

# From Mission to Impact

How social business can create a fairer, more robust economy and improve the wellbeing of society

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Social Market  
Foundation

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## ABOUT THE AUTHOR

Phillip Ullmann is the Executive Chairman of Cordant Group, known internally as the Chief Energiser, Phillip has been responsible for driving the business forward since joining in 1996. This has been achieved through a series of acquisitions and organic growth but also by hiring highly talented people in key roles. As the original architect of the Social Enterprise at Cordant, it is now a vision owned just as much by the board and the senior management. Phillip has an Engineering degree from Cambridge University, an MBA from Brunel and is a qualified Chartered Accountant.

## ABOUT CORDANT GROUP

Cordant Group is the UK's second largest recruitment and services firm with revenues of £840 million employing 125,000 people. Cordant offers integrated services including recruitment, security, cleaning and technical electrical services. We blend our experience with industry knowledge and digital capabilities to create seamless processes which boost performance and profitability. Founded in 1959, Cordant remains a leader in recruitment and integrated facility services and in September 2017 became the largest social enterprise in the UK.



## ACKNOWLEDGEMENTS

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## FOREWORD

The Social Market Foundation was created in 1989 with a mission to renew popular support for an open market economy by ensuring that markets, in many guises, operate fairly for the people in them. That remains our mission today, and it has rarely felt more important than today.

Our idea of a fair market is one where the state has a role, not in dictating outcomes but in setting and enforcing sensible rules that help deliver fairer outcomes and, most of all, underpin public trust and confidence in the market. We have always rejected misguided “free market” dogma that reflexively demands deregulation and the withdrawal of the state, because such an approach will produce inequalities and grievances that will eventually persuade the electorate to support policies that would sweep away the market and its ability to generate wealth and increase wellbeing.

Yet the state alone can never deliver fair markets. As a growing number of investors and executives are now acknowledging, business has a duty to help deliver fairness too. That means looking beyond narrow ideas of shareholder value as the sole determinant of corporate behaviour. It also means rejecting the idea of “Corporate Social Responsibility” as a discreet programme. Instead, the people who own and run companies need to look afresh at the very reason they do so, and adjust their approach to take account of the political and social climate in which they operate.

It is in this context that we are pleased to publish Phillip Ullman’s paper, the work of a man who speaks with the authority and experience that comes from running a significant British business. The ideas and conclusions here are his, but the intention beyond this paper – to renew the social licence that business needs to operate – is one that we share and endorse.

James Kirkup, Director of the Social Market Foundation

## EXECUTIVE SUMMARY

- We believe social business should play a central role in improving society. By reorienting around creating beneficial social impacts, business can deliver improved public services, fairer distribution of wealth, better outcomes in training and development for employees at all levels, along with other productivity benefits, while still generating profits and securing the long-term future of the economy. Business is uniquely placed to provide the innovation, drive and investment that is needed to reshape our economy to meet the challenges of the Fourth Industrial Revolution.
- We have no wish to stop businesses making profits, in fact we believe they will be the driver of change. What we are urging is a debate on how to consider the needs of all stakeholders, with caps on dividends and a commitment to re-investing profits for social impact. Social businesses would help us avoid some of the problems we face, for example when private firms have been contracted to provide public services.
- What we are suggesting is that business performance is measured by more than simply profit. We need to develop effective methods of measuring the impact of the business on the wellbeing of all its stakeholders.
- With so much of the political debate in Britain focused on Brexit, we believe serious thought is also needed as to how we organise public services. Irrespective of our future relationship with the EU, factors such as demographic change, pressures on public finance and rising expectation will combine so that whoever runs the country is going to be under enormous pressure to ensure we get more public service provision out of our tax pounds.
- Several countries around the world are experimenting with new business structures and corporate governance models, some of which appear to be ahead of the UK. We must learn from those around us – not least across the Channel in France – and make sure we do not fall behind in developing world-class businesses to drive our economy.
- We urge those who concern themselves with how to develop society to set aside entrenched positions and look for collaborative solutions. We see five categories, whether individually or in combinations, for business to begin to address:
  1. Trust
  2. Privacy
  3. Responsibility
  4. Accountability
  5. Technology
- Social business offers an alternative model not just for the public sector but the private too. We see two main reasons why might this be needed. Firstly, technology is changing not only social expectations, but the way we work – and fundamentally perhaps even the relationship between labour and capital. Social businesses can help us ensure that labour and capital combine in a way that is more rewarding for workers

than under the existing business model. Without a more rewarding experience for workers in certain sectors, productivity would remain poorer.

