

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.

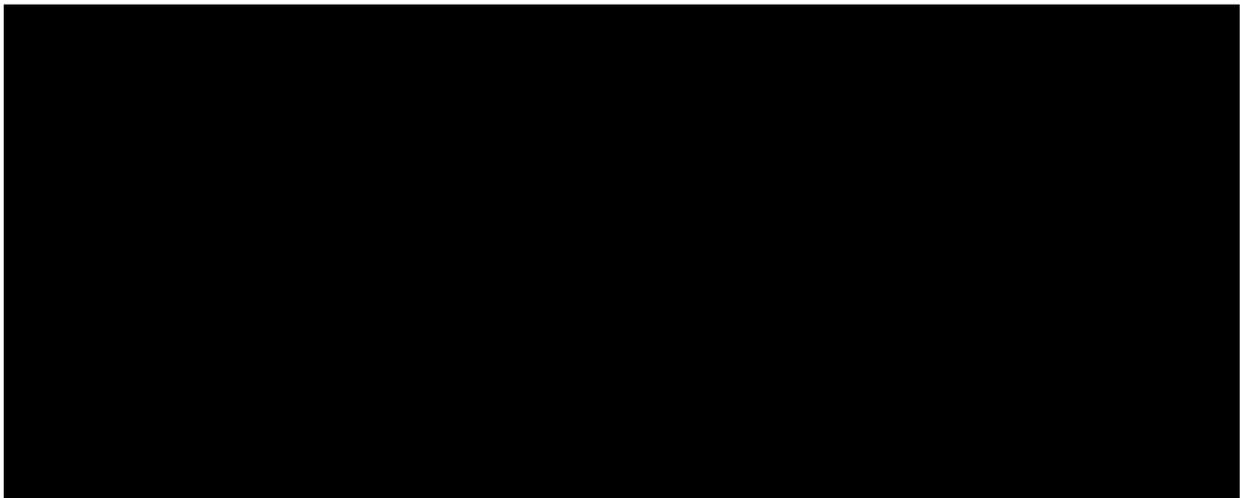
The closing date for responses is 8 July 2016. Responses received after this date may not be read. Call for Evidence responses should be returned to:

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
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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.

As we understand it, “mission-led” is a contested term” as it is not attached to a specific guideline or framework. As a result, it could be argued that any business contributing to a social cause through their CSR department is a mission-led business (“MLB”). However, Shiva Hotels feels that MLBs, by their very definition, need to go beyond this old paradigm. Without a fully-integrated sustainable and ethical model in place, businesses cannot claim to be mission-led. As we understand it, having social impact at the core of the business model (or at least working towards this) is vital to being a MLB.

By way of example, in 2013, Shiva Hotels founded Shiva Foundation with the intention of working towards a more sustainable and ethical business. The Foundation works closely with the business side of the hotels to understand how to integrate anti-trafficking measures as well as other ethical social indicators within the cause of business.

At Shiva Hotels, we think it's important to recognise that there is a difference between respecting the human rights of workers and creating a positive difference through social impact. At an event earlier this year, Aidan McQuade, Director of Anti-Slavery International stated that “businesses

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

In our experience, businesses that engage in social impact will have a significant effect on employee morale and operational efficiency. Not only do employees take pride in working for a social business but they also feel more meaningfully connected to the business as a whole. Overall, we have found that employees are eager and enthusiastic to interact with a business that is doing social good. In May 2015, Shiva Foundation worked in partnership with Unseen to carry out trainings with our General Managers ("GMs") to highlight the issue of human trafficking within the hotel industry. This led the to the GMs themselves leading an initiative to screen a short film on human trafficking across seven of our hotels to raise awareness on World Day Against Human Trafficking.

With the rise in consumer awareness, we feel that MLBs can effectively increase their company's bottom line. Consumers recognise ethical businesses by switching to their products or services, which leads to higher sales and consumer loyalty. More and more hotels are catering for a consumer base with an ethical conscience, such as The Floating Hotel in London and the Green Rooms in Wood Green. This shift is about businesses being measured by more than just profits and a number of hotels have realised the social and financial value of engaging with social impact in this way.

