



The case for purpose-driven business

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About ReGenerate

ReGenerate is investigating how the growth of the ecosystem for purpose-driven business can be accelerated, making it easier to start, grow and lead a business doing good.

Entrepreneurs and established businesses have tremendous power to help tackle the great social and environmental issues of our age, whether it is modern slavery, racial injustice, in-work poverty or climate change.

When their unique ability to innovate and scale is combined with a drive for positive impact it has the potential to transform society and the planet. We believe that the world would be a better place if there were more businesses operating like this.

It is, however, harder than it should be to set up, grow or lead a business that is explicitly seeking to have a positive impact on society or the environment. The ecosystem that supports them is immature and too many leaders are frustrated in their attempts to live with a purpose beyond profit in their businesses.

We are a deeply collaborative organisation, and have gathered leading thinkers from across established businesses, government, academia, investment and entrepreneurship.

Together, we are conducting research that identifies the barriers and shares the solutions necessary to make the UK, and the wider world, a place for purpose-driven entrepreneurs and businesses to thrive. We also intend to start programmes to help make this happen.

Business will have a greater, positive impact on the world if more purpose-driven businesses are supported to scale and established business embed purpose in all that they do.





Executive summary

When businesses' unique ability to innovate and scale is combined with a drive for positive impact it has the potential to transform society and the planet. As we seek to recover from the Covid-19 pandemic, we are at a unique point in history where this positive impact from business is desperately needed.

We will need businesses that think deeply about how, by their very existence, they can make the world a better place from improving the lives of those who work or buy from them to the way they treat their supply chain and the environment. In short, we need purpose-driven businesses.

This paper sets out the case for purpose-driven business:

- The public want businesses to take greater responsibility for social and environmental issues;
- Businesses have the potential to positively transform society;
- Being purpose-driven is increasingly shown to make businesses become more successful and sustainable.

This summary, and the wider paper is structured around showing the overwhelming evidence behind each of these points.

Chapter one summary

The public want business to be a force for good

WHAT THE PUBLIC THINKS ABOUT CAPITALISM

We conducted a survey of the UK public and found... **A majority of the UK public are in favour of Capitalism, but believe it needs "fixing".**

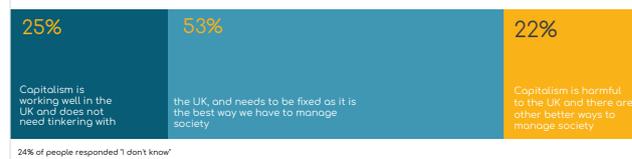
Excluding those who said they did not know:

- A third of the public thought Capitalism was working well and does not need tinkering with
- 53% backed Capitalism but thought it wasn't working properly and needed fixing
- 22% think Capitalism is harmful and there are other, better ways to manage society

While there was broad agreement to back Capitalism but think it was broken and needed fixing, Labour voters were more likely to think it was harmful and there were better ways of managing society, and Conservative voters that it did not need fixing.

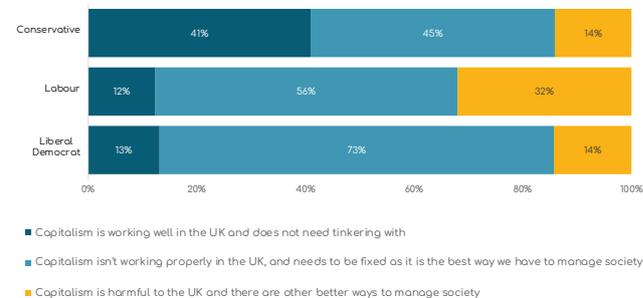
And people... **are increasingly making up their mind on Capitalism, with the overwhelming majority thinking that Capitalism needs fixing...** since being surveyed in 2017 their feedback has changed.

Excluding those who said 'I don't know', 53% percent of people believe that capitalism is the best system we have. Which of the following comes closest to your view on Capitalism in Britain today?



Conservative voters were the most supportive of Capitalism and Labour voters the least.

Which of the following comes closest to your view on Capitalism in Britain today?