- Secondly, corporate governance is often dominated by a shareholder-first strategy embedded in the boardroom. Combined with the fact that actual ownership is often fragmentary, with assets held through institutional investors or fund managers, this can cause what many commentators over the years have regarded as short-termism. Making it easier for large firms to evolve into social businesses, in the way that the Cordant Group has, could help redress this problem.
- To encourage social businesses to play a bigger role we would specifically like to see:
  - Changes to public sector procurement rules to favour social businesses prepared to reinvest what they make back into public sector provision.
  - Expanding the use of the Social Value Act to instil beneficial social impact in the delivery of public services, which we feel would significantly lessen the danger of more Carillion-type disasters.
  - Reform of company law to oblige companies:
    - to publish ‘Social Mission Statements’ that set out explicitly the social mission of the organisation and its strategy for sharing profits between the various stakeholders.
    - a commitment to independent social impact reporting comparing social impact delivered with the social mission statement thereby introducing transparency
    - to create social impact committees with suitably selected representatives of all stakeholder groups to hold the board to account on its social mission statement
- Allowing social businesses a greater role, both in the provision of public services and the private sector, would not mean imposing a blueprint for change on either. That is the sort of approach that has done much harm. Instead, by allowing social businesses to expand, we believe we offer the possibility of organic change with a strong voice for the consumer, worker and voter. As pragmatic, entrepreneurial business people, we want to see a collaborative, evolutionary approach focused on improving the lives of as many as possible.

*“To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.”*

Larry Fink - Founder and chief executive of the world's biggest asset manager, BlackRock, in his annual letter to CEOs, 16 January 2018

## PART ONE: INTRODUCING SOCIAL BUSINESS

### Why we need a new paradigm for an old debate

We want to bring a new perspective to the debate about how business plays its part in modern society. There is a growing awareness among the more progressive business leaders that placing beneficial social impact at the heart of their business's strategy is not only morally robust but is also the key to building a sustainable business model. We feel this is only a starting point and that in fact there is much that these new 'social businesses' can deliver, especially supported by the kind of technological advances we are beginning to find in business processes. We foresee improved direction and delivery of public services, better outcomes for factors that will lift productivity such as employee satisfaction, skills and training, as well as measures that will bring wider benefits to society by promoting responsible corporate behaviour, a fairer distribution of wealth and also improved outcomes in the fields of education and healthcare.

We define below our own frame of reference for this paper, our main aim being to inspire change from the ground up, by motivating the crowd to come together and develop pragmatic solutions. Ideally this discourse will inspire those in public office and at the head of our largest corporations to take a lead in establishing a new framework for business to tackle some of the biggest challenges facing society with its energy, innovation and ability to deliver sustainable growth.

There is risk to address first though. Even in just the last few months we have seen powerful examples of the need for stronger leadership in corporate governance, whether in the furore around Facebook's attitude to its users' data, or Carillion's collapse, or egregious shareholder payouts. On top of this we can still see widespread unease with the policy decisions taken in the wake of the global financial crisis of 2007-8. Public dismay at corporate misbehaviour and regulatory torpor is growing and in our view risks causing significant damage to the essential fabric of trust which binds society together.

It is our contention that there is a structural reason that contributes heavily to this: the perceived solution to the challenges of running a modern economy all too often pits a public sector, statist, option against a private sector, profit-maximising, option. In other words, it's either the government that directs the resources or a corporation. In either case, there is a risk that those tasked with delivering the product or service become marginalised in an organisational structure that fails to prioritise their interests. They can easily become dissatisfied and demotivated to a potentially harmful degree (research poll evidence seems to point this way), with the all-too-frequent outcome that the consumers and users of those goods and services are poorly-served and therefore also dissatisfied. This perpetuates a vicious circle of increased pressure in an ever-more accusatory atmosphere, increasing the likelihood of cutting corners, causing mistakes and even

accidents, ad infinitum. Yet there already exists another path which, in many respects, offers a more apt solution.

We believe social business can offer a hybrid of public and private sector enterprise, bringing the focus and drive of a profit-making business with the emphasis on social benefit and the public good that comes from public service. In our view, social business drives better outcomes all round: not only for those delivering and using the goods and services involved, but also by offering better prospects for young people entering the workforce.

