

## A Blueprint for Better Business

### Response to Mission-Led Business Review: Call for Evidence July 2016

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

We do not have specific evidence of the number of “mission-led businesses” as defined by the review. The definition in the review in fact seems to us to be somewhat problematic. The reference to the intention to have “a positive social impact” could inadvertently be interpreted to restrict the broader social benefit a business might have, or wish to evolve over time. The reference to making a “long-term or binding commitment” to deliver on that intention, and the commitment to reporting on its social impact to stakeholders, leaves unclear whether these are formal compliance mechanisms or voluntary commitments.

Blueprint does not create or define a category. It offers a way of thinking and a context open to any business to help realise its true long term potential through the relationships needed to live out a purpose that serves society, and whereby the business can deliver long-term sustainable performance . Companies are attracted to Blueprint partly because it does not seek to impose a narrow definition and impose additional compliance burdens through monitoring companies with that definition.

We would encourage the Review in its work as it is congruent with the search for higher standards of behaviour that we have seen in our work. The Review may better achieve its objective if there are conscious bridges to those organisations outside of the definition but in the same direction of travel in what they do and how they do it. From our work we have come across both large companies and smaller businesses



## a blueprint for better business

who would like to find practical ways of better integrating business success and societal benefit. Common reasons for this include that there is unfulfilled potential in their people and their business, and an awareness that they do not have the relationship outcomes they seek. Many are also conscious of a wider need and opportunity to help reconnect business and society, as businesses cannot succeed in societies that fail. They are seeking practical tools to help them embed benefits to society within their core business models and activities, so that financial success is seen more as an outcome and not the sole purpose of the business.

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

Given the scope of our work we do not have direct evidence of the specific impact of mission-led-businesses as defined. We are aware of and, alongside others, have sought to draw together the increasing and encouraging evidence linking being purpose-driven, financial performance and social impact. In our view more research and better measures are needed to strengthen and deepen the evidence base.

By way of illustration, at our conference in 2014, a group of investors including from Blackrock and Hermes produced an analysis of the FSTE 100 against the Blueprint Five principles of a purpose driven business, using a range of 52 proxy measures. Both within sectors and overall there was a positive correlation over a 3 year period between financial performance and the measures of alignment. Proxy measures varied in quality however, and whilst some were strong the available proxies in particular for the direct measure of the extent to which a business “has a purpose that delivers long term sustainable performance” (which is the one of the Blueprint’s Five principles) were weak simply because at that point few of these major companies had clearly and publicly set out an articulated purpose against which they sought to present and report on their activities.



## a blueprint for better business

This year we and others have sought to bring together the research evidence available to give businesses confidence in the business case for becoming purpose driven. Our summary of the [research](#) findings on purpose and performance is consistent with the more recent [Purposeful company Interim Report](#) from the Big Innovation Centre, and also with the Tomorrow's company report [UK business What's wrong? What's next?](#).

In summary the substantial and growing body of empirical evidence and case studies in these reports demonstrates the performance benefits from particular dimensions of purpose including employee relationships, customer satisfaction, supplier relationships and environmental stewardship. As the Purposeful Company interim report notes, measurable benefits which some studies show include better stock returns, accounting and operations performance, more valuable innovation and lower cost of capital, better employee relations including improved recruitment, retention and motivation, smaller regulatory fines and greater resilience to external shocks. An extensive literature review conducted by Bank of England economists for this report draws together the published studies at the forefront of these efforts, and highlights how they have used techniques to identify the causal relationship between purpose and performance as distinct from correlation. They conclude “these studies ...offer impressive empirical support - even allowing for qualifications and unanswered questions - for the proposition that purposefulness has beneficial effects across the spectrum of business outcomes”.

