

## Mission-led Business Review: Call for Evidence

### Question 1 What do you know about the number and profile of mission-led businesses operating in the UK?

This is a very new area. What constitutes the reality of a mission/ purpose led organisation is still being established. With that aside, it appears that there is a significant group of large UK businesses who are either far down the journey to becoming mission/purpose led, who are beginning the journey or who are seriously considering it (e.g. a strong number of influential businesses are actively engaged with Blueprint for Better Business and the Contexis Purpose Group, and currently the GameChangers 500 lists forty organizations in the UK as being in their top echelon of purpose driven organizations [GameChangers 500 2016; Forbes 2013]<sup>1 2</sup>). While purpose/mission driven companies can range in type and size, our research focuses on large incumbent firms. Our experience suggests that while potentially a majority of large companies are aware of and attracted to the idea, there are only a handful of large UK organisations who might be classified as truly mission/purpose led (partly due to the nascent nature of the case). The focus of our research is large UK organisations and we cannot comment on the SME sector.

### Question 2 What do you know about the impact of being a mission-led business on business performance and social impact?

Our early research (evidence gathering still in progress, to be finished by Autumn 2016), suggests that there are a wide range of interconnected positive impacts for a business to become purpose led the most significant that have arisen from our research so far include:

- **To attract the best talent.** It is understood that an increasing number of people (and most evidenced within the so called 'millennial' population) will consistently seek to work for organisations where they have a social mission. Addressing attractiveness for future talent appears to be a key motivation in becoming mission/purpose led for many of the organisations we have interviewed.

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<sup>1</sup> Forbes (2013), "GameChangers: The World's Top Purpose-Driven Organizations" (accessed January 15, 2016), [available at <http://www.forbes.com/sites/skollworldforum/2013/11/04/gamechangers-the-worlds-top-purpose-driven-organizations/#2715e4857a0be527c4b18807>].

<sup>2</sup> GameChangers 500 (2016), "About us | GameChangers 500 | The World's Top For-Benefit Companies," (accessed February 24, 2016), [available at <http://gamechangers500.com/about-us/>].

- **Increased productivity.** There is much evidence to suggest that organisations are more productive when their employees can ‘bring their whole self to work.’ In other words, personal motivations to ‘make a difference’ are enabled to be aligned to organisational motivations. Missions provide intrinsically rewarding motivation rather than managed extrinsic systems of rewards and punishments. The evidence gathered in our research so far bears this out, with a range of examples from large UK organisations to support this.
- **To allow an entrepreneurial approach to working and reduce bureaucracy.** If leadership provides an authentic ‘north star’ that is consistently expected to guide decision making at all levels and at the same time people are intrinsically motivated to achieve the same mission, then the need for policies, checks and micro management is reduced. This encourages flexible entrepreneurial working that can adapt to the market more easily. We have less examples to support his claim and so at the moment this remains a potential strategic/ operational benefit.
- **To allow consistency of strategic decision making.** We found evidence that having a clear and publicly stated mission/purpose has allowed senior management to have less difficult conversations with stakeholders where they may, for example, refuse to engage in something that would jeopardise their strategic direction, because this in turn would be out of alignment with their purpose. In this way the purpose allows for hard conversations and decisions that would otherwise be more difficult to justify.

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

There are existing organisations who are monitoring other mission/purpose led organisations over time as part of their regular activities (e.g. Chartered Management Institute, Deloitte, Edelman). Although these previously mentioned entities are in the best position to continue to gather this evidence, conceptual consistency remains a hindering dilemma. Large definitional discrepancies exist around what constitutes a mission/purpose led organisation, the nature of the journey towards becoming more mission/purpose led, and even what proof points show how well an organisation is being mission/purpose led. By building community clarity in these areas the ‘pulse taking’ by the above organisations can be more accurate and comparable. Therefore, a case can be made that initial qualitative research is required in order to build accurate quantitative measures. This is a gap that academia is best placed to fill, something our interviewees have confirmed, and it is for this reason that we have commenced our programme of research which we envisage will be substantial and long-lasting. We would be happy to work along-side the government in helping establish the best approach to measurement.

