

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.

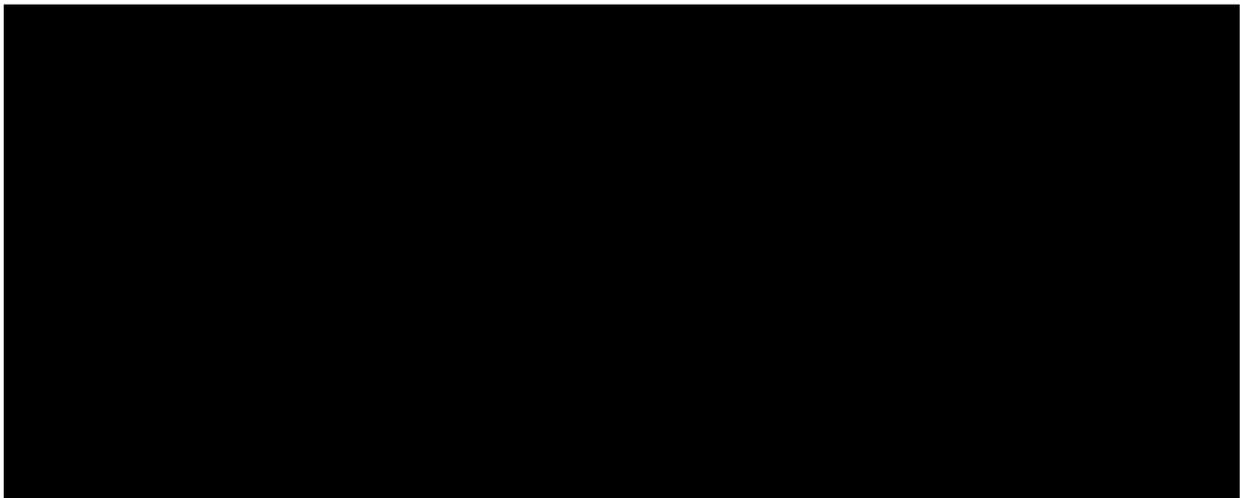
The closing date for responses is 8 July 2016. Responses received after this date may not be read. Call for Evidence responses should be returned to:

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.

I have finished a research degree at Manchester Business School with a focus in Corporate Social Responsibility as an innovation driver and Social Entrepreneurship (often called CSR firms in the academic literature). While finishing my degree, I set up a community - Manchester Social Entrepreneurs. One project we are currently undertaking is to apply the Social Enterprise UK scheme to make Manchester a Social Enterprise City.

As part of this effort we have been gathering data to enable a discussion with Social Enterprises in the city of Manchester. Currently we are in the process of cleaning the data identifying which of these companies are still active, their legal structure, and their industry. We have 256 social enterprises in our database and the next step will be to engage with these organizations and identify their demographics.

From my degree secondary research data I have identified two reports that have some interesting data:

1) Social economy & social entrepreneurship: Social Europe guide (EU, 2014) which talks about a number of 875,555 social enterprises in the UK

2) Based upon BIS SMF survey (a report published by BMG Mar. 2013) research there are 688 200 'good fit'

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

We don't yet have primary data as an organisation, but this is part of our ongoing project which will eventually lead in capturing the impact of mission-led organisations in the city of Manchester.

State of Social Enterprise Survey 2015 facts:

"The proportion of social enterprises that grew over the past 12 months stands at 52%, close to the record high of 55% in 2009 and an uplift from 32% in 2013. Only 40% of SMEs reported an increase in turnover. Social enterprise is at the forefront of the economic

"Still out-innovating the private sector: The number of social enterprises introducing a new product or service in the last 12 months has increased to 59%. Among SMEs it has fallen to 38%. Making a profit, making a difference: Our survey found that 50% of social enterprises reported a profit, with 26% breaking even. Almost all use the majority of those profits to further their social or environmental goals."

I've only copied these here as indicative measurements from the report. This comes from the SEUK research in comparison with the BMG Research (2015) 'Small Business Survey 2014: SME Employers' Department for Business Innovation and Skills, March 2015

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

There is a need to combine forces with the government and create a framework that will help engage mission-led business entrepreneurs. There has been a demand for this lately with many support groups asking for increased support from government. I have faith that we will see this come sooner rather than later.

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

There is huge evidence in people's interest in social responsibilities of businesses. An example of a market driver towards mission-led business is the fact that ethical consumerism grew by ~398% between 2002 and 2013 in the UK; from £13 billion to 80 billion. (A growing trend of ethical and responsible consumerism - ethicalsoncumer.org)

Also there is evidence of a growing interest for investment in green, sustainability, renewable, circular economy businesses. A good example is Montreal Pledge, the U.N. Principles of Responsible Investment's initiative (PRI) launched in 2006 and currently representing a \$59 trillion assets management (<http://www.unpri.org/news/pri-fact-sheet/>)

In addition, Fortune 500 companies spend more than \$15bn on corporate responsibility. (<https://next.ft.com/content/95239a6e-4fe0-11e4-a0a4-00144feab7de>)

All the above facts indicate that there is a shift in the way financial investment institutions and the population in general think of the future and that mission-led is becoming increasingly attractive. Of course, there is also the obvious fact that mission-led is good for our world.

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

I strongly believe, advocate and try to influence people that we engage with that the future belongs to these businesses. As a matter in fact there is a post that will go live in the coming week that I have co-authored on The Huffington Post in relation to this exact topic.

