

# 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.

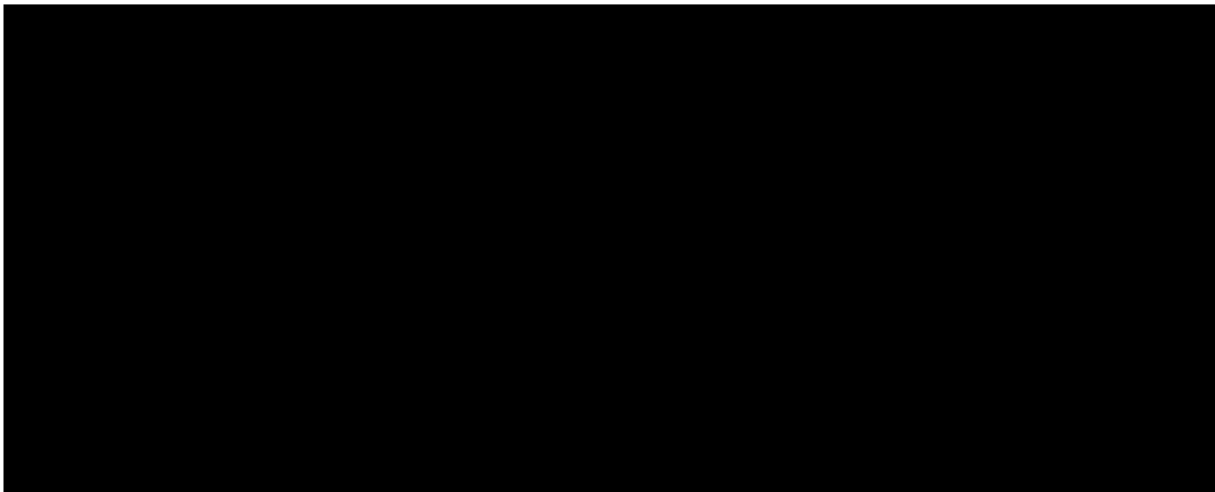
The closing date for responses is 8 July 2016. Responses received after this date may not be read. Call for Evidence responses should be returned to:

[missionledbusiness@cabinetoffice.gov.uk](mailto: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.

Core Assets is a mission-led business that delivers children's social care services across England, Scotland, Wales and Northern Ireland, and internationally. We work with the majority of public bodies responsible for children's social care across the UK and work with over 90% of local authorities in England.

Beyond the consumer environment where there is an existing awareness and interest by consumers in the products and services of mission-led businesses, we see a growing interest in mission-led businesses through: the growth in social investment, such as supported by Big Society Capital; developments such as the Social Stock Exchange; leading entrepreneurs promoting the value of social or environmental mission driven elements to a business, such as serial social entrepreneur Karen Darby; and the growing interest in use of certifications to demonstrate being a mission-led business, for example introduction to the UK of certified B Corp status.

However, in the business to government environment where Core Assets undertakes the majority of its work, we do not experience any awareness of mission-led businesses and their differences.

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

Core Assets' knowledge of the impact of being a mission-led business on business performance and social impact is borne from its own experience. The journey of Core Assets started in 1994 as an independent foster care agency in the West Midlands founded by the current owners, a social worker and foster carer.

The organisation's vision and social mission has been driven by their fundamental belief that: it is important to give as many vulnerable and challenging children as possible the chance to safely flourish and achieve within their own communities and in family based placements; that too many children around the world are unnecessarily in residential homes; and that children and their basic needs are the same the world over.

This vision and mission has driven the organisation to grow, develop and work with over 35,000 vulnerable and challenging children in the UK and internationally over that time to help them safely flourish and achieve within their own communities and in family based placements.

This has involved not only the development of new services but also challenging policy, practice and commissioning in the countries where we operate, encouraging different ways that will improve outcomes for children and families, and investing in and encouraging innovation, learning and knowledge sharing in the sector, for example through the establishment of the Rees Centre for Research in Fostering and Education at the University of Oxford.