The purpose of this paper is to set out our thinking and explain how we believe small but significant changes can lead to lasting improvements that benefit society as a whole. Our intention is that they need not require huge expenditure or polarise the existing policy debate, yet once implemented will help to drive an economy that creates wealth and improves the wellbeing of a much wider tranche of society. In essence, we are looking at how to ensure public sector commissioning is more closely-aligned with social value and gives more control over procurement to those who use the services, namely the taxpayer who pays for them; while in the private sector we are looking for new legislation that obliges companies to publish their social mission, to commit to distributing profit fairly between stakeholders, and to set up transparency and accountability through independent social impact reporting and supervisory stakeholder impact committees. We believe these moves will have far-reaching benefits in tackling inequality and the social unrest that it breeds.

Furthermore, our experience has shown us first-hand how the workplace of the 21<sup>st</sup>-Century has already changed faster than either current legislation or the education system have evolved to keep pace. We feel emerging technologies like the blockchain could provide solutions to support the increased transparency and accountability that are required to underpin a robust digital economy, whilst drastically reducing the need for regulation and costs associated with compliance and enforcement. We believe it is only through entrepreneurial risk-taking by pragmatic organisations like ours that we can keep pace with the changes that technology enables.

### **Defining terms: our framework and approach**

What do we mean by social business? At its broadest, we mean any business that has woken up to the challenges presented by operating in the modern world and is trying to create a positive impact on society, distribute the wealth it generates more widely than just with its shareholders or in some other way make a positive contribution to the wellbeing of the communities in which it operates. We recognise that more and more businesses are looking for ways to be better corporate citizens and for ease of expression in this paper choose to bring them together (and urge the rest to join us) under the umbrella of Social Business. It is of necessity a catch-all term as this field is still in its infancy and the legislative framework is only just beginning to emerge. We have found there is a risk of becoming entangled in discussions of definition and motive that can distract attention from the bigger goal of trying to debate and effect change. Social business does not include the philanthropic model which is credit worthy but not sustainable.

What do we want all these businesses to do? To the extent that they are all making an effort to create a positive social impact we encourage them to continue. The need now is for coordinated action. We want to encourage change from the bottom up as well as the top down. We are certain that leaders are required to set the tone and take the initiative, whether in government, in the C-suite or elsewhere, but we don't believe that just by asking for it we can change behaviour. Legislation on its own will not be enough, although it forms the foundation on which we build. It is also necessary to invite debate and listen to ideas from the shop floor to the street to the Twitter feed. We also want to find ways to try out new solutions by allowing businesses to allocate a portion of their revenues to invest in programmes with social impact targets.

Our aim is to promote a values-based approach. The legislative framework in a modern economy is vast and all too often permits differences of interpretation that cause dispute. However, that should also be promoted as a strength, encouraging entrepreneurs to create businesses on terms that suit them. We want to establish certain categories for debate which can bridge the divides of politics, so that while there may be room for different outcomes there is as broad a consensus as can be reached on the terms of the debate. We discuss below how we at the Cordant Group have begun this process in our own way. We want to encourage them to evolve into social businesses by defining and embedding beneficial social impacts into their fundamental business strategies by using the social mission statement. This allows the board to retain control and direction of the company while ensuring transparency and widening the focus to include all the company's stakeholders.

We feel there are five categories, whether individually or in combinations, where businesses have a role to play:

1. Trust
2. Privacy
3. Responsibility
4. Accountability
5. Technology

### **Trust**

Trust is the mortar with which strong societies build solid economies. In the wider world, we now choose our leaders, complete our daily tasks and manage our personal lives using nascent technology in a cloud of information, misinformation and cleverly-crafted propaganda. This gives rise to many questions: is it any wonder that many have begun to lose faith in the institutions and leading organisations that control the main spheres of our public life? How can we navigate our way to a shared future with a positive outcome? More specifically, what can business leaders do to unleash the energy they possess to drive change?

Trade today requires us to develop relationships while managing huge challenges and surmounting tremendous barriers; be they languages or cultures, time zones or technologies. We need to make decisions and commitments at much greater speed than ever before, often without ever speaking to, let alone meeting, the people on the other side of a transaction.

