

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

Full name:	
Job title:	
Organisation:	
Type of organisation:	
Contact address:	
Telephone number:	
Email:	

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.

Debates around social and environmental purpose are high on the agenda across the corporate world. However, as the notion of the 'purpose-led' or 'mission-led' business has entered the mainstream, its definition and meaning has become increasingly difficult to distinguish.

One of the principal challenges we face is establishing a transparent, verifiable definition of a 'mission-led' business. Measurement and certification frameworks like B Lab provide helpful, rigorous guidance in this area.

However, this question points to the broader demand for businesses across all sectors to measure and report on their environmental and social impact, as well as their corporate governance, alongside their traditional financial reporting. This data is vital to benchmarking and establishing the number, value and success of 'mission-led' businesses in the UK today.

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

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

In the attached appendix, I outline in full my proposition for the creation of a new category of business – Public Benefit Companies – in the UK.

A key part of formalising the notion of a 'mission-led' business through the Public Benefit Company category is the requirement for statutory, quantifiable, 'impact' or 'benefit' reporting.

A central tenant of the 'Benefit Company' is a legally-binding obligation to regularly report against social and environmental impact measurements, as well as its overall 'public benefit' alongside financial accounts. A benefit company would file its impact or benefit report to Companies House as well as its shareholders and would make it publically available online, to allow for broader transparency among its stakeholders.

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

The impulse to set up a mission-led business is often driven by an individual desire to tackle a social problem. Ella's Kitchen was founded with a mission to improve children's lives through developing healthy relationships with food. The motivation behind that mission was initially personal, driven by my own experiences when weaning my daughter. However, our mission has developed and evolved as the business has grown, becoming part of a broader movement to tackle the global problem of childhood obesity and its connections to early childhood nutrition.

Indeed today there is no trade-off between profit and social purpose. In fact, Ella's Kitchen is proof that purpose-led businesses find financial success.

Ella's Kitchen has seen ten years of consecutive double-digit growth, now reaching a turnover of £75m. We have preserved our core mission whilst effecting a successful sale to Hain Celestial, and managing a CEO succession.

A key to our financial success has been our continued investment in our company culture, coupled with a consistent internal and external communications strategy around mission. Our consumer, customer, employee and investor loyalty has been in large part a result of this unwavering, transparent mission-led approach.

As a team, our commitment to upholding the highest standards of environmental and social impact are part of our fundamental belief about the potential of business as a force for good.

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

The business landscape will dramatically evolve as the millennial generation continues to dominate the workforce of businesses across the country. (See Deloitte's 2016 Millennial Survey for extensive research in this space)

This generation demand far more from business than the one that preceded them. According to research by Sage, young people overwhelming believe that the purpose of business is to benefit society, with a reported 50% claiming that they want to work for a business with 'ethical practices'.

These trends can be seen up and down the country. Today, we are seeing young people turn their backs on the big corporates, in favour of mission-led businesses with a social conscience. Even within these businesses, young people are lobbying their employers to take more responsibility for the societies in which they operate. As a counsellor for the global youth forum, One Young World, I've seen first-hand the radical differences in mind-set between this generation and the one that preceded them.

In the international battle to attract and retain top talent, the businesses that will survive and succeed are those that have a clear mission, demonstrate transparent governance practices and showcase positive social and environmental impact. It's the same trend that's driving top talent from big banks to fintech startups, and young investors from traditional private equity firms to impact investors.

These forces will drive the notion of 'mission-led' business into the mainstream, incentivising 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	
Contact details for business	
Brief description of business (please keep under 5 lines)	Founded in 2006, Ella's Kitchen is the UK's number one baby food brand. It prioritises healthy and nutritional products, using organic and quality ingredients that taste great with nothing else added.
Why is this a mission-led business? Please include details on any corporate governance or reporting steps.	<p>Ella's Kitchen was founded with a mission to improve children's lives by helping them to develop a healthy relationship with food. That founding purpose is evident in the company's unique approach to running its business.</p> <p>At its 10-year anniversary earlier this year, the business was certified as a B Corporation in recognition of its commitment to its founding mission. This has been manifest in the</p>
Stage of business development (i.e. start-up, growing, mature, repurposed)	Ella's Kitchen has a market share of 30% of the Wet Baby Food Market by value in the UK. In 2016, Ella's Kitchen was awarded by the
Industry sector	Food and Drink Manufacturing
Geographic focus	Ella's Kitchen is a British business and the number
Evidence of financial growth	Ella's Kitchen has a global turnover of £75m, 2015 marks its tenth successive year of double-digit growth.
Evidence of social impact	Ella's Kitchen certified as a B Corporation in February 2016, demonstrating that it meets the standards of accountability, transparency and social and environmental performance required.
Any other details (e.g. legal form)	A certified B Corporation, Ella's Kitchen's commitment to being driven by a purpose beyond profit is formally written into its articles of business.

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?

