

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.

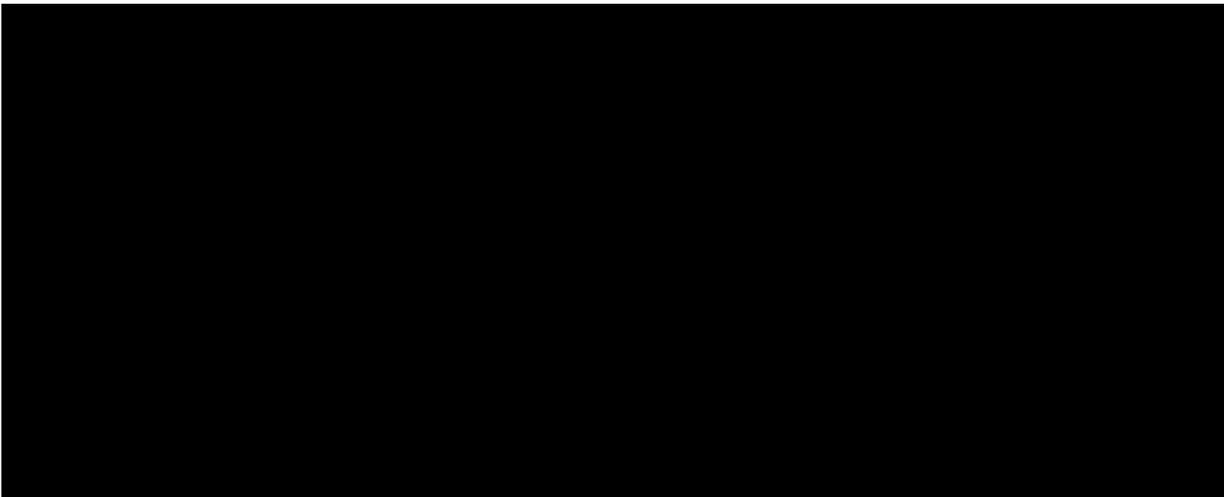
The closing date for responses is 8 July 2016. Responses received after this date may not be read. Call for Evidence responses should be returned to:

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.

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

SalaryFinance's mission is to help people get out of debt quicker and on to the road to financial wellbeing. This mission has driven results in a number of critical business areas:

Recruitment:
Clearly articulating our mission has simplified our recruitment efforts. It has attracted a self-selecting pool of outstanding candidates to the business, meaning we have not had to rely on expensive recruiters and that we have been able to establish a team with shared values from the outset.

Sales and marketing:
Financial services companies continue to be viewed sceptically by many. Our commitment to delivering more equitable solutions reframes our clients' perspective of financial services, and is an integral part of our marketing communications.

Innovation:
We spend all our days thinking about how to best serve the needs of a group that has long been underserved by traditional FS businesses. This is a very significant catalyst to developing and launching new products.

The social impact of what we do is central to every aspect of our work. By focussing on growing the business, we optimise for impact.

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

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

We believe that the 21st century will be shaped by businesses that make the world a better place.

The 20th century was shaped by industries whose promises no longer hold. Across automotive, fast food and tobacco, the promises of freedom, liberty, convenience and independence have foundered on the rocks of smog, congestion, diabetes and debilitation.

These broken promises have meaningful consequences. Institutional investors are increasingly aware of the need to allocate their funds appropriately - the broad institutional divestment from fossil fuels demonstrates this clearly. Meanwhile, consumers increasingly look to engage with brands and businesses whose values reflect their own.