We need to know that no matter where we trade, no matter with whom, the regulatory framework will allow us to establish the parameters of a deal and support both sides in holding each other to their agreed terms. If contracts are honoured, legally entitled property is respected and payment reasonably facilitated, then trade can help to strengthen the bonds between us and can be a force for good. This all rests on trust and it requires those at the top to maintain standards for the rest to follow suit.

### **Privacy**

Data has been described as the oil of the 21<sup>st</sup>-Century because it is so central to the smooth running of today's digital economy. Unlike oil though it has a vital human dimension which raises fresh challenges. Responsible protection and use of personal data is an essential foundation stone for businesses to operate in a modern society.

There is a balance to be struck as we create smarter communications technology. Where is the line between innovative product design that can tailor an experience to an individual and unwelcome intrusion? If algorithms can determine psychological traits from our online activity, even those about which we ourselves may be unaware, is it acceptable for organisations to use that knowledge to influence our behaviour? Who owns the information anyway if it's a case of tracking actions we perform while online? There are far-reaching questions we have been slow to address and the coming revolution in artificial intelligence requires we move rapidly to tackle them.

### **Responsibility**

It is not enough to say "something should be done". We must take charge of ourselves. At Cordant Group we have three values we hold ourselves accountable to: respect yourself, respect others and give of yourself. We chose these because they appear to us to be the foundation of a responsible approach to being a member of society.

Personal responsibility is the vital first step. From there it follows that people should extend that same respect to others. Legislation tends to be thorough in protecting the essential rights of individuals. Our call is for businesses to make sure they too do this, not only through legal compliance, but also through adopting policies which support individuals to develop their skills. As we educate the workforce of tomorrow we must equip them not only with knowledge but the mental capacity of creativity and resilience to cope with a world that changes fast, one in which people may have multiple careers in their lives.

### **Accountability**

One missing factor among the disparate players evaluating the role of business in modern society is in the area of accountability. We know that profit is the way businesses are mainly judged by their shareholders. What about the wellbeing of other stakeholders? How are they to hold businesses accountable? Governments levy taxes so that businesses contribute to the public good (and there is much to be said in other forums about how that works) but that's only part of the story. We can see that many businesses – probably now a majority among the larger ones – are taking additional steps to deliver social impacts: investing in programmes in partnership with charities and social enterprises; launching

foundations and in other ways sharing their resources of people, finance, products, services or information. How do we make sure the benefits are real?

What we want to see are two main outcomes. First we believe every business should have a purpose beyond simple profit, a mission to deliver benefit to society in some way. We would like to see each business publish its social mission statement as part of its statutory obligations, mandating the board to develop a strategy. This has the advantage of giving transparency to the marketplace. Second, we believe the board should be held accountable to this mission by an impact committee that commissions independent audits to review progress against the strategic goals. This committee should include members from as many stakeholder groups as possible.

### **Technology**

We are in the middle of a great technological transformation and technological change inevitably has an impact on society's expectations. Digital gives us more control and choice: on everything from our bank accounts to our evenings out. It allows us to buy more or less what we want, when we want. Young people in particular select what they want to watch or listen to, or indeed who they want to date, online.

Digital gives us control and makes the idea of having control over what each one of us as individuals receives seem normal. Increasingly, those expectations are going to shape what people want from their public services, as well. But if we are to meet demands for increasingly personal provision of certain public services, we cannot rely on the old, one-size-fits-all approach. This is where social business can come in, offering different options, on the supply side.

## PART TWO: SOCIAL BUSINESS IN ACTION

### The Cordant Group case study

We have outlined our vision above – and we acknowledge it is a vision; change will be evolutionary rather than revolutionary. What have we done ourselves to act on our insight? To what extent are we setting the example we wish to see others follow? The Cordant Group is one of the leading recruitment businesses in the UK, turning over around £850m and placing 125,000 people in work each year. The company offers recruitment and facility services to over 5,000 clients across the UK, mainland Europe and Australia. Our clients cover the full range of activity and scope of procurement from government departments and the NHS, through corporate giants like Amazon and Tesco, to smaller businesses and organisations in education and the social sector. As a consequence of our 60-year history, we have a deep perspective on the changing nature of modern economies and have developed insights into the challenges facing societies today which we feel could be of benefit beyond the confines of our day to day activity.

