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Never Mind the Bake Off, here's the Great Business Bake In?

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It seems much of the UK will be focused this year on *The Great British Bake Off* and whether it will be quite the same, or as successful, as it was in its previous incarnation. Away from popular culture, but with an even more pervasive impact on the lives of the nation, it could be a baking in, rather than a bake off, that is significant in 2017. The ingredient is mission, or purpose, being baked into the constitutions and cultures of business.

Why Bake in Mission? And why now?

Putting to one side the personalities of the presenters, two features of the TV show central to its success are relevant to the public debate now around mission led business.

Competition is at the heart of *Bake Off*, just as it is at the core of capitalism. However, the effects of so-called free market capitalism over the last thirty years and particularly since 2010 have been to suppress true competition in many sectors. Rentism [1] has been rewarded rather than labour and inequality has increased. Over time, the impact of these distortions escalates, such that even many proponents of capitalism see the threat it is now posing to itself if it continues unchecked. The pursuit of profit maximisation as the overriding goal and the short termism encouraged by measuring this on a quarterly basis have been identified as drivers of these problems. Explicitly embedding (i.e. 'baking in') the social mission of a business into its governing document and then reporting performance against this on a regular basis have been suggested as a potential solution to, or amelioration of at least, these issues.

This was one of the recommendations of the Advisory Panel set up by the government in 2016 to review Mission Led Business [2]. It was also one of the proposals in the policy report of the Big Innovation Centre on The Purposeful Company published in February 2017 [3]. The UK government appears to have acknowledged there is an issue. Prime Minister Theresa May has spoken more than once of her intent to establish a more inclusive economy and a fairer society [4] and her government has published not one, but two Green Papers on the theme of corporate governance [5], so at the very least there should be serious consideration this year of whether mission should be baked into business, and if so, how.

If the effects of free market capitalism were imposed on the *Bake Off* format, it would be akin to one of the contestants (most likely a white male from a monied background) cumulatively acquiring more and more gadgets and better and better ingredients, ultimately potentially employing a Michelin starred chef to do his baking for him, whilst the others at best find no difference week to week in the resources available to them and don't know from episode to episode whether they will even be asked to compete. Before long, viewers would likely feel the programme had lost its flavour. In part, this would be because it takes so much less skill for the privileged one to win but the real appeal of *Bake Off* (and the second element referred to above) is not the competition itself, but the human dimension: the fluctuating emotions of the contestants and the glimpses of personality they reveal in a challenging environment.

To an increasing extent, the human element has been eroded from the economy, as data, algorithms and automaton are relied upon to 'improve the numbers' for businesses. This is one of the impacts of explicitly identifying the mission of any given business: that is stipulates how it will benefit people, whether as customers, employees or members of the wider community, and in so doing, re-humanising the organisation.

Do mission led businesses not exist already?

It is certainly the case that many businesses that can legitimately describe themselves as mission led already exist. Generally, they are recognised as social enterprises. They often take the form of community interest companies, community benefit societies and, increasingly, certain charities. A common feature to all is that both their mission and their assets are 'locked in' through a combination of their constitution and regulation. The mission for the first two has to be for the benefit of a defined community and the last has to be for public benefit and pass as a charitable purpose. The asset lock ensures that the assets of the company can only be applied for the intended purpose and not for private benefit. As such, they are regarded as not for profit organisations (although in practice the more successful certainly do make surpluses, but reinvest them to further their mission).

It is the asset lock that has proved problematic for some entrepreneurs, who may have a genuine intent to do good through business activity, but a reluctance to make the considerable personal commitment required to establish a successful business without the opportunity for commensurate financial reward. Often they use a traditional limited company form and rely on their own ability to control what that company does to adhere to that original intention. Sometimes this plays out in practice, but it can mean certain sources of finance, for example from social investors or charitable foundations, are unavailable to them due to concern with the potential scope for private benefit to arise. Problems can also emerge when the founder moves on, or other investors take stakes in the entity, and that original intent becomes forgotten or overridden.

It is possible to bake the mission into the constitution of any company currently – without also including an asset lock – and this is anticipated as an option in section 172 of the Companies Act 2006. Some companies have taken advantage of this, for example Big Society Capital, Social Stock Exchange and Social Finance, but these are particular types of organisation and it is certainly not common practice currently. It is also true that co-operatives offer another, albeit fairly distinctive, form of mission led business.

This has meant that, despite all these options, there has been increasing calls in recent years for the introduction of a new legal form which very explicitly bakes mission into the constitution of companies that wish to operate in this way, and to be identified as a company that does so.

One means of achieving this, which is not dependent on a change in legislation, became possible in the UK in 2015 with the introduction here of the B Corp movement. This is a certification process which enables businesses to be recognised as mission led. To be certified as a B Corp a business needs to have a constitution which explicitly places the interests of the wider stakeholders [6] in the business on an equal footing, rather than focusing on the primacy of its shareholders. It needs to undertake an Impact Assessment to demonstrate that its business practices are congruent with that intent, something that is repeated every two years. As at March 2017, there are over 2,000 businesses from 50 countries [7] certified as B Corps. These include 109 UK companies who have taken the opportunity to register as B Corps in the last 18 months.

The B Corp movement began in the United States and there it has spawned the Benefit Corporation, a legal form for profit with purpose organisations now adopted (with local variations) in 31 States. It is also in Italy (in the form of the Societa Benefit) and being actively considered by the government in Australia.

So is this what is proposed here?

The short answer to this is possibly, but not necessarily. It was flagged in the Advisory Panel's report on Mission Led Business as something worthy of future consideration [8], but it is one of several options. Variants are to be found for example in The Purposeful Company report mentioned earlier [9], and the Prime Minister herself has floated policy proposals such as mandatory employee representation on boards –although that is one that may already have found itself discarded with the leftovers, rather than finding its way into what is to be baked in, judging by subsequent debate around that suggestion [10].

