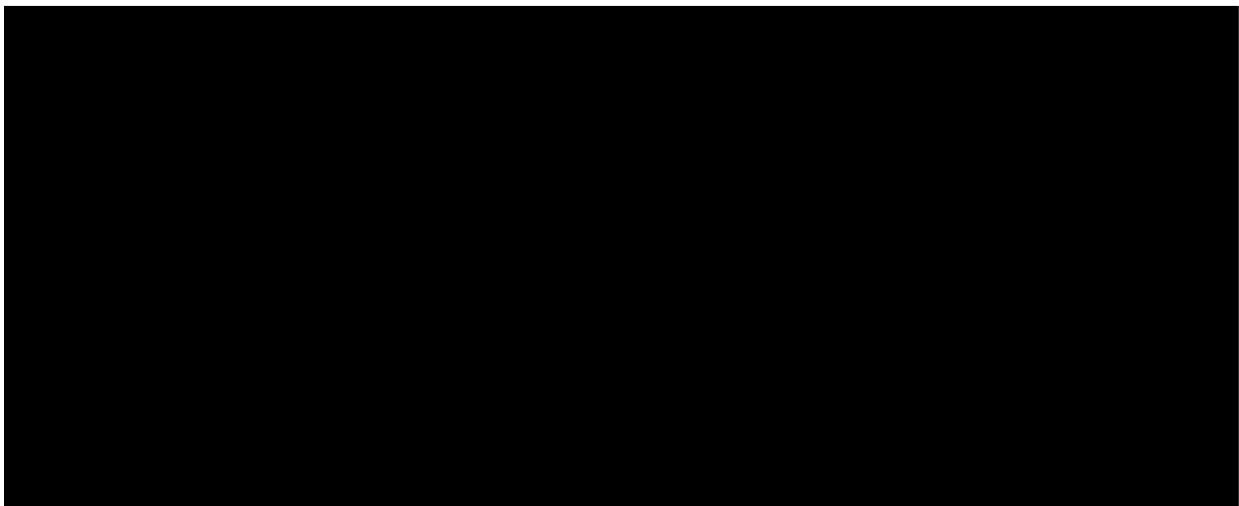
The closing date for responses is 8 July 2016. Responses received after this date may not be read. Call for Evidence responses should be returned to:

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.

This is a very difficult question to answer as it depends on your definition of a mission led business. First of all who you describe as a mission led business most people refer to as a purpose led business.

I've defined a spectrum which looks at different levels of "why" the business exists.

Level 1: Some businesses are focused on the production of their products or delivery of their services with little awareness or understanding of their impact. They are extremely internally focused with limited understanding of customer needs.

Level 2: Some businesses have made a shift to understand and meet the needs of their customers. They are investing in customer insight and aim to understand the problem or need that they meet through the eyes of the customer. Many FMCG companies operate in this way as the market forces have dictated that this is necessary to compete.

Level 3: A few businesses have aimed to deepen their understanding of their consumer to look at the needs of the whole human being. An example would be Procter and Gamble and Old Spice who have a purpose to "help men navigate the waters of manhood". This recognises the challenge that

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

EY have conducted a study with HBR that shows businesses with an activated purpose....
Link: [http://www.ey.com/Publication/vwLUAssets/ey-the-business-case-for-purpose/\\$FILE/ey-the-business-case-for-purpose.pdf](http://www.ey.com/Publication/vwLUAssets/ey-the-business-case-for-purpose/$FILE/ey-the-business-case-for-purpose.pdf)

Effect on innovation:

When you define a business in terms of what they do then they will always be stuck doing that, e.g., e.g. are accountants or we make nappies. However if you can define the WHY or purpose of that organisation's existence then it unlocks the potential to consider other ways in which the business might deliver that. We are here to build a better working world (EY) or we are here to help babies healthy development (Pampers).

As such purpose led businesses have far more scope for innovation and developing alternative ways to deliver against the expectations that customers have of them. I call this "laddering up" and it is a technique I often use to unlock innovative thinking when working with clients.

An articulation of purpose gives employees more scope for how to deliver against that. Again it provides them with a more motivating objective and broader scope for delivering it - instead of mandating a specific approach which can limit experimentation and innovation.

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

One of the main issues we have in society is that we measure and prioritise economic value. If we can find a measure for purpose then we can better manage it.

I define purpose as the contribution that an organisation seeks to make to society. One simple way which we can assess purpose is to ask “society” to rate to what extent a given organisation is adding value to society.