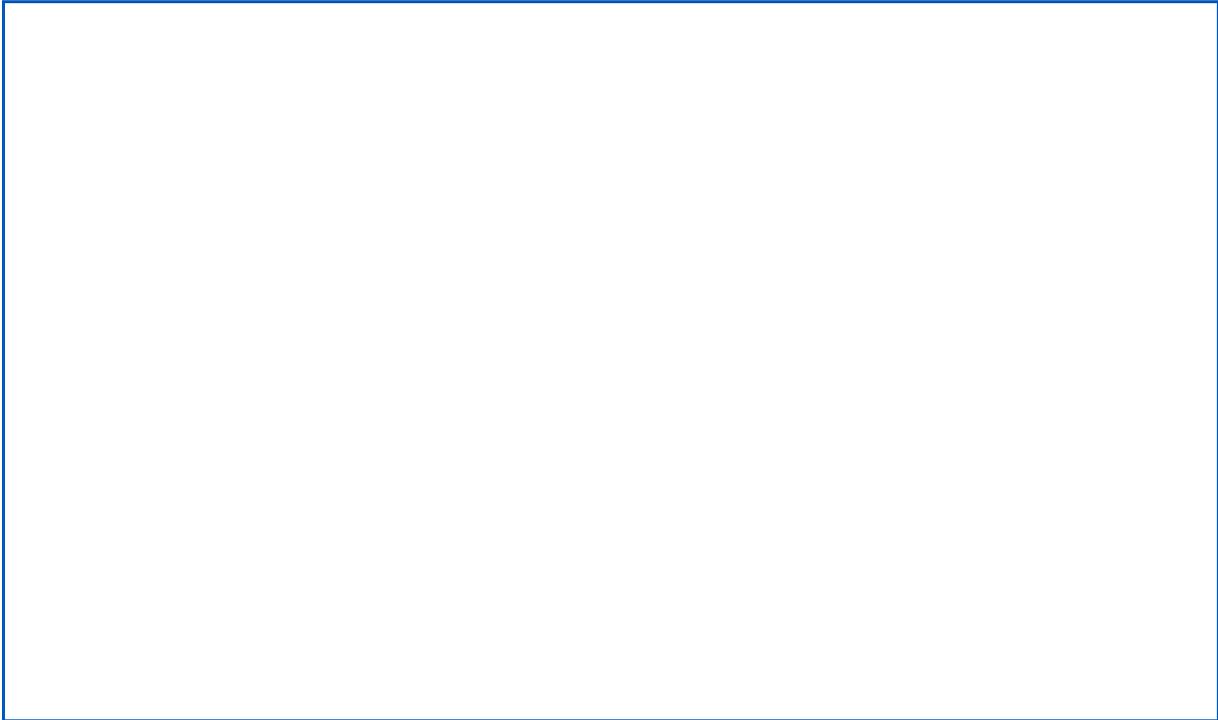
Consequently, businesses can now be considered to be making profit-maximising decisions when they align their business models with social missions - the shift in investor and consumer appetite has meant that profit maximisation as a goal now is now consistent with broader stakeholder engagement.

Furthermore, entrepreneurs may more easily attract investment, talent and customers by constructing businesses whose success drives social change.

Fundamentally, the tension between making a profit and making the world a better place is diminishing, and in some instances such as our own, the social mission and profit objective are wholly aligned.

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

A large, empty rectangular box with a blue border, intended for the respondent to provide evidence and their perspective on mission-led businesses over the next decade.

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)	Technology-led renewable energy supplier
Why is this a mission-led business? Please include details on any corporate governance or reporting steps.	Bulb seeks to encourage the adoption of renewable energy by providing cheap and simple energy to households and businesses
Stage of business development (i.e. start-up, growing, mature, repurposed)	Start-up
Industry sector	Energy
Geographic focus	UK
Evidence of financial growth	
Evidence of social impact	100% renewable electricity; 10% renewably-sourced gas
Any other details (e.g. legal form)	Limited company with B-Corp status

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 wording of this question raises doubts about the sustainability of mission-led businesses as contemplated: "making [how and where?] a commitment [of what binding nature?] to deliver [when, where and how measured?] on an intention [the path to hell...] to have a positive social impact" is ultimately a weak commitment. By contrast, our business simply has a positive social impact as it grows.

The practical steps that we have taken are to (1) design a business model that delivers social impact as the business scales, and (2) make public (via all our external communications) our commitment to achieving social impact (because by doing so, we will have built a terrific business).

(1) above means that our business does what it says on the tin, and that impact is simply at our core. We would encourage other entrepreneurs to consider how they can design business models whose very success drives positive social change. Looking first at impact without giving sufficient thought to long-term business sustainability may ultimately be self-defeating.

(2) above means that any attempt by us to pull back on that commitment would undermine our credibility, damage our reputation with our clients, and unsettle our investors. If other entrepreneurs can achieve (1), (2) becomes a simple statement of fact rather than one of aspiration.

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

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?

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.

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?

We are the only mission-led business in a large group structure that has £350m turnover across 3,000 employees. Our mission orientation imposes no additional challenges for us than those facing any of the other group companies.

Our shareholders believe that the most effective way to deliver social impact is through making the business a huge success. Consequently, they hold us to account on standard business fundamentals - our unit economics, our growth, our challenges and how they can help.

This rigorous application of business principles to our mission drives the greatest potential for impact.

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.

The most important thing in forming effective teams is to create a shared sense of culture that draws out the best from each individual team member (http://www.nytimes.com/2016/02/28/magazine/what-google-learned-from-its-quest-to-build-the-perfect-team.html?_r=0).

Building on this, the best way for a business with a social mission to create impact is to build effective teams through a shared culture. But this challenge is no different to any business, and there is no obvious reason why a team's culture must differ purely because it is mission-led - at least if outcomes are what we care about. The critical thing for a mission-led entrepreneur therefore is to create, and encourage the creation of, psychologically safe environments which themselves facilitate the creation of the best work and the achievement of the biggest impact.

The creation of the right culture is of course a significant challenge, and one that has been addressed by countless academic texts whose lessons have no less relevance in the mission-led environment than in traditional business contexts.