Last year, we transformed Cordant into a social business. There are numerous changes that this entails, the three biggest being: we capped the dividends we pay our shareholders; we capped executive pay at the limit of twenty times the lowest paid workers in our businesses – effectively the National Minimum Wage – and we are planning to put in place workforce profit-sharing schemes. We believe these are the central tenets of a socially-responsible business. Beyond this our stated aim is to follow an overarching mission to maximise and reinvest profits into programmes that will have a positive impact on society and the wellbeing of all stakeholders.

To this end, we are developing a strategic plan, which will be independently audited each year against a set of criteria measuring social impact. The vision behind this strategy is simple. We believe young people today are worse off than their parents, their earnings are lower and their prospects less bright. We can see that many workers active in the economy are not satisfied with the work they do and we can see that once their working lives are over, they may struggle to cope in their later years. In addition, governments everywhere are wrestling with financial pressures, to provide appropriate education and skills to young people, to deliver efficient public services and to look after older populations who need ever more expensive healthcare.

Against this backdrop, according to research in the US, around 90% of people report they are “not engaged” or “actively disengaged” with their work. Productivity in the UK has stagnated and is running around 10% below that of its G7 peers. We believe the way the state and the corporate sector operate as distributors of wealth is a major factor in these negative numbers and we are confident that once people can rediscover engagement in their work, this will help turn those figures around, to the benefit of all. Our goal as a social business is to help to reconnect people with a sense of delight in their work, to help them discover fulfilment, providing an incentive to live more meaningful lives. To deliver on this goal we are developing social benefit programmes in three main areas: Education, the Workplace and Healthcare.

## Promoting social impact in public service procurement and socially-responsible business practice

How do we see the changes we have put in place in our business helping in a wider context? We believe for both the public and private sectors the benefits we expect can come from simple but significant changes. For example, there could be adjustments to existing legislation which would be more changes in emphasis than a recasting of the law. We perceive two main ways the current legislation can be amended or improved to support what we believe will be far-reaching changes. We look below at the principles and the two Acts which we think should guide those changes.

### Public sector and the Social Value Act

There are three areas we will address in discussing the public sector; the supply side, in other words, procurement factors which influence the choice of suppliers, and these are largely relevant to the Social Value Act; the demand side, how to ensure those who both use and pay for the service get the best value and finally how best to use technology to develop and ensure the greatest levels of transparency and accountability.

On the supply side, we believe that in the public sector at least, procurement should always be made based on social value rather than purely based on price. There are now too many examples of how the commissioning process has been skewed in favour of tenders that offer unrealistically low prices. There are often costs in other areas of the service (for example from tax credits, housing benefits, regulatory costs and more) which are simply ignored during the tender process. By removing cost as the defining procurement choice factor (which we believe it all too often appears to be) and replacing it with social value, the impetus can shift to locally-managed social businesses with a focus on returns for society, one community at a time.

Giving priority to social business will allow those commissioning the services to set benchmarks for social impact. These could include provisions related to public service contracts for employing locally, sharing profits, capping pay and dividends and improving the wellbeing of all stakeholders. Beyond that we recommend legislators look for more ways to encourage social businesses to adhere to these protocols; the key is to improve productivity and address the issues of moral hazard which can arise in state-run organisations. It is essential that we balance the needs of individual enterprises to create sustainable business models with a requirement to deliver better value to the public who use those services.

On the demand side, in order to help taxpayers feel they are getting value for their contributions we support disintermediation. Too much procurement is centrally-driven, resulting in not only poorly-managed decision-making but also a lack of personal accountability. Countries such as Singapore have launched personal accounts for some public services and although we have begun to experiment in this field in the UK, we feel this is an idea worth expanding to give individuals more autonomy to manage their own affairs. We have already mentioned the three values we base our activity on at Cordant: respect yourself, respect others and give of yourself. We feel these fit perfectly with the public service ethos that social business embodies.

Using social business to provide public services could improve how efficiently we spend public money on health and education – and it could allow us to significantly increase the amount that the public is willing to spend on public services. Under successive governments over the past thirty years, ever more public money has been allocated on health and education. Annual spend on the NHS has now reached £2,160 per person, or 7.4 percent of our national income, as opposed to around 4 percent in the early 1990s. Despite this, we still as a country spend less on health (and perhaps even education) than comparable advanced economies. France and Germany, for example, spend about 12 percent of national income on health care. We believe that there is a once in a generation opportunity to achieve productivity gains in our public services. And in doing so there is an opportunity to overcome the decades of chronic under funding of NHS services. If people could self-commission their own primary health budgets, using a publicly funded personalised health account, they should be allowed, too, to top up their health account from their own taxable income. If this was permitted, we would expect to see health spending increase significantly.

