

# 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

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.

NOTE: OUR SUBMISSION INCLUDES FOOTNOTE REFERENCES. FOR FULL DETAILS PLEASE REFER TO THE WORD DOCUMENT SUBMITTED WITH THIS PDF.

Mission driven businesses are the result of a range of cultural and economic factors which have shaped the UK business landscape over the past 30 years. In our view, the key ones are:

- The blurring of traditional boundaries between for profit and not for profit spheres. Clear distinctions can no longer be made in terms of businesses only seeking to make money and the third sector seeking to solve social problems. The 2 are inherently linked and thus increasingly overlapping in their scope and ambitions.
- Our interconnectedness due to technology, making the need for transparency and ethics in business increasingly important as consumers have more power.
- The growth of super-corporates, which have the same resources as small countries, and thus can if they choose influence society and the planet in powerful ways.

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

Every business has a profound impact on society, whether it likes it or not. This is not limited to mission led businesses. By creating jobs, paying tax, driving innovation, offering belonging or building houses, businesses improve society all the time. Equally, by polluting the environment, avoiding tax, discriminating on gender or race, increasing wage imbalance or shifting production offshore, business can also effect society negatively and cause social divisions or instability.

This point is not a churlish one, but seeks to illustrate why corporate responsibility is so important, and why businesses simply putting short-term profitability above all else is at best, naïve and at worst, negligent.

It also seeks to demonstrate what a remarkably powerful change agent in society business can be. When used to improve the world, business is arguably the most effective way of changing the status quo rapidly and in remarkably person-centric and democratic ways.

To illustrate this point, we have used the following global examples, which show how powerful business can be to impact society positively:

Lifebouy: For Unilever brand Lifebouy, the key to how they could impact lives positively is obvious, as it's the core of their product benefit. Washing hands. As website Triplepundit.com reports:

Data from the World Health Organization (WHO) indicates that every year diarrhea kills approximately 800,000 children under the age of 5, or about 1 in 10 child deaths. Many of those premature deaths could be prevented with adequate sanitation. Washing one's hands for 20

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

One of the biggest challenges faced by all UK businesses is the shift from tangible to intangible measures of value, particularly as an economy becomes more service-led. When you are selling widgets, you can keep a tight hold of profitability based on simple tangible metrics – cost per unit, cost of sale, running costs, etc.

When you are selling advice, intelligence or innovation, the things that increase value are less tangible. Employee engagement, productivity, job satisfaction, customer affinity, good and great new ideas - these are the measures for service led businesses and are far harder to quantify absolutely.

MLBs typically perform far better in these areas, often far better than non-MLB, but their challenges are in demonstrating this increased value in more tangible ways.

Furthermore, social and environmental impact is even harder to measure in absolute ways. Improving lives is highly subjective, and can fluctuate from day to day depending on the challenges of the individual. Understanding the sphere of influence of a business, and thus what's reasonable to expect in terms of impact, is also of vital importance. Whilst there are many established models for social impact measurement, they all acknowledge the challenges of doing it and that the outputs are less 'absolute' than simple financial measures.

Combined, this creates a huge and messy amount of complexity. Business is getting harder to measure, social impact is already very tricky, so an institution which is designed to combine these metrics and show causal relationships between them faces into some very hard questions about measurement.

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

The vast majority of current mission led businesses either set up or 'convert' as a result of the impetus of leaders in the business, usually the most senior leader.

The most common model for a mission led business is the owner-founder-leader (OFL) model, with a business set up in their image, with their values and principles. This is usually for a variety of reasons:

The mission led business is an expression of their personal values and passions. For example, many OFLs talk of coming to a realisation of the power profit making enterprises have to affect the world, and how this could be channelled in positive ways to great effect.

It is easier for the OFL to directly influence business strategy and policy, as they have ultimate control and may not have investors or shareholders to answer to.

As they usually have their 'name above the door', there is a far greater incentive for the OFL to ensure their business behaves in an ethical and mission led way. The desire to positively impact society will be driven by an inner belief that the 'world should be this way'.

They often are disadvantaged in the marketplace in terms of hiring budgets and marketing budgets, so mission can be a way of gaining competitive advantages in these areas.

However, other mission led business types exist, such as co-operatives or charities that convert into

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

We think that increasingly, businesses will have to adopt mission-led characteristics in order to survive, simply as mission led business will be shown to be the winners across a variety of categories. As employees, customers and investors become attracted to businesses that have a deep sense of social purpose, it will become highly attractive to set up, or convert existing business to being mission-led.

However, in order to realise this ambition, a great deal of education needs to take place to ensure that business owners and entrepreneurs are aware of what being mission-led really means, and what the advantages are. We need to make the business case for mission led businesses, demonstrate the returns and make the process easy.

Increasingly we will also see charities looking at a mission led business approach, as they adapt to find new self-funding models. This could create fascinating unions of previously profit-led organisations partnering deeply with charities, to draw on the best of both organisations, where their objectives are aligned.

We believe that if we harness the extraordinary power of business to be a change-agent in society we can create a far better world, but also much better businesses. We can detach ourselves from a view of business which is generally categorised as 'build better widgets', and instead adopt a 'build a better society' approach, where widgets are a means to an end, not the end itself.

In this, the roles of business, government and NGOs will become blurred, with formal joint partnerships becoming more common, to tackle specific social problems or challenges. Government could take an interesting 'mediation' role, orchestrating these partnerships, rather than

## 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)	We are a business consultancy and our mission is to help businesses grow by harnessing their power to impact society positively.
Why is this a mission-led business? Please include details on any corporate governance or reporting steps.	We are driven by the commercial and societal imperative of businesses needing to become mission led. Our models and frameworks are aimed at (i) helping businesses understand where they are on the mission journey (ii) identifying opportunities for growth that stem from being mission centric and (iii) ensuring that CEO's make bold commitments to account holistically.  Our ambition is that within our lifetime, we see a
Stage of business development (i.e. start-up, growing, mature, repurposed)	Start-Up in high growth
Industry sector	All Sectors with specialisms in Retail, Leisure and
Geographic focus	UK Wide with specific focus on London and Man
Evidence of financial growth	Strong financial revenue Year 1 Predicting 100% growth in year 2
Evidence of social impact	We use B Lab assessment to assess our social and environmental impact. Additionally, as we grow, we will produce an impact report which demonstrates the broader social impact achieved by our clients and
Any other details (e.g. legal form)	Ltd Company

## 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?

Three Point Zero focuses on the leadership, culture and communication challenges businesses face when opting for a mission-led approach.

We use a three-stage process to overcome these challenges: (please note we have visual representations of our process that we can make available if you require them for the final report)

1: Identify and properly articulate your mission / purpose.

This is a series of highly strategic and honest soul-searching workshops that aims to find a purpose for the organisation, over and above making money. This is done with the whole organisation (or representatives of every level) to ensure complete buy-in and looks both backward and forward to see where the business has come from and where it wants to go. A mission should be relatively fixed (accommodating for large macro social trends) so finding a focal point which future strategy can orient around is vital.

Once a purpose has been identified, a clear set of measures are put in place to ensure that it is meaningful in a social and environmental sense. The business needs to communicate how its actions are delivering results in service of the purpose, so these measures articulate this. Ideally, lines of causation are drawn between traditional business metrics (profitability, customer spend, employee retention) and social metrics, to allow the business to continually justify the commercial argument for being mission-led.

This phase also involves identifying trade-offs the business might make in service of the mission. What a business does not do in service of mission is as important as what they do. Turning down

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

We need a national plan for how we make starting or working for an MLB a viable and attractive career choice. This involves education at all levels, the introduction of concepts and models to business degrees, incentives and support for mission driven entrepreneurs and incentives for mission-driven investors and long-term investors who are interested in social impact.

We need to also consider how we communicate to entrepreneurs at key moments – for example, on incorporation, or at the point of seeking advice online, or visiting a local enterprise hub. We need to ensure that no entrepreneur can still say they ‘didn’t know’ this was an option.

We could also do more to give mainstream businesses more opportunities to hear from and be inspired by mission led business leaders. Networking opportunities do happen, but we need to be championing the work done by MLBs to the wider business community, and importantly the business benefits.

Specifically in relation to creating mission led, purposeful leaders, the Cabinet Office must seek to leverage the power of prominent and influential networks in the UK. These include networks such as The Institute of Directors, Business in the Community and The Marketing Academy. Specifically focusing on the latter, The Marketing Academy are a leading example of a mission led network. They are a not-for-profit organisation that identifies and develops exceptional talent in Marketing, Communications, Media and Advertising, providing a forum for marketing experts, business leaders and coaches to inspire, develop and mentor an entire generation of future business leaders. They bring together CEO’s, CMO’s, entrepreneurs, authors, subject matter experts, inspirational speakers and founders of charities to contribute to a curriculum of learning that is offered every year across three core programmes – the Scholarship, the Apprenticeship and the Fellowship.