Before making a formal or legal commitment like the B Corporation status, there are a number of easily actionable steps to be taken by businesses of all sizes - some of these include:

- Making a commitment to measure and report on ESG and triple bottom line measurements. Formalising that commitment by openly reporting on that impact online for stakeholders and shareholders alike.
- Establishing a bonus scheme for staff that is based on social impact measurements, as well as financial gains – to demonstrate that the shift in mind-set filters throughout the entirety of business governance
- Make a commitment to ensure that every board meeting includes an agenda point to address social impact. This should be as high on the agenda as financial returns.

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

As social impact measurement and debates around social purpose continue to gain prominence in the corporate world, it is vital that we put in place steps to educate and support both the current business community, and the next generation of business leaders.

Later in this document I touch on suggestions of potential incentives and policies that would better communicate these evolutions to existing entrepreneurs and businesses.

However, I believe that we must take steps to reimagine how we can use our education system to prepare and future-proof the next generation of business leaders, for a very different business landscape.

From early-stage education, through to MBA qualifications, we must engender:

- Creative out-of-the-box thinking that is capable of creating the new industries of the future
- Business approaches that integrate measurement of social and environmental impact from the ground up
- A compassionate, forward-thinking view of business, that takes into account the latest developments in business governance

The curriculum could include:

- Teaching the soft skills that are required to operate in business - focused on 'good' business,

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?

It is easier to maintain a 'mission-focused' approach in a small business. It is true that fast-growth businesses risk losing sight of the mission mentality as they scale-up, as founders or CEOs move on or get replaced.

However, 'mission-drift' occurs in businesses where a sense of social purpose is perceived as a 'bolt-on' to the every day running of the business, and the business strategy.

As outlined in my answer to Q 11, and in the attached appendix, genuine 'mission-led' businesses make legally binding changes to their articles of association, which ensure that considerations of 'mission' are taken at every stage of business strategy, from the ground up.

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?

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's vital that 'mission-led' businesses are distinguished from companies that have adopted 'bolt-on', superficial CSR initiatives, often implemented as a reactionary afterthought.

For 'mission-led businesses', ideas of mission and social purpose are not 'bolt-on' principles they are vital right from the initial founding idea, through to everyday business governance and financial reporting.

Genuine 'mission-led businesses' have fundamentally altered their value systems and work cultures. As example, B Corporations are required to write into their Articles of Association a legally binding commitment to operate for the benefit of workers, communities and the environment, in equal weight to shareholders.

That fundamental commitment transforms traditional business strategy decisions, allowing employees, communities and the environment to become a central part of the decision-making processes.

Triple bottom line and ESG reporting demonstrate that the measure of 'business success' in 'mission-led' businesses has extended far beyond the limits of traditional financial reports.

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

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?

Certifications like B Corp legitimise and clarify the 'mission-led' business mentality to stakeholders and consumers alike.

The 'Impact Assessment' and reporting tools that are so fundamental to the B Corp certification demonstrate to stakeholders, from board members and investors to customers, that the business is committed to performing against demanding and rigorous assessment measures.

As brands, like Patagonia in the US and Ella's Kitchen in the UK, continue to highlight the B Corp certification to their consumers, the brand (as with the evolution of Fair Trade) will begin to further permeate public consciousness.

The potential of rigorous, audited certifications like B Corp to drive consumer understanding, and consumer demand is limitless.

Empowerment and education of the public about these vital debates is essential. However, with scandals of the kind that have struck VW and Sports Direct hitting the front pages, these debates are already at the front of public consciousness.

If given the support of government and the broader business community, certifications like B Corp will provide a key part of our response to these seismic shifts.

These certifications also create global networks of entrepreneurs, who provide vital support to each

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?

Genuine, sustained change in the business community will be brought about through the combined effort of campaigning businesses, consumer pressure and government incentive and support.

The business community will be the firepower behind the 'mission-led business movement'. However the government has a vital role to play in supporting, educating and incentivising the movement.

BENEFIT COMPANY STATUTE/ PUBLIC BENEFIT CORPORATIONS

I have publicly campaigned for new legislation in Parliament to adapt the Companies Act to allow for businesses to make legally binding commitments to their social and environmental impact, through the mechanism of a new class of corporate entity - the Public Benefit Company. I believe there is scope in the future to further incentivise these commitments, for example, via targeted tax-breaks. (See appendix)

INCENTIVISING LONG-TERM THINKING AND INVESTMENT

The culture of short-term thinking in investment and business strategy must be addressed. Short-term thinking creates volatility in share prices and encourages a corporate strategy that focuses on immediate financial gain, at the expense of sustainable long-term growth.

Thank you for your response.

APPENDIX

A STRATEGY TO RESET THE ROLE OF BUSINESS IN SOCIETY

OVERVIEW

The last decade has been characterised by a notable shift in the corporate world. The rise of the social enterprise, the dominance of CSR policies and the birth of movements like B Corp have marked the emergence of a new vision of the role of business in society.¹

I propose that the next ten years will be defined by a dramatic transformation in the governance, purpose and impact of businesses across the world. This will be a movement that is powered by the next generation of business leaders, who overwhelmingly view business as a force for social good.²

By 2020, millennials will form 50% of the global workforce.³ This is a generation with a radically different concept of business to the one that preceded them – they prioritise the purpose, value-systems, social impact, and governance of a business ahead of its growth-rate or profit maximisation.⁴ In the international battle to attract top talent, the UK's businesses must adapt to these changes in order to survive and succeed.

