

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.

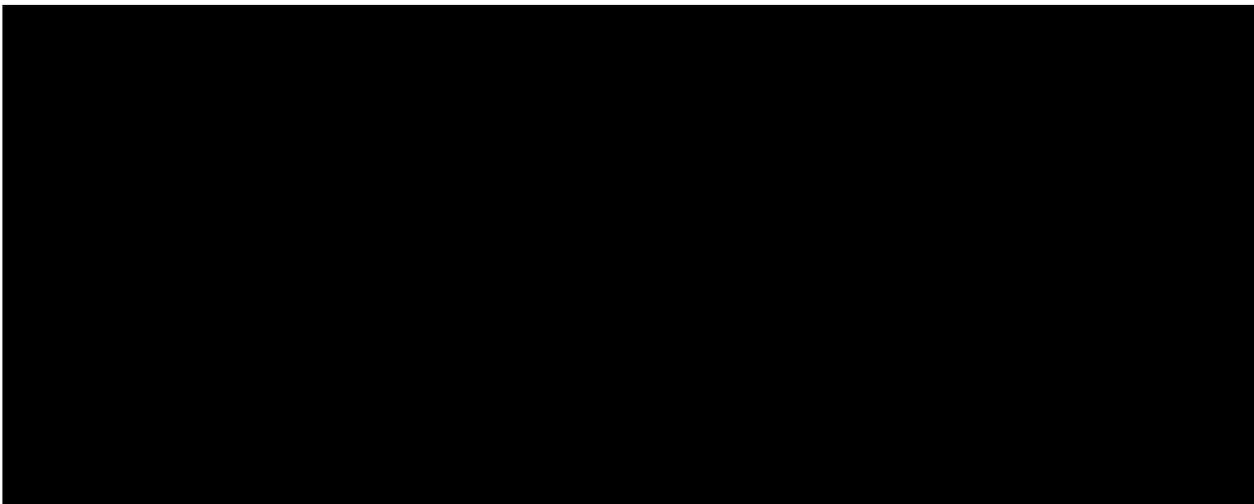
The closing date for responses is 8 July 2016. Responses received after this date may not be read. Call for Evidence responses should be returned to:

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.

There is an issue of definition and degree, in that all companies and social enterprises could be considered to be mission-led to a greater or lesser extent. No organisation is entirely geared to shareholder return, even the most commercial provides some social good in some way, as an indirect result or positive desire.

A key characteristic of 'self-identification' offers no hard and fast definition. However, the concept of having stated commitments and reporting does help separate some companies from others. I would argue that most companies of all types do, and that intention is less important than outcomes that can be measured.

Indeed research by Heat of the City (see below for link) and others indicates that not only is social purpose important to companies, but is significantly important to the next generation of employees and consumers. It is therefore no great jump to predict that social purpose will be an increasingly important issue, and that as the next generation are also more focused on running their own business, these will also increase the number of socially aware businesses. London is, for better or

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

This is a fascinating area, in part because it is difficult to separate the performance of businesses that are engaged in progressive policies and their relative performance to benchmark companies whose lack of risk taking and social policy might also be indicators of poor leadership or stagnating business. For example the McKinsey Global Institute (MGI) report The Power of Parity: How advancing women's equality can add \$12 trillion to global growth, suffers a little from this - yet is still probably one of the best researched reports widely available.

Other indices (eg FTSE4Good) also demonstrate the benefits for larger companies, and stories such as Carillion's (<http://bettersociety.net/carillion-34m-sustainability.php>) enforce the idea of win-wins. There are many others I could source.

The key here the verifiable - and verified - results of a policy by a third party.

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

Benchmarking of sample enterprises. This brings us back to having to make a robust distinction between those businesses that are not 'mission-led' and those that are.

Alternatively, one could argue that 'mission-led' businesses will have an inherent advantage over 'traditional' businesses, and will ultimately succeed, and in a form of Darwinian self-selection measurement is not needed as 'traditional' entities will change or cease to exist.

I suspect the former is the better option.

Note: I use 'traditional' as shorthand for companies that care little for the wider results of their operations, this is actually unfair to those companies such as the original Cadbury or Lever Brothers (Port Sunlight) and many others.

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

Question 2 provides some clues, in that one reason is that need to create businesses that are appealing to all those involved, and the personal aspirations of those who start new 'mission-led' businesses to deliver goods and services that will help create a better environment. This is probably due to a mixture of immediate concern regarding the environment and global warming, and hugely increased communication through the internet - although I would stress that this speculation.

Certainly starting a new, or converting to being a, mission-led organisation creates far greater freedom than applying for charitable status, both operationally and in terms of potential outcomes for the future. A charity (and like vehicles) implies a contradiction between commercial profit and social good (and brings tax advantages to help this) whilst a mission-led organisation, as I understand it, needs see no such issue.

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

To some extent I see them disappearing - for good reasons. Within the next decade I can see, I hope, that social agendas will be firmly planted within all organisations.

Some organisations will become more mission-led, some mission-led organisations will grow, and some will merge into non-mission-led organisations and change the traditional organisation's agendas accordingly.

There may also be some purchasing of mission-led organisations by traditional companies who perceive a need to 'catch up'.