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?

There are variety of ways a business can insure against mission drift. We have not addressed all of them here, but instead focused on what we believe to be an excellent approach demonstrated by tech start up Unforgettable.org.

Unforgettable.org are a social business who have a commitment to improving the lives of those suffering from memory loss and dementia.

They have taken a number of steps to ensure they lock their mission in and protect it for the future:

- Their mission is written into their articles of association.
- They have a ‘Golden Share’ owner, the Unforgettable foundation, which is a charity set up to protect the mission of Unforgettable.
- The golden share has certain privileges bestowed on it that other shareholders do not.
  - o The mission cannot be changed or abandoned with the consent of the foundation.
  - o They have to present annually to the foundation and report progress against their mission.
  - o If there is a sale of the business in the future, the foundation can veto the sale if they feel it is not in service of the mission.
- The foundation currently has two trustees on it’s board, with more to follow as the remit for the foundation grows.

These kind of protections did not serve as a deterrent to investors, rather they reassure social investors that mission drift would be less of a challenge in the future.

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.

There are a number of challenges we have identified in conversation with social entrepreneurs and mission led businesses:

Challenge of securing investment:

In our experience there are mixed views on raising investment as a socially minded business. And much of this depends on the stage of investment, but also simply the quality of idea.

Some investors are worried that mission led could mean a lack of focus on profit, therefore reduced level of ROI. This may well be true, as mission led businesses are duty bound to take a wider range of stakeholders into consideration when making decisions. A typical challenge might be the commitment of a MLB to pay above national living wage, for example, as they felt it is the ‘right thing to do’. Inevitably, this will affect profit margins and ultimately, the size of return for the investor.

That said, speaking to entrepreneur James Ashwell, Founder of Dementia Solutions Website Unforgettable.org, it was clear his experience was that raising finance as a mission led business was actually easier. As he sees it, there are social investors actively seeking robust, scalable socially minded business ideas of which there are not that many. The lack of quality in the sector still makes good businesses really stand out and thanks to schemes like SEIS and Big Society Capital, can make it easier to raise funding.

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?

### Shareholder ownership – Short Term vs Long Term returns

In order to move from being a traditional shareholder owned business to a mission led business, means making some significant shifts which shareholders are unlikely to appreciate in the short term. Arguably the best example of this is Paul Polman's decision at Unilever to stop reporting to the city quarterly, and instead buy his long-term value creation model. Immediately Unilever's share price plummeted as they lost many short-term investors. But in the long run they acquired a new kind of investor that was supportive of their ambitions.

Whilst this is fundamentally an example that shows it can be done, it is also an example of how strongly geared our financial system is toward short-termism and a profit maximisation at all costs. Not all business leaders have the audacity of Polman, and leaving it up to individual CEOs and their conscience is unlikely to result in very many large organisations taking the mission led route.

The reality is that the average share holding lasts for 22 seconds, thanks to high frequency trading. So asking shareholders to ride out tough times for a few years in the promise of long-term success is fanciful. More should be done to distinguish between different types of investment opportunity, and separate casino capitalism from real investment fund management.

### Inability to make the business case

Linked to the above, it can be hard for leaders to make the business case for mission, even when there are plenty of examples which demonstrate it's power as a driving force in business. This is because at first, a commitment to mission can be seen as potentially limiting a business – forcing the business to make compromises or commitments that it previously didn't have. It can also

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.

Almost every mission led business we are aware of have a distinct set of culture and values which support their mission. Whether this is by design, or has evolved naturally as a result of the values of the owner / founder is debatable, but what is clear is that it is this culture that can give these businesses a substantial competitive advantage, when other factors are equal.

There have been countless publications which investigate the phenomenon of organisational culture and how it impacts performance, but two highly influential ones are *The Reconnected Leader* (Norman Pickavance) and *Reinventing Organisations* (Frederic Laloux).

Both books claim that the characteristics of successful businesses today and in the future will be those of connectedness, collaboration, communication and values. These are dynamic, unstructured organisations which foster teamwork and nurture talents, rather than systematise behaviour and simply reward ambition. We refer to this as creating an 'adaptive organisation'.

In all studies of this nature, the role of purpose, or mission, is cited as integral. It is an orientation point for behaviour when there are fewer rulebooks and processes. It is a guiding point for 'where we are going' when 'how we will get there' becomes more fluid.

Examples:

### Ellas Kitchen:

Ellas's recognises it's culture is one of it's greatest assets and has won numerous awards for how it nurtures it. Their culture is based on giving every employee Autonomy, Mastery and Purpose, based on Daniel Pink's framework for what motivates people.

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

We have identified a number of key challenges MLBs face when communicating social impact to stakeholders:

#### Making it meaningful:

One of the main pitfalls for mission led business leaders is assuming that everyone cares about your mission as much as you do. Whilst this might be a good strategy for attracting talent and to an extent investors, where having people on board that care about your mission is a must, expecting customers to put your mission above their own needs is unrealistic.

This is exemplified well by office supplies company Wildhearts. They donate 100% of their profits to the Wildhearts foundation, which supports positive social projects in the UK and abroad. This is very noble, but the downside is there is a small premium paid on these products by the customer, to enable them to 'make a difference'. Whilst this has attracted a number of customers that believe in their mission and are prepared to pay extra, there are many that refuse to pay extra, as it is unclear how their social mission matters in the context of the quality of product or service.

It is vital, therefore, that businesses help customers, employees and investors understand how a business with a social mission is better for them first, and the world second. We call this 1st and 2nd Tier stories.

1st Tier stories are the basics – quality of product, attentiveness of service, value for money, effectiveness of communications, etc. Basically – 'What makes this good for me?'

2nd Tier stories are more nuanced, and usually only become relevant when 1st Tier stories are

### 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?

Communicating the positive impact of mission led businesses to external stakeholders is challenging, principally because the notion of mission of purpose led business and what makes it different to mainstream businesses is not in the public consciousness.

Certification bodies such as BCorp are essential in helping consumers and procurement professionals to understand that not all products and services are created on the basis of equal impact. BCorp has the potential to play a role in helping those who are certified to gain preference in the eyes of those buying their products and services.

The challenge in communicating with external stakeholders, particularly consumers, is the complexity of (i) the definition of a mission led business, which isn't currently universal and (ii) how you can enable consumers to understand what makes one organisations commitment and actions "better" in their judgement than others. We referenced this challenge in question 1 in our discussion around mission as a spectrum, citing the fact that there are nuances and shades of grey in this spectrum. How you enable a consumer to decipher between a business or brand who invests heavily in strategic CSR but is a huge polluter versus a truly mission led business that wants to make money in service of doing good, without resorting to judgement or moralising.

Certification bodies such as BCorp could play a huge role in this helping consumers make this choice but gaining traction at pace is difficult. The Cabinet Office could seek to understand the drivers that led to the widespread adoption of FairTrade to see if there are lessons here that could be applied.

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

BLab and the BImpact assessment are, in our view, the best examples of social impact measurement. The BImpact assessment gives businesses the ability to create a comprehensive assessment of their current social and environmental programmes. It can also be used as a benchmarking tool, helping mission led businesses to understand where they are in comparison to other companies. The tool also provides a customised improvement plan with and free best practice guide to help businesses implement changes.

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.

We identified specific barriers in Q9, namely:

Challenge of securing investment - the Cabinet Office could assist by encouraging grants and other investment vehicles targeted at those who are proven to be mission led i.e. certified Corps.

Challenges of 'day to day' distractions in SMEs - there is not a direct request of the Cabinet Office in relation to this barrier.

Lack of strategic and management skills at the top of SMEs - the Cabinet Office could assist by providing finance to enable mission led businesses like Three Point Zero to work with businesses in creating mission led leadership skills and mission centric strategies.

Reduced short-term competitiveness - the Cabinet Office could assist by providing grants or funds to subsidise reporting costs, so more businesses can become B Corps, more businesses can commit the time/resources needed to complete the B impact assessment and more businesses can evaluate the full life-cycle of their product ranges.

Lack of financial incentive structure - the Cabinet Office could assist by rewarding and incentivising those businesses that seek to reduce their burden on society and alleviate the strain on public services through their activities. Concurrently the Cabinet Office must ensure that large organisations who choose to refuse to acknowledge a wider corporate responsibility are penalised accordingly.

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?

**Managing a stable economy**

Every business leader we spoke to, and we include ourselves, said that staying true to any business mission or strategy was easier when the economy is stable. When making predications about markets are easier, they keeping 'on-mission' is easier. It also makes traditional business functions – raising investment, financial planning, marketing investment, etc – easier.

The recent political events which have led to the proposed withdrawal of the UK from the EU have, in the words of one CEO, 'undone 10 years of good work in one evening'. The reality is that plunging the country headlong into a recession, and gambling with our future, has made it exceptionally hard for business to focus on anything but survival in the short term.