A simple NPS type question and scoring system would enable you to set up a comparable index within and across sectors. One could easily see how the Co-op bank might get a different score from say HSBC or Barclays.

Or indeed you could compare the National Trust with Google. The National Trust doesn't generate much direct economic value but provides huge value to society in terms of its cultural and environmental impact. It would likely score highly. Google creates great economic value and provides useful digital services but its score might suffer because of its unethical tax policies.

I'm currently working on establishing a methodology to achieve this.

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

What are the advantages (if any) to being a mission-led business? Do you think mission-led businesses are more innovative? If so what is the evidence of this? To what extent is a commitment to social impact important to the stakeholders of mission-led businesses? Why might an entrepreneur choose to set-up a mission-led business? Why, in particular, might they do this rather than using another social sector legal form, such as a charity, a Community Interest Company or a community benefit society? Why might an established business repurpose itself to become a mission-led business?

An entrepreneur might set up a mission led business because they have identified a problem for a group of people or society that they feel compelled to solve. Fundamentally this is born out of a personal purpose and passion. Once one becomes aware of what one's purpose is it can be incredibly difficult to ignore. However one might find that the opportunities to live one's purpose within an existing company (unless one is very lucky) is limited so that person leaves to become an entrepreneur. The extent of commitment to the social mission or purpose is really a personal one. I find that there is a tension between the normal day to day pressures of survival in business and the commitment to move forward and commit to one's purpose. People can be drawn back by fear and move forward with courage - one's progress is related to one's level of commitment.

What is becoming apparent is that there is not really a conflict between running a purpose led business and a profitable business. You can do well by doing good. Indeed being authentically driven seems to unlock not only innovation and employee engagement but makes the organisation more appealing to customers and thus can improve good will and reduce marketing costs. Purpose led organisations will be more aware of customer needs which puts them in a better place to solve them. Also customers are more trusting of businesses which they perceive as “good” Eg Innocent,

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

The Globescan report <http://www.globescan.com/component/edocman/?view=document&id=248&Itemid=591>

States that: In 2015, 6 out of 10 people (62%) across 21 countries said they believe it is the responsibility of companies to act with this broader purpose – making the world better through their products and services.

Yet, “consumers do not trust companies to act in the best interests of society with nearly half (47%) saying that they have not much or no trust at all in global companies.”

This demonstrates a massive disconnect and opportunity between societal expectations and the actions of business.

All businesses are able to define and a purpose or mission and become mission led. A plumbing business might define its purpose as improving hygiene for the world and direct some profits to water programs in Africa. Thinx a sanitary care brand directs profits made in the US to provide sanitary care for young girls in Africa where the stigma around periods can keep women from becoming educated.

Some firms such as oil and gas firms are in a position to solve some of the worlds great challenges. However they need to reframe how they see them selves from being all oil and gas companies to become energy companies. Some pay lip service to this but their investment doesn't follow. The integrity and authenticity isn't there. BP is a great example of great intentions unfulfilled because of a resistant mindset in leaders and investors.

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	Tesla
Contact details for business	
Brief description of business (please keep under 5 lines)	Produces electric vehicles.
Why is this a mission-led business? Please include details on any corporate governance or reporting steps.	Their focus is not to sell more cars but to change the nature of travel so that it is more sustainable. Their strategy is to apply competitive pressure to the market place and force change amongst all manufacturers by selling cars people find successful
Stage of business development (i.e. start-up, growing, mature, repurposed)	growing fast
Industry sector	Automotive
Geographic focus	US, UK - ultimately global
Evidence of financial growth	
Evidence of social impact	You can now drive from London to Chamonix in an electric car as they have established infrastructure. There have been 250,000 orders for the new 3 series.
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?

I work to help businesses identify the opportunity and right purpose for them based on their strengths, their market context and the values of the organisation. I talk about a businesses making 5 key sights and acquiring these capabilities:

Empathy. The ability to see the world from their customers eyes and understand the problem they are solving as the customer sees it.

Self Awareness. The ability to identify what they are uniquely able to deliver that others can't, but also to understand what is holding them back.

Purpose. Having a clearly defined WHY for the existence of the business that articulates their service to the world or the change that they work to bring about.

Courage. The ability to make the changes necessary and act in line with ones values and purpose in the face of pressure to resort to old thinking and paradigms.

Integrity. The ability to spread the values and purpose throughout the entire business and use it as a competitive advantage day in day out.

Once this has been defined the biggest threat is investors and stakeholders who are used to placing profit above all else pulling the organisation back down into an older way of thinking.

