

# Response to Mission-Led Business Review: Call for Evidence

## Instructions for responding to the call for evidence

You can fill out this PDF form to respond to the Call for Evidence. Respondents are invited to respond to all questions or only to some.

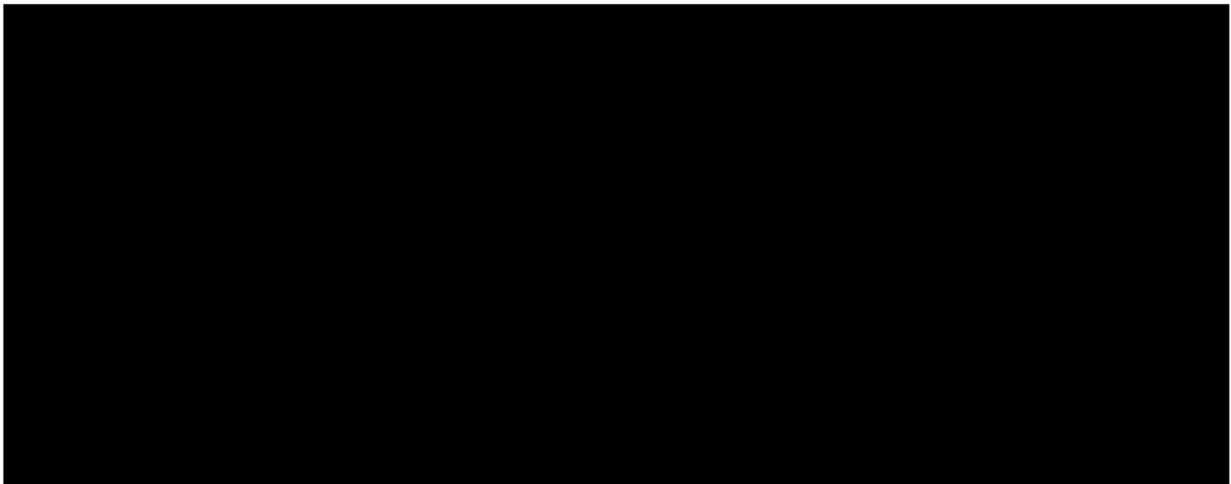
The closing date for responses is 8 July 2016. Responses received after this date may not be read. Call for Evidence responses should be returned to:

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

Or if you would prefer to send your response by post:

Mission-led Business Review Secretariat  
c/o Alexandra Meagher  
Cabinet Office  
1 Horse Guards Road  
London  
SW1A 2HQ

## Contact information



## Part 1: Profile, drivers and potential of mission-led businesses

Question 1: What do you know about the number and profile of mission-led businesses operating in the UK? Please share evidence.

Our social enterprise practice receives frequent requests for pro bono and reduced fee legal advice from mission-led businesses. We have found that the number of businesses constituted as a company limited by shares, but set up for a social purpose, has increased over the last few years.

In terms of corporate familiarity with mission-led business, marketing pushes such as the introduction of the B Corp in the UK last year, have helped to increase the profile, especially with the profiling of large-scale and commercially successful examples. We are increasingly asked by our corporate clients how they can get involved in our support for social entrepreneurs and as a result there is an increased understanding of mission-led businesses.

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

Our experience is that it depends how integral the mission is to the business. There can be a tension if the mission is achieved through an unrelated activity, for example a café with a mission to support and promote fair trade and local suppliers can experience pressure on its profit margins to offer what can be a more expensive product. However, where the mission is core to the business activity, eg an educational business with a mission to teach financial literacy to young people, you cannot separate the two and it can help business performance and social impact. Either way being a mission-led business can be an excellent marketing tool that helps to differentiate a business in the market, which inevitably supports positive business performance. In terms of social impact, positive business performance and increased impact are inextricably linked to the extent that, if the business is truly mission-led, a scale in business will result in a scale in impact.

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

You could introduce an option to self-categorise as a mission-led business when incorporating at Companies House.

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

First, because the primary reason for establishing the company is to address a social or environmental issue.

In terms of a company's business model, it can be a market differentiator that speaks to consumers and customers in a way that other businesses cannot. It answers a demand from millennials (and other consumers) to interact with authentic brands that have purpose.