If the government wants to promote the growth of more mission driven businesses, it needs to stabilise the economy and reassure international markets, quickly.

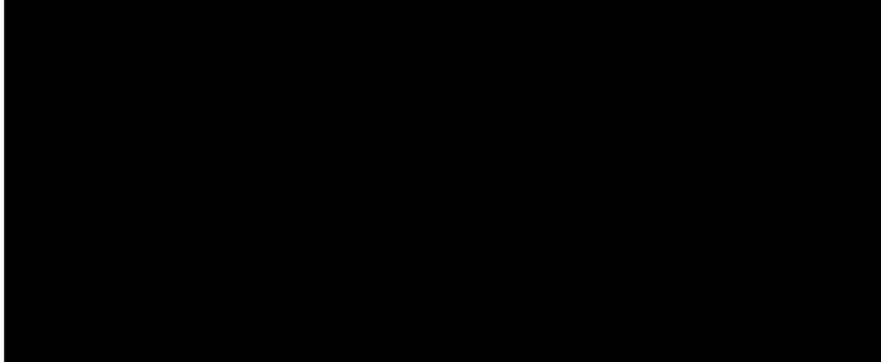
**Mission Lock**

The business leaders we spoke to all spoke of having a mission lock held by a third party and/or written into its articles. We believe that making mission lock obligatory and possibly incentivising reporting on it and even achieving targets, could encourage more mission led businesses. Perhaps companies house could offer to act as a public guarantor of mission lock, and list a table of companies which have committed to mission lock and report on it publicly.

Thank you for your response.

Mission Led Business Review:  
Call for Evidence

Contact Information:



**1. What do you know about the number and profile of mission-led businesses operating in the UK?**

Mission driven businesses are the result of a range of cultural and economic factors which have shaped the UK business landscape over the past 30 years. In our view, the key ones are:

- Our interconnectedness due to technology, making the need for transparency and ethics in business increasingly important as consumers have more power.
- The growth of super-corporates, which have the same resources as small countries, and thus can if they choose influence society and the planet in powerful ways.<sup>1</sup>
- Declining trust in business overall, as a result of repeated scandals and the global recession, creating a need for a new socially aware kind of business.<sup>2</sup>
- The increasing sense that traditional business and jobs are somewhat 'meaningless', and do not satisfy people's needs for a strong sense of fulfilment and purpose at work.<sup>3</sup>
- The changing attitudes to work, driven by Gen Y and Gen Z, which place a value on intangible benefits, experiences, personal development, flexible working, and a desire to find inner meaning through work.<sup>4</sup>

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<sup>1</sup> <https://makewealthhistory.org/2014/02/03/the-corporations-bigger-than-nations/>

<sup>2</sup> <http://www.edelman.com/insights/intellectual-property/2016-edelman-trust-barometer/>

<sup>3</sup> <http://www.fastcompany.com/3032126/how-to-find-meaning-during-your-pursuit-of-happiness-at-work>

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

- An increasing sense across the world of business that 'it's getting harder and more complex to win.' This creates a desire to return to simple fundamentals – 'Why is my business really here?' - as orientation points for complex decision making and strategy.
- The failure of social impact business models like Social Enterprise and CIC to bridge the gap between profitability and societally impactful and scale successfully. By limiting profitability within corporate structure, these models have struggled to raise the investment needed to become powerful.<sup>5</sup>

These and many other smaller factors have led to the rise of a new sort of profit-making business, which puts a strong social mission at its core. Examples of this are Ella's Kitchen (childhood nutrition), Method (environmental sustainability), Patagonia (protection of the environment) and Jojo Maman Bebe (corporate social responsibility) (two of these are US examples, but have a growing foothold in the UK).

Our business, Three Point Zero, is also an example of this. We are a consultancy and our mission is to help businesses grow by harnessing their power to impact society positively. We believe the opportunity for MLBs is huge, and are seeking to capitalise on this growing market whilst changing the entire reason for businesses existence in the world, from profit-led to mission-led

However, the landscape of mission driven businesses is fragmented and confused. Even well respected authors on the subject (G Bains<sup>6</sup>, J Stengel<sup>7</sup>, J Collins<sup>8</sup>, amongst others) confuse having a business purpose with being mission-led, or engaging in strategic CSR with having a mission-led business model. Therefore we believe that it is best to see business as being on a spectrum, rather than MLB or non-MLB, ranging from:

- Negative Business (harmful activities, potentially criminal, unethical, profit at all costs)
- Minimising Harm (some steps taken to reduce harm, awareness of social responsibility)
- Neutral Business (offsetting or total mitigation of any harm done by the business, some CSR activity in an ad hoc way, usually corporate philanthropy)
- Strategically Socially Responsible business (mitigation of harm and engagement in CSR in a strategic way which drives business value, shared value)
- Positive Business (mission led businesses whose sole purpose is to improve society in measurable ways)

<sup>5</sup> <https://www.pioneerspost.com/news/20130606/social-enterprises-struggling-access-finance-ahead-of-g8-social-investment-conference>

<sup>6</sup> <https://www.amazon.co.uk/Meaning-Inc-blueprint-business-success/dp/1861978839>

<sup>7</sup> <http://www.jimstengel.com/grow/overview/>

<sup>8</sup> <http://www.jimcollins.com/>

Of course, there are nuances and shades of grey in this spectrum, for example a business might invest heavily in strategic CSR but be a huge polluter, and so breaking the spectrum out into more detail is helpful.

However, what the spectrum allows us to do is distinguish between a large corporate who wants to do good whilst making money, and a truly mission led business that wants to make money in service of doing good, without resorting to judgement or moralising. Business is not an either-or, and there is no 'one-size fits all' to success. It takes many kinds of businesses to service an economy, but it is our analysis that there are big rewards for businesses that decide to go mission-led, or adopt more mission-led characteristics.

## 2. What do you know about the impact of being a mission-led business on business performance and social impact?

Every business has a profound impact on society, whether it likes it or not. This is not limited to mission led businesses. By creating jobs, paying tax, driving innovation, offering belonging or building houses, businesses improve society all the time. Equally, by polluting the environment, avoiding tax, discriminating on gender or race, increasing wage imbalance or shifting production offshore, business can also effect society negatively and cause social divisions or instability.

This point is not a churlish one, but seeks to illustrate why corporate responsibility is so important, and why businesses simply putting short-term profitability above all else is at best, naïve and at worst, negligent.

It also seeks to demonstrate what a remarkably powerful change agent in society business can be. When used to improve the world, business is arguably the most effective way of changing the status quo rapidly and in remarkably person-centric and democratic ways.

To illustrate this point, we have used the following global examples, which show how powerful business can be to impact society positively:

### **Lifebouy:**

For Unilever brand Lifebouy, the key to how they could impact lives positively is obvious, as it's the core of their product benefit. Washing hands. As website Triplepundit.com reports:

*Data from the World Health Organization (WHO) indicates that every year diarrhea kills approximately 800,000 children under the age of 5, or about 1 in 10 child deaths. Many of those premature deaths could be prevented with adequate sanitation. Washing one's hands for 20 seconds is one of the best preventive measures to prevent the spread of germs that can cause diarrhea and other illnesses. Handwashing may seem to be a simple part of the daily routine to us, and science shows it can save lives, but many people simply don't do it. Lifebuoy saw an opportunity to promote this simple habit by combining its success with selling consumer products along with public health and behavioural science research.*

*Lifebuoy's first handwashing programs started in 2009. The company currently runs two initiatives. First, Hindustan Unilever works with schools by targeting schoolchildren through child-friendly materials including comics, songs, games and rewards to encourage children to start and sustain regimented handwashing behavior. In addition, the company focuses on new mothers, because 42 percent of deaths that strike children under the age of 5 in India occur during the first 28 days of life.*

*Lifebuoy employees worked with health officials to organize clinical trials, the results of which showed remarkable improvements in the reduced spread of diseases. Emboldened by this success, the company decided to deploy these programs on a mass scale across India and then to other countries. Hindustan Unilever claims that over the past six years, Lifebuoy programs have reached 257 million people in 24 countries. By 2020, the company aims for its handwashing programs to contact 1 billion people globally.<sup>9</sup>*

**Method:**

Homecare brand Method invest heavily in demonstrating their green credentials and ensuring their products meet the most stringent internal and external standards. As well as being a B Corp, Method products have a 100+ creditation on Cradle2Cradle lifecycle evaluation, are not tested on animals and are cruelty free, use alternative energy in their offices and biodiesel fuels in their fleet of delivery lorries.

They report all this in a hugely comprehensive annual report which shows how they are tracking against social and environmental factors and highlights their commitment to transparency.<sup>10</sup>

**General Electric:**

GE's Ecomagination project is one of the most ambitious of its kind, with a stated aim of driving growth to GE by enhancing resource productivity and reducing environmental impact on a global scale.