There is need for innovation in these areas but I'm not sure what the answers are.

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

There is a need for more knowledge and support in this area.

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 when under pressure to deliver short term profit goals. Social and environmental goals might be seen as expendable unless there is a clear link established to delivering against these and the survival and future growth of the organisation.

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.

New entrepreneurs are faced with the administrative and financial challenges of launching a business, which are really an impediment to him or her creating a new entity and bringing the vision to life.

Generally if sources of capital were available that supported purpose led business it would be helpful. Individual Angel investors might be more open to certain arguments. Crowd funding investors, for personal reasons, may also be in a better position to be patient with a business that was trying to overcome the hurdles of delivering against profit AND purpose.

I would argue that the more we make funding personal and human vs institutional, faceless and consolidated the more likely we are to see support for purpose led businesses. They can sometimes seem less mercenary than the killer instincts of a money hungry entrepreneur that some investors are used to dealing with.

The burden of red tape that affects any business takes up time and resources that should be put against building the business. Regulation in this country massively adds to business risk for entrepreneurs. There is little understanding of what is required to start a business and many of the organisations are fragile. My tax bill will double for the same turnover this year when whilst blue-chip companies will see a decrease - at the same time I'm faced with increased admin overheads for PAY and EU VAT when I should be putting my energies to solving the problems of growing a purpose led business.

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?

In my view I doubt that any listed company can truly be purpose led. The stock market effectively dehumanises any investment. Everything gets boiled down to - what is the ROI. That becomes the supreme measure and there is very little opportunity for any other discussion - even long term profit conversations can be challenging when there is quarter to quarter focus. I would like to see other indexes developed that measure a balanced triple bottom line. Some investors are starting to equate poor sustainability performance with increased longterm profit risk. We need a system that allows investors to take a balanced long term view.

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.

When someone in a director position starts talking about the positive impact a business can have on society instead of solely focusing on profit and can feel very different. Leaders of purpose led businesses need to keep telling the story, bring all decisions and actions back to the purpose and values and assess all decision against them. Equally this approach should be taken throughout the organisation. Using the purpose as basis for change each department in turn can go through the process of looking at the purpose and then asking what do we need to change to better deliver against this.

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

We don't need to raise consumer awareness of the value of buying from a mission led business. There is a huge emotional pay-off for them already. They are one of the drivers that makes this possible. Consumer are demanding more and companies are slow to deliver. The challenge that consumers have is that there isn't enough choice. For example choosing a business banking account from a high street bank that hasn't been caught in some kind of scandal is pretty hard. Barclays fixes LIBOR and HSBC launders money for drug dealers. Consumers have a very good sense of who is lying to them and who is authentic. Consumers tend too look for behaviours over claims. What have you actually done to back up your intent and have you applied the thinking everywhere. Inconsistency in say packaging or employee rights can quickly turn consumers off. Actions of organisation like GreenPeace are very useful at raising awareness of issues that we might have missed - e.g. Unilever and the use of palm oil. There are various studies that show a significant proportion of millennials are more motivated by purpose and making a difference than financial reward. Unilever claims to be one of the most applied for graduate employers, which is quite an achievement in a world with attractive tech companies like Google and Facebook. They attribute this to their sustainability credentials.

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?

Certification is helpful to support credibility of any claims but the most convincing approach is an organisation taking consistent positive actions towards their purpose.

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?

I think there is a need for more vocal advocates, case studies and success stories to build belief that it is possible.

I believe that the only way we are going to solve some of the problem our society is facing is if business applies its energies to serving others. We need to move away from greed and massive accumulations of wealth that are used to corrupt policy and politicians in order to protect its own bloated wealth.

We need a society that works to solve societies problems. Charities can't scale. Businesses can be a force for good or not. We need more businesses that are a force for good. So yes tax incentives would be a worthwhile investment for the government. It would reduce risk for these organisations and increase their chances of succeeding against entrenched incumbents with more selfish agendas. I believe the wave of change in this area will come from fast growing startups that disrupt categories and industries. Established firms will more likely protect the status quo and their vested interests.

If you want to fuel this revolution then support the bright eyed entrepreneurs with big visions. They are the ones that are frustrated with the status quo, they are the ones that want to change things and they are the ones without the baggage of the past. Reduce regulation and taxation for small businesses, provide tax incentives for purpose led organisations, set up investment funds for purpose led organisations and provide the support required to reduce their risk and increase their chances of success.

Any initiative needs to be workable, accessible and sustained. This year I saw the cancellation of

Thank you for your response.