**Question 4 Why would a business set-up as or become a mission-led business?**

The main reason would be to achieve the positive outcomes as outlined in our answers to question two. For large established businesses, becoming mission/purpose led is much more viable than reconstituting due to system 'lock-in' through established investors. Additionally, as a post 2008 society we are in an important period of cultural adjustment regarding what we think the role of businesses is and what a successful business looks like. Currently businesses need to balance the need to be 'taken seriously' by traditionally minded commercial investors with the need to achieve the positive outcomes of a mission/purpose led organisations (see Q2) and establish a strong 'license to operate'. The social enterprise CIC model is still relatively new and the 'not-for profit' label (which can suggest a company doesn't take making profits seriously and therefore financial sustainability might be at risk) can still be attributed incorrectly to this kind of business. It is currently not clear (even to the key organisations) what the relative benefits of B-Corp and CIC models are. However, the ability to access grants and provide a strong market signal to a range of stakeholders (customers, social investors, local government) would be a reason to go down this model if a company was starting out. There are however likely to be tax benefits to pursuing a mission/purpose led approach over a CIC model, depending on the size of the business.

There is increasing evidence that customers are not just supportive of mission/purpose led organisations, but are more likely to recommend, buy from and be happy to be aligned with them (Edelman survey). In tough market environments where relationships with customers (and other stakeholders) is becoming recognised as the key currency, this provides a critical competitive edge and in turn encourages the purpose to be met (Hunt, 1997<sup>3</sup>; Grönroos, 1994<sup>4</sup>; Vargo and Lusch, 2004<sup>5</sup>).

Extending the comment above about the entrepreneurial approach mission/purpose led business support, our research appears to indicate that new ways of framing problems and the boundaries placed on the innovation process by pursuing purpose, can result in successful market offerings that would otherwise not have happened. Unilever has many examples of this. In this way mission/purpose led businesses potentially have a greater motivation to develop 'frugal innovation' processes (Radjou & Prabhu, 2015)<sup>6</sup>

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<sup>3</sup> Hunt, S. D. (1997). Resource-advantage theory and the wealth of nations: Developing the socio-economic research tradition. *The Journal of Socio-Economics*, 26(4), 335-357.

<sup>4</sup> Grönroos, C. (1994). From Marketing Mix to Relationship Marketing. *Management Decision*. 32(2), 4-20.

<sup>5</sup> Vargo, S. L. and Lusch, R. F. (2004). Evolving to a New Dominant Logic for Marketing. *Journal of Marketing* 68(1), 1-17.

<sup>6</sup> Radjou, N., & Prabhu, J. C. (n.d.). *Frugal innovation: How to do more with less*. Economist Books

### **Question 5 How do you see mission-led businesses developing over the next decade?**

The drivers discussed above will become more acute over the next decade as businesses struggle in an uncertain post-Brexit environment. This uncertainty, and potential recession-based influences, also has the potential to de-rail companies early on in their journey as they will need to persuade stakeholders of the longer-term benefits (being mission/purpose led requires a longer-term mind-set since more intangible drivers for businesses success are recognised).

As our research concludes, becoming purpose-led is about putting stakeholders, and particularly customers (the company's core social impact), at the heart of the business model. Therefore, those organisations that are truly marketing (not promotion) orientated are more likely to be able to achieve mission/purpose led. There are certain sectors that lend themselves to being more external (customer) rather than internal (firm) focused such as fast moving consumer goods companies. On the other end of the spectrum, those organisations who have a few large clients with long term contracts are also likely to find the journey to being purpose-led easier. That said, becoming purpose led is about leadership and culture and this can arise from any sector (for example the over-representation of mission-led carpet companies could be seen to result from InterFace's Ray Anderson's 'epiphany' having read Natural Capitalism' – his company leadership then changed the sector).

### **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?**

For large established organisations, shareholders have perhaps the key role in enabling a company to shift to a purpose-led organisation – particular in terms of supporting the 'investment' in the transition, the focus on longer-term monetary success rather than quarterly, recognising the indicators of a successful business other than short-term profit increases and valuing achievement of the social mission as an additional ROI alongside financial ROI (e.g. passionate investing). It is for this reason that Paul Polman of Unilever focused on altering the relationship with investors as a key part of their journey to being mission/purpose led (e.g. refusing to post quarterly financial reports to the market).

Mission/purpose needs to guide all decisions making, this can become value/behaviourally driven as it becomes part of the culture, however establishing and maintaining this requires audit and adjustment of all influences on decision-making and all stakeholder touch-points to make sure the organisation filters what it does (explicitly and implicitly) through the lens of its purpose. Change of nature always comes with challenges. The first is for the business is to see this as a real, long-term change that will outlast the life of any one leader. This requires visible and consistent leadership at all levels, but particularly from the C-suite.