Over 10 years, Ecomagination has received over \$17bn of investment, generating \$232bn worth of revenue. Simultaneously it has resulted in a 12% reduction in GHG emissions, a 17% reduction of freshwater use and aims to get both figures to 20% by 2020. Additionally it has announced partnerships with businesses like Total and Intel, to try and increase the footprint of their overall impact.

**Carillion**

Carillion's commitment to measurement in their sustainability programmes makes them a best-in-class case study for how to prove the value of a commitment to mission and how to make it a part of business culture.

Their current reports show they have reduced their carbon footprint by 31%, had a BREEAM certification in over 200 projects since the methodology's inception, diverted 94% of their waste from landfill and received the highest possible score in the WWF's review of timber procurement.<sup>11</sup>

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<sup>9</sup> <http://www.triplepundit.com/special/disrupting-short-termism/unilevers-handwashing-campaign-goes-beyond-csr-and-saves-lives/#>

<sup>10</sup> <http://methodhome.com/beyond-the-bottle/>

<sup>11</sup> <http://sustainability2015.carillionplc.com/better-environment.html>

In the UK, they place 1,700 apprenticeships last year, with 89% of those going on to employment and reached 44,810 children with in-schools programmes.<sup>12</sup>

### **The Institute of Directors**

We asked The Institute of Directors this question as part of our evidence submission. They said, "The IoD today doesn't 'have a choice' in being mission-led; our Royal Charter, given to us in 1906, obliges us to deliver on four core commitments. That doesn't mean, however, that we have not evolved since the days of Edward VII. On a purely organisational level, our four-pronged mission guides the overall structure of the business. Our Professional Development teams handle our obligation to promote high levels of skill & knowledge amongst Directors, and that team, our Head of Corporate Governance and our tutors also 'promote the study, research and development of the law and practice of corporate governance.'"

They continued, "Our Policy Unit covers off the mission to represents the interests of members and the business community to government and in the media, and of course our various facilities teams across the country handle the 4th obligation in the Charter. The IoD's membership fees and any revenues drawn in through our various programmes are distributed within those four strands; either in developing new courses, renovating facilities, etc. Perhaps most obviously, funds are channelled to the Policy Unit to continue their work across the media and in liaison with Government.

In closing the IoD commented, "Internally, the IoD seeks to embody the values of our members; professional, inclusive, commercial and enterprising, integrity, passion; our 'mission' is to be an inspirational champion of business."

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<sup>12</sup> <http://sustainability2015.carillionplc.com/better-society.html>

### 3. In your view, what are the ways in which quantitative data on mission led businesses could be captured over time?

One of the biggest challenges faced by all UK businesses is the shift from tangible to intangible measures of value, particularly as an economy becomes more service-led. When you are selling widgets, you can keep a tight hold of profitability based on simple tangible metrics – cost per unit, cost of sale, running costs, etc.

When you are selling advice, intelligence or innovation, the things that increase value are less tangible. Employee engagement, productivity, job satisfaction, customer affinity, good and great new ideas, - these are the measures for service led businesses and are far harder to quantify absolutely.

MLBs typically perform far better in these areas, often far better than non-MLB, but their challenges are in demonstrating this increased value in more tangible ways.

Furthermore, social and environmental impact is even harder to measure in absolute ways. Improving lives is highly subjective, and can fluctuate from day to day depending on the challenges of the individual. Understanding the sphere of influence of a business, and thus what's reasonable to expect in terms of impact, is also of vital importance. Whilst there are many established models for social impact measurement, they all acknowledge the challenges of doing it and that the outputs are less 'absolute' than simple financial measures.

Combined, this creates a huge and messy amount of complexity. Business is getting harder to measure, social impact is already very tricky, so an institution which is designed to combine these metrics and show causal relationships between them faces into some very hard questions about measurement.

Some of the ways that mission led business have tried to do this are:

Regular surveying and stakeholder interviews (both qual and quant).

Giirs Ratings / B Analytics: <http://b-analytics.net/giirs-ratings>

Life-cycle Analysis: <http://www.coclear.co/>

External Validation (BCorp, C2C, Good Guide):

<http://www.c2ccertified.org/>

<https://www.bcorporation.net/>

<http://www.goodguide.com/>

External referenced data (benchmarking – Edelman Trust Barometer, State of the Global Workplace Survey)

<http://www.ethicalconsumer.org/>

<http://www.edelman.com/insights/intellectual-property/2016-edelman-trust-barometer/>

<http://www.gallup.com/services/178517/state-global-workplace.aspx>

What is clear is that a one-size approach to measurement is not going to be sufficient, particularly when you consider very different missions (environment vs personal wellness, for example). But, some kind of universal set of measures would be ideal for demonstrating the value of being more mission led (eg: customer satisfaction or employee retention).

Linking these metrics back to financial measures is also vital, to help make the business case for being mission led. For example, frameworks like 'Shared Value' try to draw at least a correlative link between purposeful activities and business growth:

<http://sharedvalue.org/>

Whilst businesses like Carillion have made the link between planet, people and profit very explicitly in their annual sustainability reports.

<http://sustainability2015.carillionplc.com/better-business.html>

However, clearly there is a need to have some constant evaluation framework, to be able to identify whether a business is or is not genuinely mission led, and to help understand the progress of a mission led business over time.

Presently, we believe B Corp to be the most comprehensive validation system available, covering the widest range of 'good business' metrics. Whilst being a B Corp is not a sufficient condition for being a truly mission led business, it should be, in our view, a necessary one. Otherwise it is simply too easy to claim you have a 'mission' but to deviate from it when short-term temptations arise.

#### 4. Why would a business set-up as or become a mission-led business?

The vast majority of current mission led businesses either set up or 'convert' as a result of the impetus of leaders in the business, usually the most senior leader.

The most common model for a mission led business is the owner-founder-leader (OFL) model, with a business set up in their image, with their values and principles. This is usually for a variety of reasons:

The mission led business is an expression of their personal values and passions. For example, many OFLs talk of coming to a realisation of the power profit making enterprises have to affect the world, and how this could be channelled in positive ways to great effect.

It is easier for the OFL to directly influence business strategy and policy, as they have ultimate control and may not have investors or shareholders to answer to.

As they usually have their 'name above the door', there is a far greater incentive for the OFL to ensure their business behaves in an ethical and mission led way. The desire to positively impact society will be driven by an inner belief that the 'world should be this way'.

They often are disadvantaged in the marketplace in terms of hiring budgets and marketing budgets, so mission can be a way of gaining competitive advantages in these areas.

However, other mission led business types exist, such as co-operatives or charities that convert into businesses, which may set out to be mission led due to the collective will of members or trustees. All of these types acknowledge the advantages of being a mission led business are:

- Enhanced corporate reputation, allowing them to attract better talent on lower budgets and retain key staff for longer periods.<sup>13</sup>
- Increased productivity and employee engagement.<sup>14</sup>
- Greater brand affinity and marketing performance.<sup>15</sup>
- Greater strategic focus and decision making.
- Dynamic and adaptive corporate culture that can deal with change more easily.<sup>16</sup>

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<sup>13</sup> <https://www.theguardian.com/sustainable-business/2015/may/05/millennials-employment-employers-values-ethics-jobs>

<sup>14</sup> <http://www.danpink.com/books/drive/>

<sup>15</sup> <http://www.environmentalleader.com/2016/05/16/unilever-sustainable-brands-grew-30-faster-than-other-brands-in-2015/>

<sup>16</sup> <https://www.amazon.co.uk/Resilient-Organization-Adaptive-Cultures-Strategy/dp/0071663665>

Naturally, simply 'having a mission' doesn't balance out classic business or marketing problems. You still need to understand your competitive advantage, your distinct mix of processes and your positioning to be able to thrive in business. Mission becomes an extra facet that business leaders need to consider, to make their business work in the modern age.

Additionally, a great deal of evidence suggests that non-mission led 'business as usual' continues to deliver underwhelming and ever-decreasing productivity returns year on year. This is because motivating people with money is simply suffers quite quickly from a law of diminishing returns. In fact, studies show that financial incentives actually reduce intrinsic motivation in more creative businesses.

<http://www.danpink.com/2009/07/money-cant-buy-you-performance/>

We regularly see this in our own work. In one instance, working with a large, private equity owned business we could see clearly the lack of vision and mission focus in the business was causing an enormous breakdown between senior management and general teams. The business was governed by an 'operational efficiencies' approach to strategy, rather than a relentless pursuit of purpose. This left employees feeling jaded and undervalued, and created a transactional relationship with their employer, which translated into poor customer service, inconsistent standards and a lack of initiative and ideas.