An additional enrichment of what characterizes “Organisations with Purpose” is explored in [a 2014 article of that title in the Academy of Management Journal](#), cited by the Purposeful Company report. This paper takes the Blueprint journey as its inspiration. It explores the idea of what it means to have a purpose that serves society, and highlights the importance of human relationships and the view organisations have of the human person:



## a blueprint for better business

“Each person deserves human dignity as a *who*, not a *what*, as a *someone*, not a *something*, yet much of the language of business subtly objectifies people generally as “human capital” or “human resources.” It follows that employers have a responsibility to be responsive, to treat people with respect and dignity, and to promote their fulfillment. Respecting the whole person includes thinking of people in all their various roles in relation to the business: as employees, customers, suppliers, investors, and citizens. Demonstrating respect means setting a purpose and seeking outcomes that enable people to reach their full potential. It means contributing fully to building relationships within the workplace and beyond that can ultimately engender trust between people and between business and society”.

On this approach, the quality of human relationships and respect for people is at the heart of business purpose, so that people are not seen merely the means to business success but their fulfilment is intrinsic to it. And the true impact of being purpose driven then depends on, and is partly constituted by, the human relationship outcomes which are co-created in the service of a shared purpose. This development of the whole person has important implications for understanding the scope of social impact by business and its measurement. To develop a whole person is to create a good citizen who both enhances the direct social impact of the organisation they connect with, and also more generally through the way that person interacts with their local community and society at large.

This raises profound conceptual questions about the view of the human person which businesses adopt, in particular the extent to which people are best assumed to be purely self-interested, and the potential business outcomes which can arise from adopting as we would see it a more realistic view of people. Testing assumptions about this as part of deepening the academic exploration of the impact of organisations with purpose is in our view fundamentally important, alongside deepening the evidence base more generally. We have therefore collaborated with London Business School on [an inter-disciplinary academic conference](#) on the impact and character of organisations with purpose to take place in September 2016.

**3. In your view, what are the ways that quantitative data on mission-led business could be better captured over time?**

First of all, consideration needs to be given to what needs to be measured. The measures chosen will reflect the intent and understanding of what the MLBs are seeking to achieve. So which indicators are used as the leading ones - social or financial - and the ordering of indicators may be taken to imply both a hierarchy of importance and also how the causal relationship between them is being assumed to work.

We need to think about this both from the perspective of society and the business itself. It follows from our response to question 2 that in our view when it comes to measuring the social impact of MLBs (or indeed any business) there are two aspects to consider. One is the direct value to society through the declared social goals which the business has identified. Secondly is the indirect value created through the quality of relationships expressed in the character traits and behaviour of employees, as well as their sense of fulfilment through work. The character developed in this way is as a citizen at work is also then realised as they also bring the same character into their lives as citizens outside work.

The same double benefit arises when it comes to measuring the value to the company of pursuing purpose: the outcomes need to be measured both in terms of the organisational outcomes and in terms of relationships and behaviour. Using the Blueprint's Five principles of a purpose driven business we have with the help of Accenture developed an experimental range of performance KPIs and indicators of progress to help companies to track their progress on the journey to becoming more purpose driven, and we are willing to make these findings available to the Review. We are now also embarking on the more difficult work of refining these to incorporate suitable measures of behaviour change through which companies can track the development of character and the quality of relationships which the



## a blueprint for better business

Blueprint framework describes as necessary to sustaining and embedding a true purpose to serve society. We believe this to be a most important step, and we are happy to collaborate with others on this measurement project as well. We are also aware of the inherent limitations to this work simply because the quality of human relationships cannot be reduced to any data set. We are in fact all caught between two complementary truths which are almost but not quite contradictory: what counts is what gets counted, and what really counts cannot be counted. We have to find the best measures we can, taking into account how what is being measured will itself encourage or influence behaviour over time, and accepting the inherent limits of any measure seeking to capture what matters most about the dynamics of human relationships which we believe are at the heart of what enables any business to develop and sustain a purpose to serve society.

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

A reason why someone might be motivated to set up a mission-led business is simply that identifying and seeking to meet a real human or societal need that has value to people is a basic building block of a business. Very often entrepreneurs attract people around an idea with their personal drive and ambition to meet a need or solve a problem. This, as a starting point, draws on the intrinsic motivation of people to make a difference.

This insight into people, and the struggle to maintain a mission-led ethos as a business grows, is also something which can lead an existing business to re-affirm or more clearly identify as being mission-led.