This clarity of ethos and desire to improve the care systems within which we operate, coupled with

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

Core Assets has periodically produced reports on its impact to complement its financial reporting and recognises some of the challenges of capturing quantitative data that reflect the mission but are relevant across the range of services provided and the range of beneficiaries of the social mission, often making it difficult to aggregate data to report for the organisation as a whole.

Core Assets do find it useful to apply a results/outcomes based accountability approach (Friedman M. (2005) 'Trying Hard Is Not Good Enough') to the collection and use of quantitative data. This involves considering the following questions: how much has been done, what is the quality of this work, and is anyone better off i.e. what outcomes have improved?

For Core Assets, the how much often relates to how many vulnerable children we have reached with our services and the number of interventions, for example disabled children activity groups run. The quality can then often be a mix of both inspectors judgments e.g. OfSTED rating of 'good' or 'outstanding' and service beneficiaries' feedback. The outcomes can be more challenging to capture but tend to be intermediate outcomes such as a looked after child's placement in foster care being stable and school attendance and educational attainment being improved e.g. better GCSE performance versus other Looked After Children. But our relationship with our service users often does not extend over the long term to enable Core Assets to track and report on life trajectories and longer term outcomes, for example: gaining sustained employment, living healthily free of mental health or substance misuse issues, and living safely free from engagement with the justice system.

However, in considering appropriate quantitative data that mission-led business across a variety of

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

There is increasing recognition that businesses can be a force for good and that it is possible to align, if not at least balance, business performance and social mission in many cases.

Core Assets experience was driven by the fact that the existing public sector system for vulnerable children did not provide the types of services that would deliver the best possible outcomes for them. So in Core Assets case the route has been as a disruptive innovator challenging and changing the existing public system and helping forge a new market and value network - in our case the public sector system for working with vulnerable children and families. So new business opportunities can be created by being a 'social disruptor'. Our most recent example of this is becoming the first independent provider of foster care services in Japan where the proportion of children in care living in institutions rather than community and family settings is typically 90% versus an average in England of only 10%.

We have also found that being a mission-led business and having a clear narrative to our social mission and how this shapes what we do has aided our staff recruitment and retention.

Beyond this mission-led businesses may benefit from greater customer trust and loyalty, though this is yet to be fully recognised in the business to government environment in England.

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

There has been a continuing and growing interest in the consumer environment as documented elsewhere. We envisage this continuing, but the opportunity for business to business and in particular business to public sector should be an opportunity to grow for mission-led business, building upon the Public Services (Social Value) Act.

Core Assets has already responded to opportunities for Payment by Results and Social Impact Bond underpinned contracts (we deliver such a contract with Birmingham City Council) and see this trend continuing and part of the development over the next decade. To access social investment through SIBs organisations need to demonstrate being mission-led and as such the entity we operate such contracts through in Core Assets is a certified B Corp, Outcomes for Children Limited. This was one of the first wave of UK certified B Corps in 2015 and is an approach we are exploring more broadly across Core Assets going forward.

Therefore, some of the opportunity going forward for mission-led businesses is a greater mixed economy in public service provision and in a context that recognises the value they bring in parallel to the Third sector and that is different to plc's such as G4S or private equity backed care providers such as Four Seasons.

However, in the children's services field the recent Government policy paper, 'Putting Children First', does not help this opportunity. It states the ambition for over a third of all current local authorities will either be delivering their children's services through a new model or be actively working towards a different model, but also states that the DfE will '...offer support to broker and