This move towards social value needs to be about more than just public relations and corporate identity. The only way forward for companies to truly benefit from being socially responsible is to commit to making social impact part of their core mission. In this regard, Shiva Foundation is making critical strides to create a standard that will highlight the urgency to tackle slavery within the hotel industry - this will include a commitment to eradicating slavery that is integrated within our policies and decision-making procedures.

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

It is difficult to capture social impact when it comes to human experience. We see value in mission-led businesses establishing clear performance measures that highlight their social impact objectives. This is not something that we have experience with yet and we would be interested in learning more about it.

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

Over the last decade, there has been a huge shift in consumer thinking. Today, more than 40 per cent of online consumers in Europe are looking for services and products based on their environmental or social impact (Nielsen, 2014). Consumers are making ethically conscious decisions that are encouraging a surge in sustainable business.

Shiva Hotels is developing a social impact strategy for the following reasons:

Societal value: As a hotel, we believe that we need to proactively protect the human rights of our workers and customers. As a result, Shiva Hotels is creating lasting change and social impact by addressing one major global societal challenge: human trafficking. We are engaging with our subcontractors and employment agencies to ensure that protecting human rights feature as a key priority within our business. For instance, we seek to ensure that human rights are being protected throughout our supply chains, within our hotels and among employees and customers.

Employee engagement: fostering a type of business culture that attracts and retains the right talent.

Mitigate business risk: identifying risks and developing solutions, especially within our supply chains.

Serve new customers: expanding into new markets that actually assist the most vulnerable. Shiva Hotels hopes to do this by offering hotel rooms and meeting room spaces to NGOs and survivors of trafficking. We are also keen to cater for a socially conscious consumer base as this represents room for growth and innovation. MLBs reflect a new age for the hotel industry. As a consumer-facing industry, the hotel business relies on consumer loyalty and therefore our success depends

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

Over the next decade, we feel millennials will play an increasingly important role in consumer demand. As the most brand loyal generation, socially responsible businesses will be able to retain a stable and dedicated consumer base.

As we have already seen in many industries, it is clear that companies will start depending more on social media to sell sustainable change through their products and services. This will be a key feature for companies who want to increase their visibility and social impact. Similarly, social media will create increased pressure on brands in regards to their impact on the environment and society. This will put further pressure on non-MLBs, who will feel pushed to adopt sustainable policies to meet the demands of their consumers. This will also make it harder for businesses to plead plausible deniability as consumers will be more informed about the quality and ethics of specific products or services.

Generation Z, is becoming increasingly responsive to products and services that have a social impact message. We feel that, in a decade, consumers will be willing to pay more for sustainable products and services as they become more aware of the negative effects that non-MLBs can have on the environment and on people's livelihoods.

A number of surveys have found that Generation Z are particularly concerned about working for businesses whose work also sends a social impact message. Less socially conscious organisations will find it harder to recruit from younger generations, resulting in lower levels of employee morale and retention.

London has a significant advantage in developing MLBs as it is one of the financial and business

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	Shiva Hotels
Contact details for business	See above
Brief description of business (please keep under 5 lines)	Shiva Hotels is a London-based, privately-owned company on a steep growth path. It established Shiva Foundation in 2012 with the intention of tackling social issues both internally and externally to the business.
Why is this a mission-led business? Please include details on any corporate governance or reporting steps.	Shiva Hotels is considering the wider social impact of the hotel industry through its work at Shiva Foundation. It is developing a plan which seeks to recognise and embed sustainability, human rights (in particular, modern slavery) and ethics as key priorities within the business.
Stage of business development (i.e. start-up, growing, mature, repurposed)	Growing
Industry sector	Hotel industry
Geographic focus	United Kingdom
Evidence of financial growth	
Evidence of social impact	
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?