When speaking with the IoD about this question, we split it into two sections. In the first section we asked "Why would a business set up as mission led". They said "The reputation of business took a beating in the aftermath of the financial crisis; it is perhaps this that has led to the rise in businesses which put 'mission' at the heart of their activities, as they attempt to prove that they are not 'like the others' and to provide reassurance to themselves that their activities are for the good of society. We also live in different times in which it is becoming increasingly apparent that Government cannot be expected to, nor realistically can, provide all of the things it may have done in the past; demographic trends mean that Government will increasingly have to focus on fewer areas and repurpose to core activities; the era of 'big government' is probably over. It is not a surprise that in such times, many socially-minded individuals are looking to deliver social goods through businesses rather than expecting Government to do it."

In the second section, we asked the IoD, "Why might a mainstream business repurpose to become mission led?". They said, "Without evidence, it is difficult to guess; however, one would imagine that 'repurposing' could be seen as having positive results in three contexts; 1. So-called millennials are believed to be more driven by mission than money. Explicitly mission-led businesses may have the edge when it comes to recruiting young talent, drawn as many of them might be towards a 'giving back' style of job. 2. Repurposing to become explicitly mission-led may ensure that there are more checks and balances on a business' activities. It would

provide a catch on all employees and board members to ensure that behaviour is resolutely ethical and legal, creating a culture of compliance across a business. 3. There may well be commercial reasons behind a repurposing to become mission-led, as more and more consumers are paying more attention to the products they consume and their origin. This does not need to be seen in a cynical light."

## 5. How do you see mission-led businesses developing over the next decade?

We think that increasingly, businesses will have to adopt mission-led characteristics in order to survive, simply as mission led business will be shown to be the winners across a variety of categories. As employees, customers and investors become attracted to businesses that have a deep sense of social purpose, it will become highly attractive to set up, or convert existing business to being mission-led.

However, in order to realise this ambition, a great deal of education needs to take place to ensure that business owners and entrepreneurs are aware of what being mission-led really means, and what the advantages are. We need to make the business case for mission led businesses, demonstrate the returns and make the process easy.

Increasingly we will also see charities looking at a mission led business approach, as they adapt to find new self-funding models. This could create fascinating unions of previously profit-led organisations partnering deeply with charities, to draw on the best of both organisations, where their objectives are aligned.

We believe that if we harness the extraordinary power of business to be a change-agent in society we can create a far better world, but also much better businesses. We can detach ourselves from a view of business which is generally categorised as 'build better widgets', and instead adopt a 'build a better society' approach, where widgets are a means to an end, not the end itself.

In this, the roles of business, government and NGOs will become blurred, with formal joint partnerships becoming more common, to tackle specific social problems or challenges. Government could take an interesting 'mediation' role, orchestrating these partnerships, rather than simply setting policy and delivering solutions with public money. Public money could then be put to use to stimulate these partnerships, which in turn would generate additional tax revenue and jobs, rather than being poured into the bottomless pit of public services.

It will become far more common for businesses to mission lock, as they will now be held accountable to more than just their customers and investors, but a far wider range of stakeholders. Society will need mechanisms to ensure a business stays on mission, has external validation and cannot be steered off it by unscrupulous leaders or investors.

Of course, business is not the answer to every social problem, and finding out where business can play a role and where it cannot is still something of an undefined space. For example, it's hard to see how business could play a role in the disarming and rehabilitation of child soldiers, but easier to see how it can help alleviate health-related conditions.

We are also going to see more traditional businesses adopting mission led characteristics, whilst not becoming fully mission led. Inevitably, this will frustrate some commentators who will argue it's an 'all or nothing' approach, but we believe we should encourage more socially responsible attitudes toward society and the environment from all businesses, even if they cannot commit to mission lock.

## Challenges Faced by Mission Led Businesses?

### 6. What are the practical steps that a business can take to make a commitment to deliver on its intention to make a positive social impact?

Three Point Zero focuses on the leadership, culture and communication challenges businesses face when opting for a mission-led approach.

We use a three-stage process to overcome these challenges:

1: Identify and properly articulate your mission / purpose.

This is a series of highly strategic and honest soul-searching workshops that aims to find a purpose for the organisation, over and above making money. This is done with the whole organisation (or representatives of every level) to ensure complete buy-in and looks both backward and forward to see where the business has come from and where it wants to go. A mission should be relatively fixed (accommodating for large macro social trends) so finding a focal point which future strategy can orient around is vital.

Once a purpose has been identified, a clear set of measures are put in place to ensure that it is meaningful in a social and environmental sense. The business needs to communicate how its actions are delivering results in service of the purpose, so these measures articulate this. Ideally, lines of causation are drawn between traditional business metrics (profitability, customer spend, employee retention) and social metrics, to allow the business to continually justify the commercial argument for being mission-led.

This phase also involves identifying trade-offs the business might make in service of the mission. What a business does not do in service of mission is as important as what they do. Turning down lucrative new opportunities as they are not 'on mission' is a very powerful way for businesses to make their mission meaningful.

2: Embedding the mission internally.

This phase focuses on making the mission meaningful for internal stakeholders – mainly employees, but also potentially service providers and suppliers. The focus here is on values and behaviours – creating a strong culture which can support the mission, our 'way of getting things done'. Again, this is developed with the whole organisation, in a transparent and collaborative way. Enrolment is as important as getting the 'right' result.

Of crucial importance is ensure everyone involved in delivering against the mission, whether f/t, p/t or contactors, is clear on their role and why they are doing it. Here large corporates which have made a commitment to mission, such as Unilever, have often struggled as the mission fails to have meaning for the day to day work of more junior staff or even past middle management.

### 3: Demonstrating mission externally.

When a business becomes mission driven, it may speak into an unaware or sceptical public who may not take the new mission as real or authentic. Therefore, to drive external value from the mission it is vital to 'do' rather than 'say' in its service.

This may use traditional channels, such as advertising or PR, or extend into more unusual areas like government lobbying or community engagement. However it is manifested, the message needs to be that the business is prepared to make bold choices and tough decisions in service of its mission, and in service of people and planet.

It is also important that the communications are not simply 'one way' – dialogue and collaboration are central to delivering a mission well (no one business can be the solution for societies challenges) so engaging and cooperating with a range of stakeholders, even competitors, may be necessary.

The process hinges on creating mission led, purposeful leadership who have the skills and capabilities to ensure that their people and their business thrives in a mission led business context. Mission led businesses need a different set of "muscles" to traditional profit led entities and our models and frameworks focus on building these distinct capabilities and ways of working and reporting.

#### Measurement

Measurement is a final part of this approach which is vital to the continuing success of delivering in service of a mission. Whilst mission-led businesses may make tough choices, even pass up revenue opportunities, in order to stay true to their mission, they also recognise that sustained profitability is the best way for them to deliver long-lasting change.

Equally, proving the impact of their business against their mission is of critical importance, to avoid the accusation that this is just an old fashioned 'business purpose' wrapped up in new clothes. Therefore external validation is often used here, such as B Corp, C2C, GoodGuide and other certification systems, to help analyse real business impact across a 'balanced scorecard' of metrics – social, environmental, financial.

When speaking with the IoD, they said "The IoD offers a number of courses and guidance materials to members to ensure high quality corporate governance. While this is not explicitly designed for mission-led businesses, good governance is just as important for them as any other business. It may in fact be even more important; we have seen in the not-entirely-dissimilar charity sector that the good intentions behind an organisation can mask governance failings which come back to bite in the long-term. The IoD's Information Advisory Service, Legal Hotline and Tax Advice offerings again contribute to better-run businesses across all sectors."

## 7. Do you think these steps could be better communicated to entrepreneurs and business? If so, how?

We need a national plan for how we make starting or working for an MLB a viable and attractive career choice. This involves education at all levels, the introduction of concepts and models to business degrees, incentives and support for mission driven entrepreneurs and incentives for mission-driven investors and long-term investors who are interested in social impact.

We need to also consider how we communicate to entrepreneurs at key moments – for example, on incorporation, or at the point of seeking advice online, or visiting a local enterprise hub. We need to ensure that no entrepreneur can still say they ‘didn’t know’ this was an option.

We could also do more to give mainstream businesses more opportunities to hear from and be inspired by mission led business leaders. Networking opportunities do happen, but we need to be championing the work done by MLBs to the wider business community, and importantly the business benefits.

Specifically in relation to creating mission led, purposeful leaders, the Cabinet Office must seek to leverage the power of prominent and influential networks in the UK. These include networks such as The Institute of Directors, Business in the Community and The Marketing Academy. Specifically focusing on the latter, The Marketing Academy are a leading example of a mission led network. They are a not-for-profit organisation that identifies and develops exceptional talent in Marketing, Communications, Media and Advertising, providing a forum for marketing experts, business leaders and coaches to inspire, develop and mentor an entire generation of future business leaders. They bring together CEO’s, CMO’s, entrepreneurs, authors, subject matter experts, inspirational speakers and founders of charities to contribute to a curriculum of learning that is offered every year across three core programmes – the Scholarship, the Apprenticeship and the Fellowship.