Policies that put individuals at the heart of the commissioning process do away with the ‘command and control’ methods that we feel have reached their limits in this field: whether in state-funded institutions, public-private finance initiatives or privatised models. The difference nowadays is that technology has advanced far enough to make this approach more than a theory. Emerging technologies like the blockchain can provide the combination of public accountability and reliability to support such initiatives. Public access to and rating of supplier information: for example, remuneration and dividend policies; effectiveness metrics such as meeting deadlines and budgets; social impacts such as local employment schemes, apprenticeships; performance monitoring factors; once information about suppliers and their performance is in the public domain, people can make informed choices.

These kinds of choices can be facilitated through providers of all sizes operating on open source IT platforms developed with social business partners. We have a model in the way we are working with openEHR that is an example of the way we believe this could operate on a wider scale. In short, the time has come to seize the initiative and make these changes. They are not drastic shifts in either policy or direction, more sensible responses to the challenges that few would dispute are hampering the effective development of public services. Our approach is about evolution, not revolution.

### **Tackling corporate governance and creating a framework for responsible business (Beyond the Companies Act 2006 - Section 172)**

At the beginning of this paper we quoted Larry Fink’s annual letter to CEOs urging the importance of demonstrating how their businesses make positive contributions to society. We see this as the number one issue facing boards across the world as they plan their business strategies. The licence to operate in a connected, conscious and collaborative world is granted to those who live and breathe certain values, and importantly the conversation that defines and disseminates those values is global, social and open.

From Facebook’s problems over data protection and fake news during election campaigns, to United Airlines’ treatment of passengers, to #MeToo in Hollywood and

beyond, the list grows ever larger of businesses, industry practices and corporate behaviour that are being challenged by those negatively affected by them. It happens at speed and beyond the control of the organisation involved. Clearly a social business, held publicly accountable through social mission statements, advisory stakeholder committees and independent impact reporting has tremendous embedded resilience against the kind of malfeasance that can bring down a company and cause widespread damage to people's lives, jobs and the value of whole economies.

The challenge is to continue to allow business leaders to focus on delivering profitable results while creating a framework for them to deliver social benefit as well. Too many cite excess cost, or pay lip service to nebulous goals, while effectively continuing to allow investor demands for quarterly returns to drive their primary agendas. Profit maximisation is not the only factor that influences investor behaviour. Ensuring the long-term sustainability of the enterprise is important too. And we believe that if businesses were to make a public declaration of their social mission this would be a significant development. This would go some way beyond the Companies Act, with the confusion over the implications of Section 172 and the debate about the primacy of shareholders over other stakeholders. We remain open to discussion about the best way to achieve it but we feel sure that if boards were bound by commitments to social benefit there would be a significant boost in not only public support of business, but also the impact they delivered and indeed in the overall value of the businesses themselves. Numerous studies appear to support the idea that businesses can increase their value relative to peers by delivering better social outcomes.

Government can encourage companies in this endeavour through its policies and the way it chooses to frame the debate. Once again here, the principle of improving productivity and avoiding moral hazard is important. It should be possible to find incentives to encourage the kind of protocols of social business that are beginning to emerge, but we need more concerted support. In the UK, the great work of the Mission-led Business Review of 2016 appears to have slipped into a Whitehall vacuum. The government's Green Paper response of 2017 on corporate governance is the beginning of a move in the right direction but we feel it doesn't go far enough.

Clearly the challenges of operating across different international jurisdictions and industrial requirements are great, but this should not preclude us from trying to build a global model for social business. Efforts are afoot around the world, with countries in North America, South America, Australia and across Europe experimenting with different forms of business structure. From what we can see, President Macron in France is closest to driving through significant change onto the statute books, although it is not yet a done deal.

It's not just the big companies that would benefit from improvements in this field, although clearly to have these organisations operating in more socially-driven ways will have huge benefits in addressing the negative aspects of globalised business. By operating social business across a wide remit, we will also be able to create and disseminate best practice using the same economies of scale that benefit product and service development now.