An existing business may also become mission-led because it recognises it has failed to reach its potential. One way to better realise its potential is to strengthen the key



## a blueprint for better business

relationships that contribute to business success. The potential personal outcomes for employees are a greater sense of fulfillment and self-worth, of respect and connection to the business. The business outcomes of doing this are:

- Engaged and innovative employees
- Loyal customers and suppliers contributing to innovation
- Receptive communities and regulators
- Future employees and customers wanting to be associated with the organisation
- A more stable and prosperous society to enable growth

The reality of these outcomes is explored in Question 2.

Although we do not have the hard survey evidence, our experience from interactions with large companies, business schools, and through the courses and workshops we have run attended by senior representatives of over 50 large companies is that there is a growing recognition of the reality of unrealised potential in people and in businesses. There is also a growing appetite to understand what is required to embed stronger relationships of respect and co-creation, and to understand business success more deeply and broadly in terms of how business forms part of a larger network of relationships in society and contributes to the wider common good.

### **5. How do you see mission-led business developing over the next decade? Please share evidence.**

Blueprint arose in the aftermath of the financial crisis with a deep concern among a number of business leaders about the breakdown of trust between business and



## a blueprint for better business

society. We have held three conferences over the last 4 years. It is striking that over that time we have seen a palpable shift of opinion about purpose or mission-led business - from possibility, to credibility, to practical action. There seems to be a growing groundswell of opinion in society seeking a step change in the expectations society has of business, and this looks set to continue.

There are at least three possible ways in which mission-led businesses could develop in the UK over the next decade: one is as a separate sector, seeking to be disruptors to existing businesses. A second is that existing businesses will embrace the learning of MLBs and change in consequence so that the overall landscape of business shifts. A third scenario is that a collaborative economy will emerge which avoids domination and where existing businesses and MLBs will collaborate and learn from each other (in a way that many large companies and NGOs have done through partnership working in recent years). These options are of course not mutually exclusive and we may see elements of all of them emerge.

The forces which are pushing mainstream business in the direction of becoming more purpose driven are likely to increase: consumer pressure, greater visibility through social media and associated reputation risk of behaviour that has a negative social impact, increasing desire of younger people to work for organisations living out a social purpose, the clear financial benefits in terms of business outcomes of operations to a social purpose, and changing expectations in society. Society is increasingly less tolerant of business behaviour that is seen to be exploitative and widening social inequality.

To some extent it is a policy choice about whether or not the wider agenda of promoting responsible business generally will be better served by stimulating the creation of a tightly defined distinct sector of MLBs. The Blueprint approach instinctively recognises the benefits of a collaborative approach in which the



distinctive strengths of MLBs can best be assimilated in mainstream businesses whilst still encouraging an emerging MLB sector.

A risk to be avoided is a disingenuous commitment to serve society which can create cynical and dispirited employees. This risk is compounded by the way in which “purpose” is now routinely used simply as a marketing or PR tool. It is important that the culture is genuinely connected to a purpose that serves society and thereby promotes a spirit of co-creation and collaboration. There will then be wider benefits to society if there are a broad range of different models and experiments in play, so that there is the greatest freedom for innovators and entrepreneurs to businesses that serve society and learn from each other.

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

Different approaches will work for different organisations, and from our experience in general there are four practical steps that a business can take to make this commitment:

1. be clear about the intended contribution to society
2. be clear about how that drives the operating model of the business
3. be clear on how the business is going to engage with the relationships needed to deliver on 1 and 2
4. encourage and welcome continued stakeholder dialogue and public scrutiny of 1,2 and 3

To help to do this, it is useful to uncover unconscious biases that may have blocked people’s imaginations about how best to run a business for sustainable success.



## a blueprint for better business

From our perspective this is helpfully done by challenging and uncovering the basic assumptions a business makes about its role, and about people. These assumptions are revealed in the answers to two basic questions:

- (a) What is the role of the business in society – is it to maximise profit for shareholders or some other purpose, and if so what?
- (b) What is the view of the human person in the business – is it that people are assumed to be purely self-interested and motivated by reward, status and a control hierarchy, or an alternative view (such as set out in our answer to question 2)?