Drivers for this are: employee engagement, fear of future litigation, desire to do 'good', and more informed and selective consumers. Consumer facing organisations will probably be the first movers.

Although, as stated above, I predict a great many startups, larger companies will also respond - and a perfect example of a leading company here is Unilever (<http://bettersociety.net/Polman-sustainable-development.php>).

In geographical areas, as stated, London has the collective research organisations, skills and demographic, but as a side bet it is possible that we could return to a 'new industrial revolution' and there will be advantages to being sited close to clean power sources (tidal, wind).

In terms of risks, the biggest is in the mission - the facts might change and then create a public

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)	
Why is this a mission-led business? Please include details on any corporate governance or reporting steps.	
Stage of business development (i.e. start-up, growing, mature, repurposed)	
Industry sector	
Geographic focus	
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?

A clear definition of exactly what social goals it wishes to meet, and clear reporting against it. Third party validation would be useful, and with clear goals these can be scalable to cover the issue and impact of the organisation assessed.

For an example of this approach see Carillion, mentioned above.

Accreditation is a limited response, as it grants power to one set of ideas, and cannot reasonably measure both large and small organisations. In short it creates a 'tick box' mentality.

Ultimately, and with some inevitable pressure in terms of light regulation, shareholder value will be linked to performance on social issues (as well as profit, that will in turn be diminished if reputation is damaged).

Again, the role of technology here, in terms at least of communication, is creating an age in which reputation is a major concern for all sizes of organisation, and this increasingly pressure will help form and enforce action both directly and indirectly.

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

I would say that overall most are aware and willing those that are not are unlikely to take notice! However nobody can escape the general social attitudes and actions around them, so certain recent scandals (VW, BHS, etc) need strong censure (in the former the law suits will do it, in the second it should be social pressure).

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?

Independent audit. Agreed aims. Engaging with teams rather than promotion of individuals. Rigour that is not lessen because it is a 'socially sensitive issue' - example: Kids Company again.

To some extent it is understandable that government should be a little away from the day-to-day involvement for exactly these reasons.

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.

Actually I would rate the UK right now as one of the easiest and best places to do these things. There is not quite the same pressure on quarterly short-term reporting as the US, nor the red tape as in Europe.

The change required is not regulation in the main, but one of cultural change and attitude. This is happening, but it could be helped by greater media exposure and vocal championing of the concepts and in a joined-up way - for example how every company can save energy to meet COP21.

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?

The issue will be convincing the shareholders. Often a large proportion will not be in any way connected to the business (institutional investors and/or foreign) and recent divestment programmes are in reality about the share value rather than any moral view (indeed, and as an aside, morally it would be better to increase shareholders if you are against fossil fuels in order to have more sway as a shareholder to change a company's direction).

Promotion of examples of success would help.

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.

Question 5 deals with this. Yes, they probably do have overt differences, no they should not. If we believe that having a good social/environmental agenda is beneficial overall, then it should be at the core of all business.

If we don't, you would have to question the whole project and its scope for long-term success!

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

You ask a good question regarding separation of good marketing and meaningful social good. However another approach would be to assess the outputs alone, and not care about the reasons. If Company X reduces carbon by 50% does it matter why? If the marketing is lying, I believe there are existing laws for that.

I would also wonder at the wisdom of attempting to tell consumers about being more aware - most companies are very good at selling their value propositions.

As for attracting talent please see the Heart of the City research (<http://bettersociety.net/Young-City-employees-support-giving.php>) and Deloitte (<http://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html>).

Of course there are the issues of measurement and reporting, and some standard framework might help - a sort of equivalent of pensions FRS17 that could - at least voluntarily - be placed in larger companies reporting.

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?

Personally I believe that for UK-centric companies the B-Corp concept is a confusing and unneeded addition. B Corps were invented to solve a particular problem in the US, which the UK has not got (having companies limited by guarantee). I guess if you want to do business in the US it might help, but in general I worry that the more types and names the public has to deal with, the harder to gain traction with an idea.

Frameworks, on the other hand, are very useful tools, and Blueprint for Better Business creates a good environment for the exchange of ideas and views, whilst also offer advice.

Sorry - a rather personal view!

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

See Carillion, it is a perfect example - best contact David Picton.

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 concept has not gained complete traction and funding can be an issue, but I would place a greater emphasis on trust and public awareness. With Citizenship now part of the syllabus, might it be possible to help the next generations understand the role of businesses in the community?

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?

Tax incentives for new mission-led organisations appear appealing at first glance, but I suspect there are problems. Again, a tight definition would be needed, and there would be grey areas as to whether some qualified (especially is ultimately owned elsewhere). Other issues would be companies already doing this might not gain, and there is no incentive for existing companies to change. But the main issue with any subsidy, is that when the incentive is removed the organisation might then struggle.

On the other hand, tax reductions for, say, waste recycled, carbon offsets (rather than just CCL), higher breaks for green investment would all help (as would underwriting more projects like the GIB). Not only would these create incentives across the board, but also potentially create new industries to serve these needs (high technology carbon capture for example, in turn funded from GIB or the like).

Most importantly the government can set the tone - acting promoter and educator.

Thank you for your response.