Some of the key steps that we think businesses need to take to become mission-led are as follows:

- Identify the social impact mission of the business.
- Outline how the business will achieve this outcome by developing a theory of change.
- Work with existing business partners to develop a sustainability and social impact agenda.
- Build relationships with civil society organisations.
- Carry out due diligence.
- Create a blueprint for their industry.
- Have a commitment to social impact that runs throughout their vision for the business.
- Make this impact part of the organisational culture: employees must be aware of what this social impact entails.
- Measure your impact.
- Communicate your impact internally and externally.
- Be ready to reassess your strategy.
- Ensure the sustainability of this impact.

By way of example, Shiva Hotels is creating a blueprint that hopes to tackle slavery throughout its organisational structure and its supply chains. This blueprint will be embedded within Shiva Hotel protocols, ensuring that all employees are working towards systemic change.

We are also developing a set of practical steps that will allow us to create an industry model for a socially sustainable and ethical hotel group. These include:

- Creating online ethics, sustainability and human rights policies and carrying out due diligence in

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

It is crucial for MLBs to move away from working in silos and instead promote a culture that encourages collaboration. MLBs need to lead by example to communicate the benefits of establishing a vision for social impact - they need to step up and prove that this model works. By doing this, other businesses and entrepreneurs will be able to tangibly see that moving towards this model does not necessarily represent a business risk.

Governments and industry bodies need to actively seek out when a business develops an innovative model to address social impact. This is key to getting others on board and allowing them to learn from best practices. We believe that these overarching bodies can promote these models as they play a neutral role in the sector. By way of example, Shiva Hotels will be hosting a roundtable with key players in the hospitality sector and will be seeking a neutral facilitator to lead the conversation. This is key to initiating an increase in MLBs.

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?

Mission drift is most likely to happen when businesses have not put enough consideration into the value of becoming a MLB. If this mission is viewed as an ‘add-on’ rather than being at the core of its work, businesses could lose focus. At Shiva Foundation, we are working very closely with the business side to make sure any work we do around preventing human trafficking and promoting ethical business is truly integrated and each individual employee is invested in the social strategy. We intend to integrate this social aspect into job descriptions from an early stage meaning that performance reviews, promotions and bonuses will all need to consider to what extent employees have engaged in this part of the business.

When establishing a social impact strategy, it is critical to translate this mission into a long-term plan. Buy-in from leadership is key and this commitment has to come directly from the business. For instance, Shiva Foundation was set up by the Director of Shiva Hotels because he wanted to make a real and sustainable impact.

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.

The costs of developing a social impact business can be quite high, especially for those businesses that are already well-established, as they will have to recreate or amend much of their strategy. There is an immediate need for collaboration across the sector in order to spread knowledge of how to become a successful MLB. Without this platform for communication, others will find it difficult to move towards the MLB model without high levels of investment. Businesses are naturally risk averse and competitive, but sharing knowledge and tools in this respect could be key to launching a movement of mission-led businesses. We feel there needs to be a level of courage and leadership involved in this process. Shiva Hotels intends to collaborate across the spectrum - with the UK Government, the hotel industry, business leaders and NGOs - in order to seek advice, learn from best practices and partner with organisations where there are overlaps.

Based on our experience, we believe each industry would benefit greatly from having a leader or a group of leading companies that can prove a model is efficient and can be taken up by others. This is what Shiva Hotels is trying within the hotel industry, and we hope that once we prove its success, others will see the benefit in joining.

Businesses need a compelling rationale to engage in meaningful social impact beyond it being the right thing to do. Tax incentives could definitely play a role in encouraging businesses to start or shift towards social impact. These incentives need to come from the top, which is why governments need to involve themselves in these conversations. Clarity and guidance about how to go forward is crucial so that each group can implement a social impact mission within their unique structures.

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?

Shiva Hotels is not a large corporate, but we do operate in a group structure so we have an idea of some of the barriers to businesses becoming mission-led.

Becoming an MLB is a significant commitment and can lead to a change in company dynamics. The biggest challenge is the initial cost and risk that this change represents. Many businesses feel uncertain about the benefits this could bring to the company and therefore put off the decision to jump in with both feet. However, businesses need to remember that this is not necessarily the way forward; acting slowly and taking small steps is a move in the right direction.