Becoming a marketing orientated company is another step – by bringing customers into the heart of business decision making (with their longer-term wellbeing in focus) a business locks in the ability to sustainably deliver social outcomes through its business operations. A recent report for Friends of the Earth on how marketing can reform to deliver a more sustainable society outlines this

<https://www.foe.co.uk/sites/default/files/downloads/reforming-marketing-sustainability-full-report-76676.pdf>

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

Yes. The role of being marketing oriented needs to be better understood. This starts with understanding the role and potential of marketing more clearly (beyond a sales or impression management function as it is sometimes seen to have become). This could be achieved through a British or international standard in marketing for mission-led organisations (or similar) being developed with a wide range of stakeholders and compliance established as an indicator of a mission/purpose led company. This would include a maturity matrix built from best-practice examples at each stage of maturity and for each of the key indicators.

**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?**

Our research does not cover this at present. Very few companies have achieved a focus on mission/purpose in the first place.

**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.**

One of the strongest barriers we recognised was the pressures of short-term profit maximisation, driven by the requirements for regular financial reporting. Reducing this regularity and requiring integrated reporting at all junctures would reduce this. Increasing the amount of time shares that must be held, or enabling individual companies to do this, would also be a significant step. Another is the inertia to change especially from middle managers and those who are incentivised by the current approach.

**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 answers to Q9 and Q6 on the short-term profit motivation of the market.

**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.**

If a valid mission/purpose includes a positive impact on society in the longer-term, then in order to be successful it will need to have value/culture that supports this purpose. Blueprint for Better Business provides a framework of values and behaviours that is most likely to enable businesses to become mission/purpose led – this is as applicable to the Director as to everyone else in the business (a mission/purpose led business is about everyone acting in concert towards a shared purpose). The exact values/behaviours will depend on the specific purpose, business and employees.

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

We would strongly disagree with the use of the term ‘good marketing’ - what is being described is not marketing but promotions and is not ‘good’. Authenticity and consistency of relationship interactions is the core way in which belief in a mission/purpose is built. Through this stakeholders, like employees, can commit more of their real selves to their interactions with the company and therefore be partners rather than distant entities where exchange sometimes happens. See answers above, especially Q6 and 7, for the critical and central role of marketing. Much like green washing, purpose washing is something that stakeholders, like customers, NGO etc. need to monitor for. This is very difficult to regulate and so voluntary standards that stakeholders can also use as a benchmark are probably the most appropriate approach (see Hurth et al. 2015<sup>7</sup>).

**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?**

As above – yes voluntary standards and marks of authenticity by external bodies (including a potential standard in purpose-led marketing), if derived from a consistent view of this complex topic, would be helpful.

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<sup>7</sup> Hurth et al. 2015: <https://www.foe.co.uk/sites/default/files/downloads/reforming-marketing-sustainability-full-report-76676.pdf>

Blueprint for Better Business promote a critical way in which businesses are growing in confidence and shared understanding in this area. By focusing on the values and behaviours that support mission/purpose led organisations they are creating detailed level context for change.

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

Social impact reporting is relatively new and highly fragmented. The international Integrated Reporting Framework is the closest to a globally comparable way to report and is better because it goes beyond merely social impact and instead looks at and organisation through the core business model. So far there is little evidence that IR is being specifically connected as a tool for mission/purpose led organisations but it should be.

**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 key barrier is lack of clarity about the concept and operationalising it. See above especially Q1 and Q3. The same issues that provide a barrier to embedding purpose (Q9) are also likely to constrain the number that exists.

**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?**

These businesses require clarity and 'codifying' of how to best operationalise and any differences between sectors/ business types. We (Hurth, Ebert and Prabhu) would be happy to share our conclusions in this area and help in any central efforts to provide clarity.

As part of this, the central role of marketing needs emphasising if businesses are to become successfully truly purpose-led (otherwise the shift will be myopic and doomed to failure) – but this requires reconceptualising common views of marketing. The CIM, Marketing Academy and others will be central to this along with cutting edge thinking in this respect. We (Hurth, Ebert and Prabhu) would be happy to help facilitate such a shift, building on the thought leadership we have been undertaking in this area.

Although it may be very difficult to definitively identify a mission/purpose led organisation from purposes or rewarding investors, it is possible to reward other precursors. For example, rewarding investors who keep their stock for a certain length of time may be beneficial. Changes that reward long-term commitment to a company over

short term profit stripping is perhaps the most important factor. Becoming mission/purpose led appears to have multiple positive outcomes that can incentivise businesses in this direction, the focus for government should therefore be on reducing the barriers – such as short-term mentality of investors which detract from companies building real value in the longer-term.