Their scholarship programme, aimed at emerging leaders in industry with 4 to 12 years experience, develops 30 young leaders in the UK every year. To date 178 young people have been through the Scholarship and now form an active Alumni. As the Scholarship enters its seventh year, it has pivoted on its curriculum offering and now has purpose/mission as one of the central pillars of its programming. Founder of The Marketing Academy, Sherilyn Shackell, says “Enabling our scholars to understand purpose in every context and enabling them to pay forward learning within their business and the not for profit sector is key to ensuring that our scholars are ambassadors for change.”

The Marketing Academy is a network of business leaders and thinkers that is unrivalled. Through its large and pervasive network of incredibly influential business

leaders, the Academy has the ability to shape agenda's and influence change across a spectrum of businesses from large bluechips to SME's and everything in between. Understanding the role of networks like The Marketing Academy is key to enabling the Cabinet Office to achieve its aim of doubling the number of mission led businesses in the next 10 years. This need is most acutely felt with the millennial generation because whilst they have the will and the attitude to push the agenda, they may lack the tools and access to creating or leading in a mission centric way. Creating a generation of purposeful, mission-led leadership is an essential part of shifting the mindsets and attitudes of business and it's potential to drive positive social change alongside economic returns for its shareholders.

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?

There are variety of ways a business can insure against mission drift. We have not addressed all of them here, but instead focused on what we believe to be an excellent approach demonstrated by tech start up Unforgettable.org.

Unforgettable.org are a social business who have a commitment to improving the lives of those suffering from memory loss and dementia.

They have taken a number of steps to ensure they lock their mission in and protect it for the future:

- Their mission is written into their articles of association.
- They have a 'Golden Share' owner, the Unforgettable foundation, which is a charity set up to protect the mission of Unforgettable.
- The golden share has certain privileges bestowed on it that other shareholders do not.
  - The mission cannot be changed or abandoned with the consent of the foundation.
  - They have to present annually to the foundation and report progress against their mission.
  - If there is a sale of the business in the future, the foundation can veto the sale if they feel it is not in service of the mission.
- The foundation currently has two trustees on it's board, with more to follow as the remit for the foundation grows.

These kind of protections did not serve as a deterrent to investors, rather they reassure social investors that mission drift would be less of a challenge in the future.

But it furthermore reaffirms the fact that, as with any business, getting the right investor is vital.

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, can you provide details of these barriers, in particular identifying those which may be caused by regulation.

There are a number of challenges we have identified in conversation with social entrepreneurs and mission led businesses:

**Challenge of securing investment:**

In our experience there are mixed views on raising investment as a socially minded business. And much of this depends on the stage of investment, but also simply the quality of idea.

Some investors are worried that mission led could mean a lack of focus on profit, therefore reduced level of ROI. This may well be true, as mission led businesses are duty bound to take a wider range of stakeholders into consideration when making decisions. A typical challenge might be the commitment of a MLB to pay above national living wage, for example, as they felt it is the 'right thing to do'. Inevitably, this will affect profit margins and ultimately, the size of return for the investor.

That said, speaking to entrepreneur James Ashwell, Founder of Dementia Solutions Website Unforgettable.org, it was clear his experience was that raising finance as a mission led business was actually easier. As he sees it, there are social investors actively seeking robust, scalable socially minded business ideas of which there are not that many. The lack of quality in the sector still makes good businesses really stand out and thanks to schemes like SEIS and Big Society Capital, can make it easier to raise funding.

Clearly, if we are to have more mission led businesses, then we need to consider how we use incentives to cultivate more social investors. Whilst impact investors and long-term investors do exist, this is currently out of choice – a belief in 'the way the world should be' – rather than because of specific incentives. By using the tax or regulatory system to encourage long-term, mission-orientated investments we could immediately increase the number of mission led businesses. For example, investors could unlock tax incentives by proving that their investment led to a clear, measurable, societal benefit.

**Challenges of 'day to day' distractions in SMEs:**

Although most mission led businesses are SMEs, the owner-founder-leader led businesses; this still reflects a relatively small percentage of the overall SME community.

For most, following a mission can be seen as a 'nice to have' when cash-flow is tight and the OFL can be stuck in the day to day. Immediate pressing business concerns

can cause mission drift, or even encourage business owners to commit to 'easy missions' that don't really involve any effort outside of running their business. This can lead to a short-term commitment to mission, but then when it fails to realise the benefits they'd hoped, they drift back into day-to-day fire-fighting.

### **Lack of strategic and management skills at the top of SMEs.**

Many SME OFL's lack the strategic discipline necessary to develop and stick to long-term plans. Often they have limited formal business training, and struggle to make trade-offs, understand what strategic 'fit' of activities is, or how to keep to a long-term strategy in the face of short-term change. Fundamentally, they may not understand why a business needs a mission at all, and instead be locked into a classic 'what's my USP' mentality.

Further training for managers in this regard, and education through SME channels and networks like the Institute of Directors or local enterprise schemes could make a huge difference here.

### **Reduced short-term competitiveness**

Being mission led means making difficult choices which may come at a cost (eg: Triple Bottom Line evaluation and reporting). This can sometimes reduce short term profitability, in service of long-term mission. which can be hard to do when competing against competitors who are not making these kind of choices.

Whilst most mission-led business leaders agree that there are substantial long-term benefits which make them more competitive, it is recognised that levelling the playing field in the short term would encourage more businesses to become mission led.

For example, grants or funds could be set up to subsidise reporting costs, so more businesses can become B Corps, or evaluate the full life-cycle of their product ranges.

### **Lack of financial incentive structure**

Currently company structures don't differentiate between ML and Non-ML businesses, so there are no formal incentives to become ML. Eg: tax reductions, employee benefits contributions, special funding pots, support in social measurement, etc.

Whilst there are some negative views about whether or not businesses should be incentivised to be 'good', they do tend to come from a moral dimension, rather than a practical one (eg: is a business being 'good' for the right reasons). What is clear is that most business owners we have spoken who are contributing more than they have to back to society, are in favour of financial incentives to keep doing so.

Mission led business owners unanimously say commercial imperatives were not their reason for setting up their business this way. They tend to cite personal values or a desire to do something more meaningful as the primary drivers. However, mission led businesses are of greater value to society than non-mission led ones. Their contribution to our 'overall good' is higher, and therefore it is logical we should try to reduce their cost of operation.

Of course, this introduces some complexity – namely around how we validate that a business is indeed truly 'mission led' and thus worthy of incentivising? However, business leaders tended to eschew the idea of blanket incentives, rather focusing on specific incentives for societally beneficial activities. For example:

- Employment of disabled or vulnerable people
- Reduction of pollution
- Specialist training and development of certain skills
- Creation of products or services which fill gaps in public services (eg: Education, Health)

What is clear is that a review of the way we incentivise business as a whole is necessary. There are many different classes of business with differing overall impacts and contributions. Those that seek to reduce their burden on society and alleviate the strain on public services through their activities should be rewarded and incentivised to do so, whilst those, particularly large organisations, that refuse to acknowledge a wider corporate responsibility should be penalised accordingly.

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?

**Shareholder ownership – Short Term vs Long Term returns**

In order to move from being a traditional shareholder owned business to a mission led business, means making some significant shifts which shareholders are unlikely to appreciate in the short term. Arguably the best example of this is Paul Polman's decision at Unilever to stop reporting to the city quarterly, and instead buy his long-term value creation model.<sup>17</sup> Immediately Unilever's share price plummeted as they lost many short-term investors. But in the long run they acquired a new kind of investor that was supportive of their ambitions.

Whilst this is fundamentally an example that shows it can be done, it is also an example of how strongly geared our financial system is toward short-termism and a profit maximisation at all costs. Not all business leaders have the audacity of Polman, and leaving it up to individual CEOs and their conscience is unlikely to result in very many large organisations taking the mission led route.

The reality is that the average share holding lasts for 22 seconds, thanks to high frequency trading. So asking shareholders to ride out tough times for a few years in the promise of long-term success is fanciful. More should be done to distinguish between different types of investment opportunity, and separate casino capitalism from real investment fund management.

**Inability to make the business case**

Linked to the above, it can be hard for leaders to make the business case for mission, even when there are plenty of examples which demonstrate it's power as a driving force in business. This is because at first, a commitment to mission can be seen as potentially limiting a business – forcing the business to make compromises or commitments that it previously didn't have. It can also require a greater level of transparency which feels at first uncomfortable.

Balanced against some of these challenges, the up-sides can seem slightly intangible. A stronger culture, better customer relationships, employee productivity are all agreed business benefits, but can be harder to measure than the costs of life-cycle analysis, for example. Shifting from mindset of tangibles to intangibles is something all mission-led businesses need to be able to do, but many find uncomfortable.

However, this is where anecdote can become very powerful. One social entrepreneur spoke of picking up the phone to a customer, who began the conversation with 'I just

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<sup>17</sup> <http://www.forbes.com/sites/andyboynton/2015/07/20/unilevers-paul-polman-ceos-cant-be-slaves-to-shareholders/#51c9199b40b5>

have to tell you, you are amazing!'. How many large corporates can say that they experience that?