Another barrier is the level of bureaucracy involved in moving towards becoming a MLB, as it not only creates uncertainty and initial costs, but also requires a huge time commitment. In this respect, it is important for individual decision makers to be brought into the process. Shiva Hotels did this by holding a training with General Managers last year to allow them to explore the meaning of social impact for the company. Setting policies at the top will not be implemented without getting employees on board - it is therefore key to inform them and provide an open platform to share opinions.

If a business is set within a traditional framework, it could be difficult to break away from that model. A lack of strategic vision from managers may impact the success of such a project, especially if the orientation is to focus on short-term goals and profits rather than long-term resolutions to benefit society.

Businesses need to remain in touch with their consumers, so that they can retain some flexibility and move in line with changing preferences. Additionally, it is crucial for businesses to rely on local

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 objective of becoming a MLB is not to implement different cultures and values and move towards the other end of the spectrum - business is still business. However, the values of being a MLB will entail embedding these changes within the organisational structure so that employees and consumers are aware of the company's mission. Internally, everyone within the business should be committed to the core social values so that their interactions with consumers reflect the company's vision.

Shiva Hotels holds its own values (internal trust, openness and integrity) with a deep respect and seeks to embed them through every aspect of its work. We are committed to delivering a social impact programme with depth and learning at its core.

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

Please see our answers above for details on this aspect of MLBs.

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?

External frameworks such as the UN Global Compact, Modern Slavery Act, UN Principles on Business and Human Rights, and global incidents such as the Rana Plaza and global warming, have put a huge pressure on companies to develop a social impact plan.

There are clear benefits to introducing certification systems as a strategy to engage businesses, and this is especially applicable within the hotel industry. The rigorous criteria for becoming certified provides businesses with a clear, long-term framework and comprehensive strategy to fulfill its responsibilities as a MLBs. They reinforce assurance, transparency and accountability to clients and customers. A certification system also provides technical assistance to businesses looking to adopt a comprehensive policy to become a MLB.

Certification systems can feed into public relations strategy and enhance a business' reputation. Equally, the move towards higher transparency improves the level of community engagement and credibility. This improves MLBs competitive advantage over non-MLBs as consumers can directly identify which businesses are more sustainable.

However, every business is different. It is possible to find vastly different businesses operating in similar markets. The challenge here is how certification systems and frameworks cater for these different businesses. Can they be tailored to each business type in a way that makes these models more accessible and relevant?

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

The problem with social impact measurement is that there is no established metrics. MLBs are focused on different causes. For example, this can be anything from reducing carbon emissions to providing ethical products, or ending modern slavery to community engagement. As a result, MLBs are given some freedom to determine how to measure their social impact.

Some challenges in this respect include:

- Companies can find it tricky to understand how they manage and communicate their impact on society coherently.
- Tracking social impact long-term is difficult and it is no wonder companies have fallen back on easy measures like donations to charity.
- Seeking consulting and auditing services may be easy, but learning how to manage the resulting findings and make appropriate changes may take a period of time and pose a risk to the business.
- Lack of leadership and advocacy, good practice examples and resources.

By identifying and defining its social impact, a business can become more accountable. Similar to charities, MLBs may be able to start thinking about developing a theory of change so that they can understand what outputs are necessary to arrive to specific outcomes. In this respect, partnerships between businesses and NGOs could facilitate the process and allow for more effective measurement of social impact.

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.

Given that we have only started to initiate a MLB strategy, we are not in a position to contribute here. However, we would be happy to input on this at a later stage.

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?

MLBs need support from leading bodies such as government and industry leaders.

- Government needs to provide tax incentives for businesses working with a social mission at the core of their strategy.
- Access to information on how to become a successful MLB.
- Consultants such as accountants, PR and lawyers, need to be well informed about what is needed to become a MLB. They need to provide resources and support clients wanting to move towards this model.
- Leadership from businesses working in the sector.
- Making social impact a metric within business, i.e. developing a mainstream way of measuring the success of a company that takes into account social impact.

Thank you for your response.