We have developed a number of tools freely available to help businesses uncover the assumptions they make in practice: and to reflect on whether the purpose they have is fit for purpose and to expose their thinking (or unconscious bias) about people. We are very willing to share with the Review the elements of this way of thinking and the practical steps and tools that follow from that thinking. It should be noted that putting into practice some of the key insights gained when a business uncovers its own assumptions and seeks to initiate a change process requires commitment and resources to sustain a change in mindset in order to have a positive and lasting impact. The tools Blueprint has developed can assist with this, and we also believe strongly in the importance of sharing experience and businesses helping and encouraging one another.

The Review could play an important role in signaling a broader direction of travel towards a clearer statement of the expectations of the role business should play in society, identifying MLB's as an important part of the business community encouraging collaboration between all elements of business and wider society.

**7. Do you think these steps could be better communicated to entrepreneurs and businesses if so, how?**

First of all, thought could be given to what information is given and questions are asked at each stage of the early formation of a company – such as at Companies House, by professional advisers, and when accounts are filed so these opportunities were better used to give greater attention to the importance of the purpose or mission of the company.

The steps 1-4 noted in answer to question 6 could be better communicated too. The basic steps are well known, but their evaluation is often bounded by norms and biases that inhibit a mind-set change. There is no doubt that some entrepreneurs and businesses have difficulty embracing this way of thinking, and have fears about it. In our experience these fears may include: a perception that there is a trade-off between profit and purpose; that it is a distraction from the day job; that purpose or being mission-led is a PR fad with no lasting impact on business success; that there is no action plan for doing this; and that it's hard enough to measure success with existing metrics and this is too nebulous.

Furthermore, the dominant conversations about business, and indeed proposals to improve business, reinforce the “old” assumptions about the role of business and human motivation. The consequence is that it seems “riskier” to follow an alternative path.

What is really needed here is a change in beliefs about what business is for, and the opportunities that can arise if this change happens. This is a major culture change in the environment which brings in a different perspective of how the human person fits in to business success, and deploying the resources of a range of institutions in society, including educational institutions at all levels, to help promote this different understanding. This Review could be a powerful signal that the mutual success of

business and society needs new thinking and new assumptions and, importantly, that these are available and mainstream.

**8. The loss of focus on social and environmental aims has been identified as a potential problem for mission-led business (“Mission Drift”). When do you think this is most likely to happen? What could be done to prevent this?**

A new business will have its culture formed by the founders which may focus on social and environmental aims. As it grows it will eventually need to start building structures and processes to support it. These structures and processes can reaffirm and support the original culture of the business or inadvertently create incentives that are removed from the original inspiration.

Mission drift is then likely to occur in a number of situations such as when the business is confronted with the pressure to remain in business, or is faced with the pressure from contracts larger than it is accustomed to dealing with, or is basking in the allure of success, or is capital raising and potentially prioritising financial returns over long term objectives. Finally mission drift can also arise when a business is given advice from consultants on maximising cash and profits to the exclusion of other objectives as a reinforcement of the dominant discourse on the role of companies and assumptions about people.

The key way to avoid mission drift is to have a clear business model that embraces social goals so they are built in. When this happens, a business has genuinely embedded their purpose and the business can react to the above situations not by diluting their purpose but by reaffirming it. Furthermore, if achieving these goals and outcomes are expressly part of the core operating model of the business then everyone can see that if it is removed or diluted then it damages the entire business. A number of major UK companies have moved strongly in this direction. Examples to

look at which seek to align social goals and operating models include current reporting by Unilever and Kingfisher.

**9. Have you identified barriers to new entrepreneurs or established businesses who want to easily convert their intent to make social impact into long-term binding commitment? If yes, please provide details of these barriers, in particular identifying those that may be caused by regulation.**

Some of the barriers are noted in answers to questions 10 and 12 below. An issue for some people is the perception that company law requires companies to maximise profit. Blueprint's working assumption has always been that in the UK existing company law is, in fact, permissive and allows businesses to operate to a purpose that serves society. It is also the case that company law can be interpreted in a narrower way and some erroneously believe that the law requires directors to maximise shareholder value. There is therefore a need, at the very least, for much better communication on the duties and freedoms of directors in discharging their duties to promote the success of the company. There may be a need for better communication of how the law does allow for mission-led businesses.