Finally, we would like to see governments follow some of the initiatives that come from the philanthropic sector. For example, the Giving Pledge established by the Gates Foundation is the kind of ‘halo’ initiative that government could adapt through a national awards system for social businesses, moving from “name and shame” to “name and fame”. This is the kind of positive reinforcement activity that we feel is appropriate to social business. In our view the combination of a favourable regulatory and legislative system, with positive public recognition of those that pursue social activity, will do more to encourage uptake than a more confrontational and redistributive policy framework.

## PART THREE: EMBEDDING SOCIAL BUSINESS

### **People-centred business; building a new social covenant**

In conclusion, while we are aiming for significant changes in the eventual outcomes we seek, we believe it is only by a process of gradual influence that change will come about. We base our recommendations on our day-to-day experience, gleaned over many years working with individuals and organisations across the economic and political spectrum. We are practical and pragmatic business people, engaged in the entrepreneurial process of building and growing a business founded on certain key principles, favouring collaboration over competition. We are guided by a vision of personal responsibility, allied to organisational responsibility and aimed at enhancing the common good. These are not radical concepts and we do not seek radical solutions.

At the heart of our modern world is the concept of a ‘social contract’ through which we all agree to be bound by certain rules in order to share the finite resources of our planet. What we are seeking to do here is refine the understanding of that social contract, to make it more of a ‘social covenant’. The difference being that in a covenant both parties are equal contributors to a greater good, rather than potentially set in opposition as in a contract.

What do we hope to achieve? We want to focus on producing social benefits for all, not just maximising profits for some. Note that we do not disapprove of profits, on the contrary they are essential to producing positive social impacts. It is about widening the remit of organisational activity and the way we measure impact. In short, we want to promote mutually beneficial co-operation over pure competition.

We have no wish to deny human nature, rather to harness its power to create. We are not saying competition is wrong or that we can somehow remove it. The very act of creativity includes a competitive aspect: a desire to improve upon what has gone before or to make something where once there was nothing. We need that spark to develop the technology to progress, the ideas to build society, to teach our young people, to care for those who need it; in short, to reach our full potential.

Where we face a challenge now is that we lack trust in the framework by which we allocate resources to create and distribute the benefit coming from that creative process. The way competition works in an era of giant enterprises of the type we have now (either in private ownership or under state direction) has distorted the nature of that competition. The result is that neither of the two main architectures we use are proving capable of creating and distributing value effectively enough. It is our firm belief that social business offers the only way that can.

## CONCLUSION

Social business has existed throughout history, the idea on its own is not new, the shift now is that technology is at a stage where it can enable social business to be delivered at scale. This new paradigm will create a boost in productivity, and that is where we feel its long-term value lies. Technology has in the past been the driver of change and we feel it can be again now. From the Industrial Revolution onwards in the UK, we have seen huge societal benefits as technology drives productivity gains and society reaps benefits in future generations. We believe we are at such an inflection point again and that a social business model can make the difference. We want to see it evolve and become the new norm.

Let us redefine our relationship to profit and value. At the highest level, we are all stakeholders in the future of the planet and the future of humanity. Seen from the perspective of social business, we are all therefore engaged in the same process. In that light, it follows that we are to a degree working on the same problems and share the same ultimate intent; effectively we are all seeking to create profit for the same kinds of benefit, i.e. social values like education, retirement planning, healthcare. So why not work together? What is profitable to a few benefits mostly those few, and at a high cost to the trust they need to maintain a licence to operate to create those profits. This is not sustainable. Once we accept that it makes no sense to set our organisations against each other through mutually disadvantageous competition, it seems only sensible to put them to work in harmony.

It is time to focus on the long-term. We have huge reserves of talent and energy in the business world. We have equally strong passion and drive among our elected representatives. We have innovation, imagination and analytical brilliance throughout this great country. We have shown before that we can lead the world in many fields of human endeavour, let us do so again. If we encourage businesses to evolve into social businesses, we create the environment for the best minds to turn their attention to creating beneficial social impact rather than making money. At a time of great change, it takes a few bold pioneers to find the path before the rest can make the move. We believe we are on the edge of a great breakthrough where businesses begin to deliver the fruits of their growth to the wider benefit of society.

Let us seize this chance to make lasting change. Let us lead the world in creating businesses with purpose, businesses that have a mission to deliver benefit to society. Let us build businesses that not only deliver fair returns to those who risk their capital but also enrich the lives of those they employ, trade with and whose activities they touch in any way. We call on our political leaders to help us build a new model of business that can meet and beat the challenges we face today and in years to come.