Whilst it is too early to know what exactly will be baked in, or how, some indications of what to expect may be discerned from the different motivations of various advocates for a change. Proponents can be (very broadly) divided into three camps.

There is we might call the 'pragmatic capitalist perspective'. This recognises some fine tuning of the current model is necessary to prevent the escalation of problems seen in recent years undermining future support for (and indeed the functioning of) capitalism as we have come to know it. There is an ideological impetus that sees that pursuit of profits to the exclusion of all else is ultimately self-defeating and that this needs to be moderated to avoid capitalism sowing

the seeds of its own collapse. Purpose potentially provides that moderating effect. This would seem to be behind the government's engagement with the issue since Theresa May came to office.

The next category might be regarded as the 'pragmatic business perspective'. This focuses on the commercial opportunity in anticipating the pendulum swinging back to a more socially responsible form of business operation. This is purpose primarily as a business case; a means to be more successful as a company, as measured by the established metrics. This is evident in the language of the Advisory Panel Report, when it talks of mission led businesses making "a significant contribution to UK growth over the next ten years" [11] and such businesses having "a competitive advantage" [12]. Similarly, The Purposeful Company Task Force frame the rationale for enabling and nurturing purposeful companies to be "so that the UK can deliver the productivity growth on which living standards across all regions depend" [13]. Whilst it may be the case that this language is used with the intent of 'not scaring the horses' and to secure engagement from the mainstream corporate community, it brings with it the danger that the underlying culture remains unaffected and the changes introduced are regarded as matters of compliance and branding still.

The final category might be thought of as 'pragmatic idealists', that is those for whom the fulfilment of its purpose is primarily why the company exists. Making profits is an important element of what it does to ensure its longevity and ability to continue delivering on its mission, but not its *raison d'être*. This would seem to be where those in, and interested in, the B Corp movement are coming from.

So what is likely to happen?

It is too early to say whether the proposed changes to how companies in the UK will be expected to operate and report will closely reflect one of these camps (if they indeed consciously exist). It might be possible to come up with a proposition that satisfies all to some extent (and by implication leaves all dissatisfied in part also). What has been recognised rightly as critical, by both the Advisory Panel and The Purposeful Company Task Force, is the need for this to be part of a range of changes, affecting also areas such as the investment industry, academia, advisory practice and accounting to build the ecosystem in which companies which do seek to be purposeful may flourish. Changes to corporate form will not succeed in isolation unless part of a wider package that embraces some at least of these matters also.

Responses to Green Papers are not typically matters for the general public – and there is no reason to assume that it will be any different this time. However, it is possible for every one of us to act in ways which demonstrate that how companies conduct themselves is something that matters to us, whether as customers or employees, in some cases as investors, or members of communities. This can influence politicians and corporate decision makers and pension fund managers, so none of us should assume we cannot affect how this unfolds. And while we may spend more time at the water cooler or on social media speculating on who will take the Bake Off title this year and how Sandi and Noel compare to Mel and Sue, it will be what is resolved for baking in purpose to companies' constitutions and cultures that may have the bigger impact on whether we have cause for celebration.

[1] Frase, Peter. Four futures. *Jacobin*. 2012 Winter; 5:27–34.

[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/574694/Advisory_Panel_Report_-_Mission-led_Business.pdf, last accessed 18 March 2017.

[3] Big Innovation Centre, 'The Purposeful Company Policy Report' http://biginnovationcentre.com/media/uploads/pdf/TPC_Policy%20Report.pdf last accessed 18 March 2017.

[4] Cf for example, <https://www.pioneerspost.com/news-views/20161011/new-inclusive-economy-unit-created-british-government> last accessed 18 March 2017 and <https://www.gov.uk/government/speeches/the-shared-society-article-by-theresa-may>, last accessed 18 March 2017.

[5] Department for Business, Energy and Industrial Strategy, 'Corporate Governance Reform Green Paper', https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/584013/corporate-governance-reform-green-paper.pdf, last accessed 18 March 2017 and H M Government, 'Building Our Industrial Strategy', https://beisgovuk.citizenspace.com/strategy/industrial-strategy/supporting_documents/buildingourindustrialstrategygreenpaper.pdf, last accessed 18 March 2017.

[6] Stakeholders for these purposes include customers, employees, supply chain members, communities and the environment.

[7] 'Get to know B Corps certified in the UK', <http://bcorporation.uk/get-to-know-b-corps-certified-in-the-uk> last accessed 15 March 2017.

[8] Cf recommendation 9, 'On a Mission in the UK Economy', https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/574694/Advisory_Panel_Report_-_Mission-led_Business.pdf, last accessed 18 March 2017.

[9] Cf recommendations 1.1-1.5, Big Innovation Centre, 'The Purposeful Company Policy Report' http://biginnovationcentre.com/media/uploads/pdf/TPC_Policy%20Report.pdf last accessed 18 March 2017.

[10] <http://www.telegraph.co.uk/business/2016/11/21/theresa-may-backtracks-on-putting-workers-on-company-boards/>, last accessed 18 March 2017.

[11] 'On a Mission in the UK Economy, p3 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/574694/Advisory_Panel_Report_-_Mission-led_Business.pdf, last accessed 18 March 2017.

[12] *Ibid*, P5.

[13] Big Innovation Centre, 'The Purposeful Company Policy Report', p6 http://biginnovationcentre.com/media/uploads/pdf/TPC_Policy%20Report.pdf last accessed 18 March 2017.

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