**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?**

There are at least five main barriers to overcome: a prevailing cultural orthodoxy about business purpose; a lack of understanding of the evidence for purpose and performance; investor pressure; the incentive structure; and perceived legal obstacles.



## a blueprint for better business

The prevailing orthodoxy that the purpose of business is to maximise shareholder value still holds powerful sway among the generation of business leaders on boards of major companies today. It offers a simple strong default assumption which is defensible through the dominant discourse about the role of companies. This discourse is still prominent in assumptions implicit in the stance of many commentators, business schools, consultancy practices and lobbyists for government action. Secondly, the stronger evidence linking purpose and performance is only now emerging, and it will take time for the examples of large businesses succeeding through living out a purpose that serves society to win through and convince sceptics. Investor pressure, where fiduciary duties narrowly interpreted have tended to focus on short term returns, have been exacerbated at the company level by incentive structures that have encouraged short term decision taking. Both have militated against longer term strategic changes to embed social purpose. Again, there are welcome signs of lowering of this barrier with some large investors signaling their desire for company management to demonstrate and report on longer term strategic objectives including ESG factors, and potentially developing a further and deeper dialogue beyond that in pursuit of better managed companies. A final barrier, which is particularly relevant to the question of making a binding commitment to deliver a positive social impact, is the perception that in company law directors have duties only to shareholders. There may be a case for changing the law in this area, although this itself has risks of validating a narrow interpretation of existing law. There is without question a need to clarify that existing company law is permissive of directors deciding that their duty to promote the success of the company allows them to adopt a social purpose.

A risk to be avoided is to set up a tension between two different paradigms of corporate behaviour to the detriment of both. If MLBs are seen as pathfinders and exemplars of excellence which all businesses should aspire to that can be desirable and healthy. If the impression is given that MLBs are somehow a different class of

business, in itself more socially worthy, than that could have the opposite effect from the one intended, and lower social expectations of existing mainstream businesses when they are currently being raised, and need to be raised still further in the long term interests of both business and society.

This potential for “paradigm conflict” is exacerbated when there are larger conglomerates with different types of business under common ownership. The risk of owning an MLB within a group that does not have an overarching purpose is to provide a public contest between two competing beliefs around the fundamentals of business meaning and success. The risk is that the dominant group ethos overwhelms the MLB ethos. This could be damaging in two ways, depending on the rationale for the ownership of the MLB. If the rationale was simply to increase turnover and profit the MLB ethos could be destroyed, so undermining the resilience of the MLB model. If the rationale was to present the MLB as an example of broader MLB thinking but the MLB ethos is undermined both the credibility of the MLB and the intention of the group are undermined simultaneously.

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

It follows from the previous answer that we would resist a sharp dichotomy between the two. The question for all businesses is whether or not they live up to their role in society, and deserve the implied licence to operate that they have?

So our response is that the kind of culture change which is needed should be one that is generally aspired to, yet recognizes that transition that organisations need to undertake. In our view it is only possible for a business to live out a purpose that serves society through the embedding of relationships of respect and co-creation. It

is therefore not simply a question of the board and the executive management adopting and implementing a social purpose, putting in place an operational plan which has social goals embedded in it, and having strong governance structures, important as they all might be. It is also fundamentally a question of the behaviours, structures, processes and tools which the business creates and seeks to live by.

There needs to be a deep coherence between what the business says, what it means, and what it does. A business can only deliver over time a truly human benefit to the world if it is a truly humane environment and place to work, where there is a deep regard for the lives of all those the business touches, whether employees, customers, suppliers, or citizens, and where people care about each other.

Creating and sustaining such a human-centred culture may be easier in a small business in initial start-up phase but can be hard to sustain if investors demand a shareholder primacy culture, and as indicated in relation to mission-drift it can be harder to replicate at scale and at a distance from the founding ideas and ethos.

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

Our experience is in relation to purpose and connection to society, rather than how the social impact is delivered. In that context:

Customers: A challenge can come from connecting with customers through the purpose that the business is led by. Price, quality and mission promise need to come together in a competitive business. There can sometimes be a split between the part of the organisation responsible for driving the mission and the part responsible for communication of the purpose. This can cause over-communication of a mission leading to public cynicism or an under-communication which can lead to a lack of public support, and choice for, the products and services produced by the business.