### **Leaders of business not incentivised on mission**

Key to success in a large corporate becoming mission-driven, is aligning the internal bonus and incentive structure with mission KPIs. Most large bluechip multinational now have incentive schemes for the C Suite linked to a balanced scorecard, sustainability etc, however many still are not linked to the complete array of social metrics. Furthermore, the appraisals for leaders further down the business may not be correlated to broader mission-driven KPIs.

When leaders at all levels of a business are not incentivised to deliver against the mission, then inevitably it is harder for them to feel the benefits of delivering against it. Furthermore, if their incentives are still linked to short-term profitability or revenue targets, then it is inevitable these will be pursued at all costs, making mission drift very likely.

**11. Do you think mission-led businesses have or should have a different culture / values system to a traditional (ie: non mission-led) business? If yes, please provide best practice examples of this.**

Almost every mission led business we are aware of have a distinct set of culture and values which support their mission. Whether this is by design, or has evolved naturally as a result of the values of the owner / founder is debatable, but what is clear is that it is this culture that can give these businesses a substantial competitive advantage, when other factors are equal.

There have been countless publications which investigate the phenomenon of organisational culture and how it impacts performance, but two highly influential ones are *The Reconnected Leader* (Norman Pickavance) and *Reinventing Organisations* (Frederic Laloux).

Both books claim that the characteristics of successful businesses today and in the future will be those of connectedness, collaboration, communication and values. These are dynamic, unstructured organisations which foster teamwork and nurture talents, rather than systematise behaviour and simply reward ambition. We refer to this as creating an 'adaptive organisation'.

In all studies of this nature, the role of purpose, or mission, is cited as integral. It is an orientation point for behaviour when there are fewer rulebooks and processes. It is a guiding point for 'where we are going' when 'how we will get there' becomes more fluid.

Examples:

**Ellas Kitchen:**

Ellas's recognises it's culture is one of it's greatest assets and has won numerous awards for how it nurtures it. Their culture is based on giving every employee Autonomy, Mastery and Purpose, based on Daniel Pink's framework for what motivates people.

For example, employees are encouraged each year to take a day off from their roles and think holistically about the company, perhaps visiting a nursery, or visiting their suppliers. Employees were given the autonomy to choose for themselves, and were then asked to report back with what they had learned. The results garnered a slew of new product ideas and marketing approaches, which have since gone into production.

But what's most important is the way these are brought to life. On joining, everyone gets a 'head in the clouds, foot on the ground' pamphlet, which sets out company values and how they are incorporated into the culture. The induction process involves talking through the values and explaining how they are executed into roles

and the individual performance review. Managers mentor new hires for the first three months to help them embody live the values in their work. After three months, new hires are asked to complete an assessment that asks whether they feel that employees do embody the values in their work.

Crucially, Ella's team does things together – there are no artificial divisions and hierarchies and collaboration is built into decision-making. People take responsibility for what they do, and accountability for the entire businesses success, and it makes them a highly engaged and focused team.

### **Etsy:**

Etsy is a peer-to-peer (P2P) e-commerce website focused on handmade or vintage items and supplies, as well as unique factory-manufactured items. These items cover a wide range, including art, photography, clothing, jewellery, food, bath and beauty products, quilts, knick-knacks, and toys.

Etsy was founded in the roots of a strong sub-culture, New York's maker movement, so the strong company culture has borrowed strongly from it. Over time as the business grew, the founders knew they needed to codify what this means to the millions of crafters who had become part of the Etsy community. So they created a simple but distinctive set of values:

- We are mindful, transparent and humane business
- We plan and build for the long term
- We value craftsmanship in all we make
- We believe fun should be a part of everything we do
- We keep it real, always

Etsy's culture extends to reach millions of people, but it is firmly and loyally driven from the top down. Founder Robert Kalin always described Etsy as a 'maker' company, not a tech company, and makes his own furniture and underwear. They publicly declared their commitment to the circular economy, and claim to be trying to drive a 'new wave' of responsible consumption.

Whilst driving an enormously successful business, they have always eschewed shareholder value as a target in itself, with Kalin arguing; 'I couldn't run a company where you had to use that as an excuse for why it was doing things.'

This strong set of values has allowed them to represent something solid in the ever-shifting sands of technological innovation. Whilst they frequently experiment with new features or shifting business models, their strong culture and purpose means people know the orientation point for the business doesn't move.

**Tata Group:**

Tata Group is an Indian multinational conglomerate holding company headquartered in Mumbai, Maharashtra, India. It was founded in 1868 by Jamsedji Tata and gained international recognition after purchasing several global companies. It is one of India's largest conglomerates.

Tata has always known that to deliver amazing results you need amazing people and support them with the right culture. For example, in 1912, it was the first company to introduce an eight-hour day for its workers, at a time when Britain and the rest of the world were still demanding 12 hours. In the 1920s, it was one of the first companies to introduce paid leave.

It has built its culture on five core values: They are:

- Integrity : We must conduct our business fairly, with honesty and transparency. Everything we do must stand the test of public scrutiny.
- Understanding : We must be caring, show respect, compassion and humanity for our colleagues and customers around the world, and always work for the benefit of the communities we serve.
- Excellence : We must constantly strive to achieve the highest possible standards in our day-to-day work and in the quality of the goods and services we provide.
- Unity : We must work cohesively with our colleagues across the group and with our customers and partners around the world, building strong relationships based on tolerance, understanding and mutual cooperation.
- Responsibility : We must continue to be responsible, sensitive to the countries, communities and environments in which we work, always ensuring that what comes from the people goes back to the people many times over.

The language used by Tata in its values statement are markedly different in tone from that used by many other organizations particularly in its desire to be transparent, 'capable of standing the test of public scrutiny'. It also highlights a strong sense of solidarity in its commitment to ensure 'what comes from the people goes back to the people'.

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

We have identified a number of key challenges MLBs face when communicating social impact to stakeholders:

### **Making it meaningful:**

One of the main pitfalls for mission led business leaders is assuming that everyone cares about your mission as much as you do. Whilst this might be a good strategy for attracting talent and to an extent investors, where having people on board that care about your mission is a must, expecting customers to put your mission above their own needs is unrealistic.

This is exemplified well by office supplies company Wildhearts. They donate 100% of their profits to the Wildhearts foundation, which supports positive social projects in the UK and abroad. This is very noble, but the downside is there is a small premium paid on these products by the customer, to enable them to 'make a difference'. Whilst this has attracted a number of customers that believe in their mission and are prepared to pay extra, there are many that refuse to pay extra, as it is unclear how their social mission matters in the context of the quality of product or service.

It is vital, therefore, that businesses help customers, employees and investors understand how a business with a social mission is better for them first, and the world second. We call this 1<sup>st</sup> and 2<sup>nd</sup> Tier stories.

1<sup>st</sup> Tier stories are the basics – quality of product, attentiveness of service, value for money, effectiveness of communications, etc. Basically – 'What makes this good for me?'

2<sup>nd</sup> Tier stories are more nuanced, and usually only become relevant when 1<sup>st</sup> Tier stories are 'equal' in the customers eyes – the values of the business, corporate ethics, sourcing of products, sustainability, etc. Basically – 'What makes this good for the world?'

The relationship between these two sets of stories is complex, and contextual factors may alter them. For example, the quality of Nike's products became less important during a time when they were seen to be using sweatshops – here the 2<sup>nd</sup> Tier stories came to the fore. However, in most instances customers consider 1<sup>st</sup> Tier as the priority.

When mission becomes truly meaningful is when stakeholders can understand how 1<sup>st</sup> and 2<sup>nd</sup> Tier stories support one another. For example, Ella's kitchen use only organic, healthy ingredients which improve the quality and nutritional value of the their products. Patagonia use sustainably sourced materials which are of exceptionally high quality, thus creating garments which last longer and rarely need

to be replaced. The interlocking of these stories allows these businesses to attach meaning to what matters to customers, and is a powerful and authentic marketing tool.

This approach also works for employees and investors. If employees understand that a commitment to mission means they are paid better, or have more rewarding jobs, then it increases its relevance. Likewise if the 'right kind' of investor understands that their investment is driving positive impact on an issue they care about, the business becomes more investable.

### **Making it actionable:**

Many mission led businesses believe passionately that they have the solution to one of the world's challenges, but often forget that they need their employees, customers and wider stakeholders to share their passion and help them make it happen.

One such example is Unilever, who's sustainable living plan is one of the most ambitious projects of it's kind and is a totem of best practice for many arguing for larger corporates to become more purposeful. However, when speaking to employees in Unilever it is clear that the role they play in driving this forward is still unclear. It doesn't yet impact day-to-day business, decision making or culture. It hasn't been truly made 'actionable' within the business.