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)	Social Enterprise events and innovation agency. Social Growth is helping the business world grow through innovation that leads to positive social and environmental impact.
Why is this a mission-led business? Please include details on any corporate governance or reporting steps.	We help people with strong social mindset to be more entrepreneurial and people that are entrepreneurial to be more socially aware. Our community events are free to attend and this is how we try to inspire and influence people to change the way they think about business.
Stage of business development (i.e. start-up, growing, mature, repurposed)	Start-up
Industry sector	Management Consultation; Events
Geographic focus	North West -> UK -> Europe -> World
Evidence of financial growth	The community (Manchester Social Entrepreneurs by Social Growth Events) is around for almost 18 months, the consultation arm is around for 7. During these 7 months we
Evidence of social impact	Social Growth events: More than 5500 people have visited our events page. Approximately 400 people attending our events to date. 650+ Community members
Any other details (e.g. legal form)	Limited by shares company. Website: wearesocialgrowth.org

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?

Every business has its own unique potential to have a positive social impact based on its products/ business type. Just as a business can recognize where their market lies, a similar process can be used to evaluate where it can have the most promising social impact. At SG, we are uniquely equipped to not only identify these opportunities but adapt a business current model to cater to them.

If I were to give concrete steps I would say the following:

- 1- Business internal and external environment analysis to identify your strengths and opportunities
- 2- Identify where those strengths can have the most social impact
- 3- For existing businesses innovate the business model that takes these opportunities into account while improving your productivity and bottom line. For new businesses create the business model that will tackle these needs

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

I don't think the problem is a lack of communication. It is simply that sometimes it is hard to see internally what your best assets are and how they can be used in terms of social impact. That is why SG operates as a consultancy, giving a fresh perspective based on our years of experience in the field.

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?

This is most likely to take place as the business tries to scale up. Based on my knowledge and experiences I believe the "mission-drift" will happen when the entrepreneur tries to grow his/her business while making sure he/she will have a financially sustainable business model.

If we would want to prevent this from happening we need to create a framework of financial aid where different actors will come into play in different stages of the business. So for example it might initially be that grant funding and loan support, comes into play and then angel investors will help further push in the initial steps when the business model has the proof of market making sure the company will have the financial back-up to grow. Following the initial angel-investment and provided the mission-led organisation has managed to achieve its social and financial milestones other type of support such as Venture Capitalists with the help of SITR and other type of Governmental support will kick-in to enable further growth making sure the social/environmental goals are also achieved.

Also, in order to avoid the 'mission-drift' the government needs to help create support-acts mostly in relation to taxation. SITR is one of them but it mostly helps investors. As a mission-led business leader I would expect that I will have more benefits than a normal business since my work is generating other than economic growth, social and/or environmental impact, thus saving money from the government that would otherwise have to take action towards these social/environmental support.

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 most discussed issues is the legal form that an entrepreneur seeks to adopt. There is lack of knowledge to help them understand.

Other than this general business skills is one of the biggest barriers as more often than not people think that they need to raise tens or hundreds of thousands of pounds without not even having proof of concept or product-market fit.

Also the lack of a financial framework and awareness about existing support is creating confusion and lack of confidence on what to do when.

Another way into looking all the above from a top-level perspective is that there is a lack of a strong ecosystem. There is not defined path to follow that is widely available making people aware what to do when. Personally I believe a very important element is self awareness, values and motivations. During my PGR degree I identified mission-led businesses that had lack of transparency and even worse where hiding vital information for the product they sell claiming that they are manufactured in Manchester although the truth was that these were imported from China.

Finally Big Society Capital could help people that could really make a difference with their business ideas focusing in people-focused peer-to-peer lending or investing or even propel crowd funding based on skill-sets and past experience.

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?

With large entities there is always the problem that change can be more difficult and slower to process. Still I believe in time, this shift will happen for even the largest of corporations. I think one the biggest barriers is to convince that there are other KPIs of equal (or even greater) importance to the financial ones.

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.

Business are founded and run by people that define the mission vision and values of the private entity.
People that are genuinely interested in running a mission-led business will define their business values differently because they are mostly interested in making a difference not in profits. So by definition I would expect these businesses to have different approach to values and culture. Still, I believe that all business can adapt their systems to be more mission-led to the benefit of all stakeholders.

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

In relation to customers the most important thing is to add value. This is the ultimate goal and purpose of existence for a business mission-led or not. So there are mission-led companies that think because of their impact customers should prefer them over normal businesses but it all comes down to value. Also transparency is critical value for mission-led businesses.

Regarding employees a mission-led business needs to lead by example and a critical success factor is to be internally (employees and supply chain) and externally (customers) an ethical business.

There is a misguided notion that investing in social impact will have a negative effect on productivity, profits and growth. In reality, nothing can be further from the truth. But communicating that and convincing stakeholders can sometimes be challenging especially in times of economic uncertainty. This is an understandable obstacle but one that can easily be overcome once results start coming in.

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?

I think they play an important role and is good to see initiatives like the ones you mention to grow and raise awareness. these support groups do make a difference in helping mission-led businesses identify and understand how to engage with their stakeholders.

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

It is very important to understand and openly communicate the impact that these businesses are creating. A great example is "give me tap" that is capturing and reporting their impact in a consistent and transparent way.

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?

Two frameworks:

- 1) one that will investigate and help the entrepreneur grow his confidence, skillset, mindset and self awareness
- 2) and one that will investigate the viability and feasibility of the business idea and corresponding market resulting in an ideal product-market fit, understand and capture the impact that is generated and tap into available funding/investment opportunities.

Thank you for your response.