It has been seen by some as a business opportunity, perhaps a way to access new markets (eg bottom of the pyramid) that have social issues that would not otherwise be met. This is particularly apparent in developing economies where providing new access to products or services can have a beneficial social impact eg mobile payments or water and sanitation.

In relation to businesses becoming mission-led, this may be because an existing company did not realise that what they are doing could be seen as mission-led. Whether this is eBay tapping into the circular economy or Lidl highlighting the environmental efficiency of a financially driven model. Likewise there are some mid-size companies, for example family-run businesses, that were established originally along the lines of Quaker principles and have retained some of those principles, which could arguably be seen as mission-led. For these businesses it would be a case of gaining recognition for what they are already doing.

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

We believe that this type of business will become increasingly attractive to both the social and commercial ends of the corporate spectrum. From the corporate perspective, to those looking to comply with increasing consumer and regulatory (eg ESG reporting requirements, Modern Slavery Act) pressure to consider people, profit and planet and to those identifying their existing business as being mission-led. From the social perspective, the mission-led business can be a more flexible model from which to ensure a sustainable model. It is less restrictive than a charity or a CIC and offers flexibility in terms of funding and trade.

## Mission-led business - case studies:

If you are a mission-led business, or know of mission-led businesses that you are willing to share publicly, please complete the following table.

If you would like to share examples of more than one business please complete an additional table and submit with this questionnaire.

Name of business	
Contact details for business	
Brief description of business (please keep under 5 lines)	
Why is this a mission-led business? Please include details on any corporate governance or reporting steps.	
Stage of business development (i.e. start-up, growing, mature, repurposed)	
Industry sector	
Geographic focus	
Evidence of financial growth	
Evidence of social impact	
Any other details (e.g. legal form)	

## Part II: Challenges faced by mission-led businesses

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

At a basic level businesses just need to state their commitment to having a social impact and deliver it. There are plenty of mission-led businesses that use the existing corporate structures to achieve a social impact and are able to articulate their mission to the extent necessary. It seems there is more power from an outward-facing perspective in publicising a social mission, than putting it into a company's constitutional documents. A customer or client is unlikely to look at a company's articles of association but will be subject to marketing materials / storytelling by the business. If a business fails to deliver on its social impact then it will lose customer trust and business.

For internal or investor / funder purposes it may be beneficial to enshrine the mission in the company's constitutional documents. There are a multitude of mechanisms for providing various degrees of 'lock' on such a mission statement, from corporate form through super majorities to golden share structures.

Certification can also be beneficial to a mission-led business in terms of publicising a social commitment and providing reassurance that this has been monitored or regulated in some way.

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

Yes, especially to established businesses or SMEs. Support and education for the start-up community seems to be more developed in this respect and there seems to be an appetite (but not always the knowledge) amongst value-led, often traditionally-run SMEs to identify as mission-led.

In terms of entrepreneurial start-ups, it seems that funding and support is getting more rigid in terms of access to non-asset locked entities. If more flexible support was available a lot of enterprises would not naturally choose to become asset-locked / charities / CICs. They are still mission-led and driven by a social purpose but have found a more sustainable way to do so.

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?

Is it a problem? If a founder sets up a business as a mission-led business and 10 years down the line it evolves into something else, whilst this is not what is hoped, I don't think it is a problem to the extent that any funding terms or commitments made have been complied with. The beauty of mission-led business is its flexibility and restricting that flexibility on the basis of potential future mission drift will do more damage than good. It would be better to have 10 years of successful, sustainable impact than none at all because founders and investors are put-off by restrictive conditions.

Funders should and will of course continue to put in place funding conditions that mean that their funds cannot be used for anything other than the purpose for which they were granted. There are existing mechanisms available to allow founders and investors to protect their interests and the continuation of their businesses' social mission to the extent desired. There is consumer regulation around misleading consumers so that if a business fundamentally changed it would need to be transparent about that change (and if it wasn't that would lead to loss of confidence which would be bad for business). Beyond that, I don't think it is an issue – a founder should be free to address a social issue as they can. This gives the widest platform for innovation and social impact to be scaled in a sustainable way.