Of course, transforming a global beast like Unilever is hard and there are basic communication challenges, amongst others. But nevertheless, making the mission a real and tangible thing for those tasked with delivering it is vital, if it is to have meaning and to be successful.

Construction giant Carillion does this well, but breaking down their sustainability targets into smaller and smaller chunks, so team and even individuals know precisely the role they play in hitting them. Furthermore, they articulate the values that lie behind those targets, and regularly publicly reward employees who embody those values with initiatives and personal projects.<sup>18</sup> By bridging the gap between hard targets and personal stories, Carillion helps every employee understand the role they play in hitting their company targets.

### **Making it believable**

Trust in business is generally low, according to the annual Edelman trust barometer survey, with only 53% of the general public saying they placed trust in business, only 4 points higher than the media. The general sentiment is that businesses often bend the truth, or even lie, to serve their own ends. This is particularly true of advertising and communications.

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<sup>18</sup> <https://www.carillionplc.com/news-and-media/how-a-mobile-phone-discount-lunch-offer-is-helping-manchesters-homeless/>

This means that every claim a business makes publicly will be seen through this lens, and this making claims about their mission and view on the world is difficult. This is easier for start-ups, like Toms Shoes, that can claim the higher ground with their demonstrably true 1-for-1 policy.<sup>19</sup> They don't have a legacy to fight.

However, for businesses like BT, who have re-gearred themselves around purpose, this battle will be longer and harder. Customers are cynical, and won't simply believe what you say, especially if it is in a carefully crafted corporate report.

The obvious, but difficult solution to this is to have someone else mark your work by getting your business externally accredited. Here's where become a B Corp or getting accredited by Rainforest Alliance or Goodguide can help. However, there is still a challenge in that most consumers don't know what these marks are either, so a level of consumer education is needed to make this the solution.

There is a role here for government in simplifying and unifying these ratification systems for customers. Currently these systems are competing and there lacks clear ways for customers to understand the differences. In much the same way that we have agreed standards for reporting nutritional information, we also need agreed standards for reporting social and environmental metrics too, with official approval and ratification.

### **Making it interesting**

Sadly, as much as mission led business and corporate responsibility is a very impassioned area, it rarely ignites public attention in an exciting and interesting way. Indeed, there is a argument to say that the largest failure of the CSR community over the last 20 years is their repeated inability to tell stories innovatively and creatively. Seemingly bold, imaginative brands have reduced themselves to preachy hand-wringing and badly taken photos of employees building brick walls as soon as content for CSR is needed.

A few stand-out mission driven business campaigns have pushed the boundaries, and need to be both celebrated and learned from.

Ella's 'Hungry Peter Pan' statue was a great PR stunt designed to put pressure on MPs to act on childhood nutrition.<sup>20</sup>

Nike FlyKnit is a triumph in creating something both sustainable, but ultimately desirable and advertised for it's design and performance, rather than environmental credentials.<sup>21</sup>

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<sup>19</sup> <http://www.toms.co.uk/>

<sup>20</sup> <http://prexamples.com/2015/01/hungry-peter-pan-statue-unveiled-in-childhood-malnutrition-campaign/>

<sup>21</sup> <https://www.theguardian.com/sustainable-business/partner-zone-nike1>

Whilst more campaign than CSR, Greenpeace's use of Lego for their fossil fuels video 'Everything is not Awesome' garnered over 7m views worldwide and ended Lego's long running relationship with Shell.<sup>22</sup>

Jojo Maman Bebe's campaign 'From a Mother to Another' has collected thousands of their used clothes from their customers to distribute to those in need, realising that most unwanted clothing was just thrown away, rather than re-used.

Despite these flagships, there is still an overreliance on data and factual information to tell the stories about the good work business does, rather than personal anecdote and experiences, which are far more successful.

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<sup>22</sup> <https://www.theguardian.com/environment/2014/oct/09/lego-ends-shell-partnership-following-greenpeace-campaign>

**13. What do you think is the role of certification systems (eg: B Corps) or of frameworks (eg: Blueprint for Better Business) is in helping mission-led business engage with external stakeholders.**

Communicating the positive impact of mission led businesses to external stakeholders is challenging, principally because the notion of mission of purpose led business and what makes it different to mainstream businesses is not in the public consciousness.

Certification bodies such as BCorp are essential in helping consumers and procurement professionals to understand that not all products and services are created on the basis of equal impact. BCorp has the potential to play a role in helping those who are certified to gain preference in the eyes of those buying their products and services.

The challenge in communicating with external stakeholders, particularly consumers, is the complexity of (i) the definition of a mission led business, which isn't currently universal and (ii) how you can enable consumers to understand what makes one organisations commitment and actions "better" in their judgement than others. We referenced this challenge in question 1 in our discussion around mission as a spectrum, citing the fact that there are nuances and shades of grey in this spectrum. How you enable a consumer to decipher between a business or brand who invests heavily in strategic CSR but is a huge polluter versus a truly mission led business that wants to make money in service of doing good, without resorting to judgement or moralising.

Certification bodies such as BCorp could play a huge role in this helping consumers make this choice but gaining traction at pace is difficult. The Cabinet Office could seek to understand the drivers that led to the widespread adoption of FairTrade to see if there are lessons here that could be applied.

**14. What are best practice examples of social impact measurement and are they being applied by mission led businesses?**

BLab and the BImpact assessment are, in our view, the best examples of social impact measurement. The BImpact assessment gives businesses the ability to create a comprehensive assessment of their current social and environmental programmes. It can also be used as a benchmarking tool, helping mission led businesses to understand where they are in comparison to other companies. The tool also provides a customised improvement plan with and free best practice guide to help businesses implement changes.

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?

We identified specific barriers in Q9, namely:

Challenge of securing investment - the Cabinet Office could assist by encouraging grants and other investment vehicles targeted at those who are proven to be mission led i.e. certified Corps.

Challenges of 'day to day' distractions in SMEs - there is not a direct request of the Cabinet Office in relation to this barrier.

Lack of strategic and management skills at the top of SMEs - the Cabinet Office could assist by providing finance to enable mission led businesses like Three Point Zero to work with businesses in creating mission led leadership skills and mission centric strategies.

Reduced short-term competitiveness - the Cabinet Office could assist by providing grants or funds to subsidise reporting costs, so more businesses can become B Corps, more businesses can commit the time/resources needed to complete the B impact assessment and more businesses can evaluate the full life-cycle of their product ranges.

Lack of financial incentive structure - the Cabinet Office could assist by rewarding and incentivising those businesses that seek to reduce their burden on society and alleviate the strain on public services through their activities. Concurrently the Cabinet Office must ensure that large organisations who choose to refuse to acknowledge a wider corporate responsibility are penalised accordingly.

## 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?

### **Managing a stable economy**

Every business leader we spoke to, and we include ourselves, said that staying true to any business mission or strategy was easier when the economy is stable. When making predications about markets are easier, they keeping 'on-mission' is easier. It also makes traditional business functions – raising investment, financial planning, marketing investment, etc – easier.

The recent political events which have led to the proposed withdrawal of the UK from the EU have, in the words of one CEO, 'undone 10 years of good work in one evening'. The reality is that plunging the country headlong into a recession, and gambling with our future, has made it exceptionally hard for business to focus on anything but survival in the short term.

If the government wants to promote the growth of more mission driven businesses, it needs to stabilise the economy and reassure international markets, quickly.

### **Mission Lock**

The business leaders we spoke to all spoke of having a mission lock held by a third party and/or written into its articles. We believe that making mission lock obligatory and possibly incentivising reporting on it and even achieving targets, could encourage more mission led businesses. Perhaps companies house could offer to act as a public guarantor of mission lock, and list a table of companies which have committed to mission lock and report on it publicly.

### **Incentives for specific socially beneficial activities**

Whilst a blanket incentive for 'mission led businesses' is fraught with difficulties (how do you define mission led, do you incentivise the wrong things, do you create unintended consequences, etc), the idea of encouraging businesses of all types to behave in more socially responsible ways was generally seen as a good thing. It was felt that by focusing on specific issues (eg: pay gap, gender balance, disability at work, environmental sustainability), rather than blanket tax breaks, that this could be achieved more fairly and it would be easier to spot fraud.

### **Incentives for long-term investors (5-10 year horizon)**

The challenge of overcoming the short-term horizon for investors is also one that needs to be addressed, as this is core to what makes it hard for business leaders to stay on mission. Incentives for investors that want to keep their investment in over a long-term horizon, 5-10 years rather than 3, is worth exploring as a way to encourage mission-led investors.

### **Incentives to 'buy' mission led**

An interesting idea proposed was a reduction on sales taxes for mission led products, to stimulate demand for more ethically sourced products. This could help mission led businesses make the link between 'good for the world' and 'good for you', as the effort put in to making the product environmentally friendly or more socially beneficial would be rewarded by the opportunity to make it more affordable to customers.