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

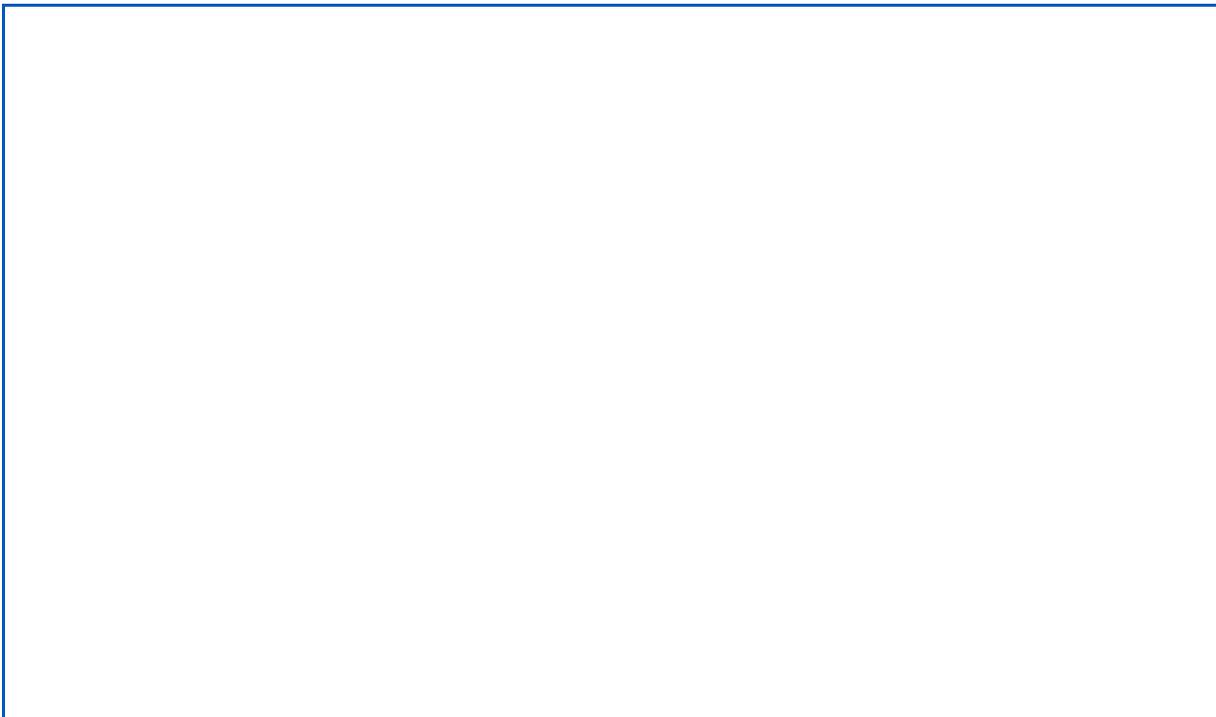
Fundamentally, we face no additional issues to other new businesses:

- we have to persuade investors that our business is worthy of investment;
- we have to recruit the right talent to help us grow; and
- we have to convince our customers that we can do what we promise.

For each of these stakeholders, we need to demonstrate that (1) we bring value, and (2) we can deliver. Given the way our business model works, we achieve social impact as a necessary and inevitable by-product of delivering profit.

Critically for us, our clients (employers) act as a check on greed - we cannot simply ramp up the interest rate we charge as employers would not agree to make us available to their employees if they thought that we were being exploitative. This intrinsic check on our business model ensures that in order to satisfy our employer clients we need to focus on delivering an outstanding business built on exemplary operations - this drives down our costs, allows us to charge lower rates, ensures our investors are satisfied, and drives the social change we have been founded to deliver.

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?



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?

There is the potential to achieve significant public externalities if mission-led businesses succeed. This naturally makes them tempting for governments looking to maximise impact from constrained resource. However, the high failure rate of businesses broadly should chasten that enthusiasm - it is hard to pick winners, governments may not be well-placed to pick the right ones, and the opportunity costs of picking one may be high. With this in mind, the purported benefits of committing significant resource to supporting mission-led businesses should be considered carefully. The London Co-investment Fund offers a structure that may be appropriate.

Perhaps more meaningfully, government could have a more direct impact by facilitating procurement. If submissions to public tender were to be evaluated on a mission-led criterion as well as any traditional ones, this may help mission-led businesses untap the public sector, grow more quickly, and deliver the promised externalities more simply. The transparency of certifications such as B-Corp statuses may be of use in these circumstances.

Finally, we believe that the biggest incentive for more mission-led businesses to be created is for existing mission-led businesses to thrive and to be seen to thrive. Government can lend its significant weight to encouraging existing MLBs to focus on creating business models that deliver impact as a by-product of success, on scaling their businesses, and on trumpeting their success.

Thank you for your response.