Below, I outline a strategy for driving forward this movement from the ground up. Modern capitalism was born in the UK with the dawn of the industrial revolution; 200 years later, Britain can lead its next evolution.

1. EDUCATING AND ACCOMODATING THE NEXT GENERATION OF BUSINESS LEADERS

It is vital that our education structures reflect the macro-level shifts taking place in the business community. I propose that adaptations should be made to the national curriculum in order to prepare young people for the new businesses environment, by:

- a) Integrating more soft skills into education, including empathy, team work, notions of the social impact, citizenship and responsibilities of government. These should be taught, tested and accorded equal weight to academic subjects, achievements and qualifications
- b) Integrate notions of social and environmental impact measurement, alongside financial reporting and success measurement into business education.
- c) Implementing compulsory work experience for 14-16 year olds, that spans a variety of business environments and encouraging more business-education partnerships and knowledge transfers
- d) Explicitly encouraging the creative, confident, out-of-the box thinking and critical thinking that will create the industries and ideas of the future

¹ Social Enterprise UK estimates there are approximately 70,000 social enterprises in the UK, contributing £18.5bn to the UK economy. <<http://www.socialenterprise.org.uk>>

² According to research by Sage, '69% of millennials are driven to run their own business by the prospect of being able to make a difference and do real social good'. <<http://www.managementtoday.co.uk/article/1401322/>>

³ Millennials at Work, PwC, <<https://www.pwc.com/gx/en/managing-tomorrows-people/future-of-work/assets/reshaping-the-workplace.pdf>>

⁴ Deloitte Millennial Survey <<http://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html>>

- e) Implementing compulsory teaching and testing of advanced digital skills

2. EVOLVING BUSINESS REPORTING

The purview of business reporting and strategy must expand and evolve to reflect the changing business landscape.

I propose that the Department for Business, Innovation and Skills introduce legislation requiring businesses of all sizes, including financial institutions and institutional investors, to disclose and report against ESG and Triple Bottom Line standards. [Similar legislation was implemented last year by the French Government]⁵

- a) All businesses would be required to deliver an annual report to Companies House at the same time as it files its financial accounts
- b) This report would measure:
 - a. Social and environmental performance, against a third-party standard
 - b. Broader social impact e.g. job creation

3. A NEW CATEGORY OF BUSINESS

The UK needs a formal process for businesses to demonstrate and verify their 'mission-led' status and to formalise their contribution to society. Inspired by the PBC system in the US, I propose the introduction of a 'Public Benefit Company' [PBC], legislated for by Parliament and enshrined within the Companies Act.

This new category will be incentivised by the below tax-system, as well as via the reputational, marketing and branding value brought of the 'PBC' status.

PBCs will reduce environmental impact and tackle societal issues, reducing the public purse needs of a government, and transforming the role and reputation of business in society.

- a) Public Benefit Companies will commit to:
 - a. Striving for profit, with a long-term sustainable profit model
 - b. Striving for zero-carbon emissions through an audited supply chain
 - c. Paying the Real Living Wage (as audited by the Living Wage Foundation)
 - d. Achieving an additional audited public benefit through a positive impact on one or more persons, entities, communities, or interests, including artistic, charitable, cultural, economical, educational, environmental, literary, medical, religious, scientific or technological
- b) Public Benefit Companies would alter their Articles of Association to:
 - a. Legally bind them to 'optimising stakeholder returns', rather than 'maximising shareholder returns'
 - b. Commit them to optimise financial, environmental and social returns
 - c. Declare achievement in its 'additional Public Benefit' category
- c) The PBC status would be evaluated by Companies House every three years

⁵ In August last year France introduced mandatory climate-change-related reporting for institutional investors – reporting obligations are set out under Article 173 of France's law on 'energy transition for green growth.

- d) The Corporation tax rates for PBCs should be significantly lower than applicable rates for standard limited or PLC companies.

I propose this as a 'seed' of an idea, to be refined and tested in partnership with public policy and business communities.

4. INCENTIVISING LONG-TERM INVESTMENT AND SUSTAINABLE GROWTH

The culture of short-term thinking in investment and business strategy must be addressed. The current culture of short-term thinking creates volatility in share prices, and encourages a corporate strategy that focuses on immediate financial gain, at the expense of sustainable long-term growth.

In order to drive behavioural change, and encourage longer-term thinking and financial planning, I propose the introduction of:

- a) A fiscal policy, common to those in the US, to implement lower rates of Capital Gains Tax if shares are held longer than a year, allowing businesses to priorities their 'mission' and ESG impact
- b) A regime of tiered stamp duty charges on share trading, based on the length of time the stock is held between buying and selling, to dissuade short-term shareholding

5. CONCLUSION

These are indicative recommendations, to be refined in consultation with public policy and business communities. They are designed to demonstrate the possible incentives and policies that would catalyse positive change across the corporate world.