Mission-led businesses can, particularly in the short-term, be, or be perceived to be, less price-competitive than non-mission-led businesses because they may be assumed to have extra costs associated with carrying out their mission.

Employees: If mission-led is equated with "hero led", then employees can feel disconnected from the co-creation of the business. As with customers, employees can grow cynical if a mission is communicated but not carried out. Ironically, as genuinely mission-led businesses become more successful or distinctive, so increases the temptation for mission to become a "badge of convenience" rather than a reality.

Investors: the key challenge in relation to investors is the quality, and consistency, of communication, not least in explaining how benefits to investors can be realised - for example in relation to risk management, innovation, quality of earnings and sustainable success. Investors need to understand and believe the story of how the mission leads to profits to be shared among stakeholders. What can often happen with larger companies is that parallel and disconnected conversations take place between the company and investors - some on the mission and sustainability, others only on the money. What is essential is integrated thinking which is expressed in integrated reporting and high quality regular dialogue. This is also the best antidote to endemic short-termism which can otherwise dominate through lack of openness (and of course as noted in question 10 above can also be exacerbated by a range of distorting incentives on both the company and the investor side).

**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 stakeholder?**



## a blueprint for better business

Certification systems are double edged. In some contexts they can create confidence and trust (for example the certification of professionals where relationships of trust are based on a belief in expert knowledge, and the commitment to act in the best interests of the client - for example in the health sector and professional services). In other situations such as business more generally it is less clear that certification systems will promote trust and they can perversely serve to undermine it. The history of the guild system illustrates this. At their best the guilds promoted high and improving standards of integrity and quality. At their worst they promoted complacency, protectionism and lack of innovation. So the motivation of those creating and maintaining certification schemes, as well as those joining them needs to be examined in the same context: is doing so seen as a vehicle to promote better standards for all or as a means to seek competitive advantage for certain businesses and stifle competition? A good question to ask about any proposed certification process is: what is it that people are worried about that leads people to seek out a certification? This helps to reveal what certification is really in service of, in relation to the broader goals of benefiting society from improving the way all businesses act.

There is also a broader benefit, beyond certification, that associations such as B Corps can play, for example in making accessible to smaller and aspirant businesses best practice in an accessible and cost-efficient way. This does come at a cost to business as this is part of the business model of these associations but it reorganises that smaller businesses have less investment funds for development of people, practices and implementation of best practice. Potentially this is a powerful way to help raise standards and expectations across all businesses rather than restricting the pursuit of best practice to large scale businesses with sufficient technical and financial resources. The best trade associations and membership bodies also help provide this valuable role. In addition, in terms of general distrust of business practices smaller companies have fewer resources than large organisations to distinguish themselves as responsible businesses. Initiatives such as B corps provide a



very helpful proxy for quality. Finally, for investors who wish to outsource elements of due diligence to certification systems as they build certain portfolios a certification system may be a way to “ring-fence” investments. This may help certified companies attract or issue capital.

Frameworks such as Blueprint, by contrast, are designed as a catalyst to change the thinking, culture, and behaviour of a business from the inside out. It puts the accountability back to the company so it is not “outsourced”. Adopting the Blueprint entails a commitment to a continuing dialogue with stakeholders on the business’ alignment to the purpose. This helps the business to include the concerns of stakeholders in their decision making process and helps to cement and deepen these important external relationships. The strength of this approach is that it demands direct accountability and a way of making it a reality which is owned by the organisation and which they do not outsource to any third party. The correlative weakness is that if a company wants an independent verification of their commitments it is not available.

A further strength is that Blueprint approach is freely available to all, there are no barriers to entry and Blueprint is available for advice and support without charge. This availability to all is restricted by Blueprint's resources and strategy to act first at scale. So it has invested in an SME programme but cannot deliver that to individual small businesses. Larger businesses have the resources to scale the investment that Blueprint has made and the challenge it can provide. The dissemination and spread of Blueprint in practice could be greatly helped by both investment to make the Blueprint tools accessible to a wider audience and for those large companies using Blueprint to invest in resources to encourage and promote access to the Blueprint tools through their supply chains to smaller companies.