## 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	Core Assets Group
Contact details for business	
Brief description of business (please keep under 5 lines)	Core Assets is a mission-led business that delivers children's social care services across England, Scotland, Wales and Northern Ireland, and internationally.
Why is this a mission-led business? Please include details on any corporate governance or reporting steps.	Core Assets vision is to make a positive and lasting difference for vulnerable children and families. Its strategic development and growth has been driven by the founders' belief that: it is important to give as many vulnerable and challenging children as possible the chance to safely flourish and achieve within their own communities and in family based placements; that too many children around the world are unnecessarily in residential homes; and that
Stage of business development (i.e. start-up, growing, mature, repurposed)	Core Assets fostering service is a mature business in the UK, but Core Assets continues to expand and be in start-up and growing stages
Industry sector	Social care
Geographic focus	Core Assets has over 50 offices spread across the
Evidence of financial growth	Since its founding in 1994 Core Assets has grown to be £160m turnover organisation. Core Assets is also a Sunday Times International Track 200 organisation
Evidence of social impact	Successfully transitioning 75% of young people from residential to foster care as part of our Social Impact Bond with Birmingham City Council.
Any other details (e.g. legal form)	Core Assets Group is a company limited by shares with over 20% of revenue through companies limited by guarantee and a certified B Corp.

## 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?

From Core Assets' experience the practical steps a business can take to make a commitment to deliver on its intention to have a positive social impact include:

Clear in its vision, social mission and values - and living these.

Have social objects in Articles of Association that are reported on.

Staff engaged with and own the vision and mission.

Aligning business model with the social mission as far as possible so that delivering the social impact is an integral part of doing business, and so Corporate Social Responsibility is embedded in the business' activities rather than an adjunct. Though CSR considerations can even further broaden the impact.

Consider certification to the likes of B Corp, ISO2600, Global Reporting Initiative or Blueprint for Better Business requirements.

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

Three key areas that could better communicate these steps to entrepreneurs and businesses are:

Public sector procurement promotion of certifications such as B Corp in similar ways to which it has with environmental standards such as ISO 14001 (EMS) and greater sophistication in the application of the Public Services (Social Value) Act.

Encourage investors, not just social investors, to promote consideration of such as part of their Environmental, Social and Governance (ESG) KPIs and risk management.

Build into the support and guidance the Department for Business Innovation and Skills already undertake.

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?

A natural challenge and driver of potential "mission drift" is when there are financial challenges for the business and a resulting prioritisation on achieving the financial objectives. Where there is mission and business model alignment this is less likely to occur, but where the mission delivery is more related to Corporate Social Responsibility and something that is balanced with financial performance of the business model there will be a great tension. In the latter case, if staff are fully engaged with and informed on both the business and social impact performance it can be a empower and encourage staff to find ways to still balance meet both sets of objectives.

Mission drift may also occur when there is a change of ownership, control or leadership of an organisation, and how wedded the new incumbents are to the social mission they have inherited. One would hope that the due diligence in either change of ownership or leadership would test this beforehand, but the case study of why the B Corp movement was started in the first place gives testament to this not being foolproof. This leads into areas related to achieving mission lock, such as 'golden shares', and the like. Though these do provide some means of protection for mission it will still be the governance around the leadership that will be key to ensure it is 'lived'. There may be advantages to considering specific legal forms of Benefit Corporation as existing in certain States in the US to minimise "mission drift".

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.

Core Assets Group is a company limited by shares and so a challenge for the founder shareholders is that there is not a "mission lock" to make the existing social impact into a long-term commitment - even the existing social objects can be readily changed by a new Board.

Following on from the points made in the response to question 8 above, though existing mechanisms for mission lock without assets lock, such as 'golden shares', do exist they are not always readily understood and accepted by potential new owners / investors. This either or both makes it more difficult to find appropriate new ownership and potentially reduces the value / 'multiple' realised versus similar non mission-led businesses. In the way that Community Interest Companies have been able to support the development of the social enterprise sector, the creation of a company form such as a registered Benefit Corporation that automatically has mission lock but no asset lock provides a next stage on a continuum of organisational form and provide more confidence for investors / new owners.

Building upon the last point, measures such as the extension of Social Investment Tax Relief (SITR) to clearly mission-led organisations would provide further incentive for investors and mitigate potential 'discounting' of the business' value.