If founders choose to avoid the risk of mission-drift in the future, for example where they scale to the extent that non-mission led individuals or investors become involved, there are mechanisms available. For example the 'golden share' can be used in a way that does not impact on and is not influenced by the economics of the business but ensures that the mission is protected from change or deviation.

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.

For established businesses there can be internal barriers around the understanding of stakeholders. For example senior management may see 'mission-led' as being contrary or damaging to profit unless otherwise informed. There has to be a business case made for committing to long term social impact.

In terms of becoming new entrepreneurs the biggest barrier seems to be that the funding and support available is increasingly restricted types of entities. This results in support being available for those enterprises who can afford it or free or low cost for those enterprises that are asset-locked and a limited amount in between.

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?

As mentioned above, buy-in from stakeholders can be a barrier. People may see it as a threat to profits or simply fear of the unfamiliar. There may also be a reluctance to lock anything in, reducing the perceived flexibility of the business going forwards. The business case for being a mission-led business is not always articulated and so the link between meeting client demands and future-growth potential is not always made.

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.

No, all businesses should behave well and have a culture that considers people, profit and planet. For example, B Corps are not necessarily mission-led businesses but they are companies that have committed to behaving well. This should apply to all corporates whatever their mission, as increasingly demanded by consumers and clients. Mission-led businesses can lead the way in this respect but I don't think they should be restricted in ways that put them at a disadvantage to mainstream businesses.

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

Customers: it is a beneficial marketing tool that can differentiate a mission-led business from the rest of the market. The challenge may be to articulate it in a clear and effective way and reassure customers that it is a positive addition to the business activity rather than a hindrance (eg resulting in higher prices or loss of efficiency.)

Employees: similarly you would hope that it would largely be good for recruitment and retention, particularly in respect of attracting millennials. The challenge again may be around how it is communicated, to ensure that new employees are bought in to the social mission.

Investors: the challenge is to be clear from the beginning of any investor discussions about the purpose of the business. This should hopefully mean that mission-led businesses only attract appropriate investors, thereby avoiding the risk of diverging priorities / mission drift. Being able to measure social impact and present that alongside financials is also necessary to establish the basis upon which an investment is made. The challenge can be to explain to investors that a business is mission-led without it being a charity or a CIC etc. Reaching an understanding that there is a middle ground between the social and the commercial can be hard to achieve.

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?

Certification can be helpful as an external, public badge of commitment to people, profit and planet. Our clients have found that it is particularly helpful to have an international badge in the form of B Corp which means that their mission-led status is recognised across jurisdictions. However the limit is that it is only helpful to the extent that an external stakeholder has heard of the certification. The more that can be done to publicise certification such as B Corp, the more useful it will be.

Certification is a good alternative for businesses considering adopting a different legal form to express their commitment to long term social impact. However certification is voluntary albeit there is always reputational risk if an organisation surrenders its certification.

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

Question 15: Have you identified specific barriers to the growth of mission-led businesses? If yes, please provide details of these barriers, in particular identifying those that may be caused by regulation.

Yes: a) funders. Funding is only available to certain legal structures meaning that businesses often force themselves to adopt a form that is not appropriate in order to access funding. More flexibility in the approach of funders or more funding / support specifically for mission-led businesses would help.

b) education. In particular for funders and investors that profit is not a dirty word and that sustainable social impact can sometimes be best achieved by a commercially successful business. And also for entrepreneurs on the benefits of a mission-led approach and how it can contribute to growth and commercial success.

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?

Education – if government expressly supports mission-led business the increased profile and publicity would help on the education side. In particular any increased understanding or flexibility amongst funders and investors would be of benefit. A broad education piece that covers not just starts ups but SMEs and not just London but regional areas would have most impact. Mission-led businesses are at the vanguard of innovation and leading the way in terms of responsible business – it's a really positive message if it can be disseminated.

Regulation – if the increase in regulation for all corporates in relation to social and environmental issues continues, this will encourage the growth of mission-led business.

Tax benefits - for those enterprises that can clearly demonstrate a mission lock and a true social purpose, particularly in the early part of a business' journey. Tax benefits could be linked to savings to public services, not unlike social impact bonds. So the greater the impact of the business, the greater their tax break. This would also encourage the standardisation of impact measurement.

Thank you for your response.