Behaviour and action are the most important aspect of companies’ commitments to serve society, and these frameworks and certificates can encourage businesses to

behave in a way that does so. Living the purpose involves associating with people and businesses that can call out the alignment of actions to purpose. This is why clusters of businesses serving society that co-create, challenge, and support each other will naturally outperform simple certification but certification is an important part of a diverse range of choices.

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

Measurement of social impact alongside business performance is an area that needs more exploration as they seem to be disconnected. We would welcome more insights into how social impact can be better measured, and our experience suggests that deeper insights are needed into how best to evaluate true social impact in particular regarding the relationship outcomes of a purpose driven business we refer to the challenges on measurement noted in our response to question 3.

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

Please refer to our answers to questions 9 and 10.

**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?**



## a blueprint for better business

If mission-led businesses are seen to be the future, for the benefit of business and wider society, then the following may help.

First is to “de-risk” the sector. This could involve making becoming an MLB a mainstream expectation of all businesses. It requires giving broad access to the attributes and ways of thinking about business success which the MLB idea is designed to promote. And this in turn depends on a change in the dominant dialogue which assumes that an appeal to self-interest is the best- or only - way to promote change. The alternative view is that our own interests are in fact bound up with those of others, and that through the quality of their relationships people together can create shared goods – common goods- which are of broader benefit. For such a way of thinking about people and business success to become commonplace requires the engagement of all those shaping the environment in which business takes place – including investors, government, education, the media, wider society and consumers.

Investors have a role in the way in which they seek to serve the long term interests of the ultimate owners (savers and pensioners) who care both about the return they receive, and also about the society they will be living in to spend it. Government has a key role in setting expectations including of mainstream business, and the means chosen to appeal to the good and not simply regulate to avoid the bad. The education system, including business schools, have a vital role in helping to form and shape the mentality of future citizens, employees and business leaders, and the way in which they answer the question about the role of business in society and what is a good citizen. The media has a role too in decisions made not only in exposing bad practice but in whether investment is made in highlighting good practice and seeking to celebrate it, and in challenging business to meet higher expectations.

Finally all of us as consumers also have a role in helping support the development of more purpose driven or mission-led businesses through decisions we make about



## a blueprint for better business

the products and services bought, whether our role is to purchase goods we benefit from or those that also benefit wider society; whether we communicate only bad experiences or good ones too. The change in business culture and practice which the focus on MLBs is seeking to promote also depends on all of us becoming informed and active citizens playing our part.

Apart from these more general considerations about the social context in which MLBs could be seen as the mainstream expectation of all businesses, there are a number of more specific ways in which the growth of MLBs could be supported. One is by making clearer the market incentives which already exist to become an MLB. We noted above in our response to question 2 the growing evidence base on the alignment of social purpose and performance. The market incentives are there, but the case needs to be more widely made and known. (Given these incentives are already real, and the importance of changing the dominant dialogue noted above, providing tax incentives for mission-led businesses, even if done for the best of motives, would be to interpose a self-interest rationale which could undermine and skew the activities of a business. Whilst tax incentives may have a role to send positive signals for action and to contribute to "genuine " change of behavior, the risk is they can reinforce dominant ways of thinking and acting which assumes monetary incentives are a primary source of motivation).

A further important way of supporting existing MLBs and encouraging the creation of more is to explore the potential for mutuality between large corporates and MLBs. There may well be an emerging opportunity between large companies and MLBs, especially where different companies have different needs and opportunities, and also tangible and intangible assets that might be shared for mutual advantage. For these potential opportunities to be realised, however, needs a change of mindset where large companies are encouraged to see delivering social impact as core to mainstream business success, and the opportunities for learning and experimenting with a different way of thinking that can come from linkages with MLBs creating a



## **a blueprint for better business**

genuine mutuality rather than delivering a form of CSR or philanthropy. Equally MLB's need to understand better how to present that opportunity and make it a reality rather than seek funds as evidence of CSR and philanthropy. Of benefit to both may be the development of platforms to support new forms of relationships and experiments that will better support mutuality.

July 2016