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?

A combination of executive leadership will and shareholder perception are likely to be two significant barriers for large corporations becoming mission-led businesses.

Some large corporations are already on this journey, such as Unilever Plc. Unilever bought Ben and Jerry's ice cream knowing it was a mission-led business and its B Corp certification is supported by Unilever, and is fully aligned with their own ambitious sustainability agenda. Executive leadership buying into this, such as the CEO Paul Polman, appears to be a key element in moving it forward.

The shareholder / investor perception may well ride on the increased focus on ESG as part of portfolio risk management. Investment in mission-led businesses should provide a natural extension of that journey but may well take time to gain greater critical mass.

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.

It is difficult for a mission-led organisation to consider the social mission in isolation and expect to achieve social impact against their mission, not least when there are economic pressures and "mission drift" challenges as discussed in the response to question 8 above. Core Assets' own experience is that it's culture, the passion of the leadership, the narrative and stories related to the social mission, the values of the organisation, the empowerment and engagement of staff, and the governance systems all play their part.

Core Assets does not regard itself as a best practice example but would support the view that a mission-led business is likely to have different culture / values system to traditional businesses. This is something staff who have left Core Assets to join venture capital backed competitors and then return to Core Assets say and bear out.



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

Core Assets' main customers are the public sector, either through local authorities, government agencies or government departments. Core Assets' challenge is that we do not experience from our public sector commissioners any awareness of mission-led businesses and their difference versus other for-profit organisations. In general public sector body sustainable procurement policies, strategies and guidance only refer to "...supporting a mixed economy of provision and recognise the value that third sector, small, local and BME businesses can offer..." [LB Hackney]. There is much more to be understood about the social value and risk management mission-led businesses do bring to bear and the contribution they make to civil society and for this to be recognised in public sector procurement.

Core Assets' challenge with its employees is keeping the engagement with the social mission through constantly repeating the narrative of the mission and telling the stories of what we have done differently and the impact it has made.

Core Assets' challenge with social investors has been providing robust service user outcomes data when normally it is either limited data that is captured, or service users are with Core Assets for short limited periods of time and so not in Core Assets gift to judge the actual medium to long term outcomes impact for them.

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?

In principle, Core Assets view certification systems or frameworks for mission-led businesses and very valuable in engaging with external stakeholders as they provide an external, rigorous validation of being a genuine mission-led business. This is obviously subject to the systems or frameworks gaining a wide enough awareness and critical mass to have a credibility and value with stakeholders. We would suggest it is still too early to judge whether B Corp et al will have that credibility with the right stakeholders.

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

Even though Core Assets has produced some of its own impact reports, which have included findings from external academic evaluations, Core Assets' experience is that it is hard to find best practice examples of social impact measurement and reporting from mission-led businesses. It tends to be some of the Third sector organisations' annual impact reports that have made more progress on this front, though we are considering application of the Big Society Capital social impact tools.

However, at a contract level Core Assets does produce some key outcome and impact reporting beyond contractual requirements. For example, the monthly report cards are produced for each young person placed with the Social Impact Bond contract we operate for Birmingham City Council tracking a number of intermediate outcomes.

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.

A key issue for Core Assets has been raised a couple of times in the responses to the above question and it is that the Third sector are seen as suitable partners for the delivery of children's social care services. But not businesses - even mission-led businesses. This is a barrier to our continued growth in England when we are established as operating on a not-for-profit basis in a number of jurisdictions, such as Scotland and each of the States in Australia.

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?

A number of suggestions have been made in terms of supporting the growth of mission-led in the responses to the above questions. The key parties in this growth will be government and how it promotes public sector commissioning to recognise the contribution and value of mission-led businesses as suppliers; social investors in their investment beyond the social enterprise sector; government departments such as DBIS and their support to the sector and consideration of other company forms such as registered Benefit Corporations.

Thank you for your response.