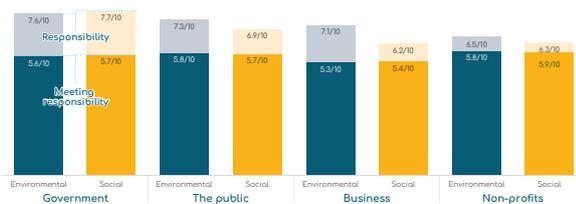


-9%
Reduction in people saying "I don't know" when asked their opinion about Capitalism

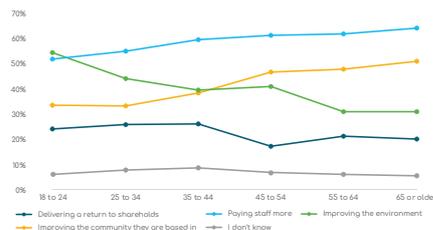


WHAT THE PUBLIC THINKS ABOUT RESPONSIBILITY

On a scale of 0 to 10, where 0 is “no responsibility” and 10 is “completely responsible”, how much responsibility do you think each of the following has for tackling the environmental and social challenges the world is experiencing?



Imagine the scenario where a business has had a successful year and has some excess profit to use. Which of the following do you think they should spend it on? Select a maximum of two options.



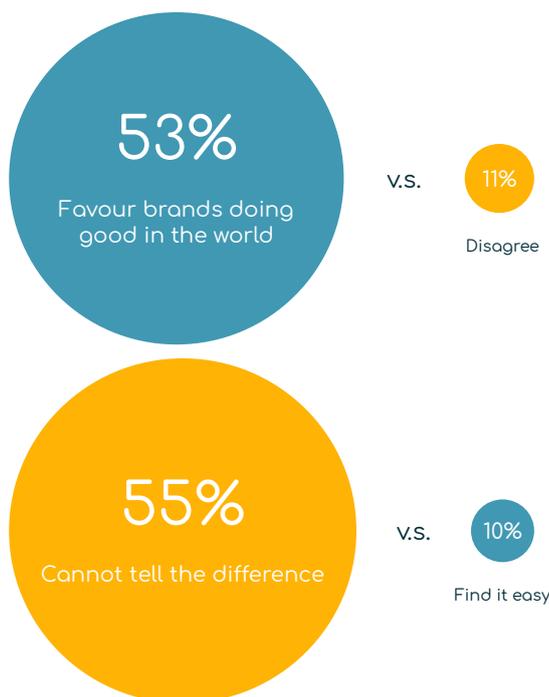
The UK public... **do not think businesses are upholding their responsibilities on helping tackle social and environmental issues.**

People were asked to state, out of ten, how responsible businesses are for environmental and social issues. They were then asked how much they thought they were meeting those responsibilities. Across all sectors (Government, Business, Not for profits and the public), there was a perceived gap between responsibility and action.

The UK public... **are most interested in how businesses look after their staff, with young people also focused on environmental issues.**

We asked people to imagine a company had excess profits and asked them where they thought the profit should be spent. The youngest age group put improving the environment as their priority, all other age groups put paying staff more.

WHAT THE PUBLIC THINKS ABOUT TRANSPARENCY



The UK public... **favour brands doing good in the world...**

There is an opportunity for companies to lead the public on this agenda, and benefit from increased brand loyalty by upholding their responsibilities towards the environment and society.

Across every age, gender, regional and political segment, those who expressed a view indicated that they were more likely to favour brands that are doing good in the world. The majority (53% who thought this, versus just 11% who did not).

... **but find it hard to identify them.**

The public finds it hard to tell purpose-driven companies apart from those using purpose as a marketing tool. Just one in ten could identify companies doing good versus those just talking about it. 55% said they couldn't tell the difference.

Chapter two summary

The power of business to do good

CREATING WORK OPPORTUNITIES FOR PEOPLE AND PLACES THAT ARE OFTEN EXCLUDED

Challenges

Black graduates are twice a likely to be unemployed as white graduates

Disparity in employment exists for all levels of qualification.

One million over 50s locked out of work

A million people aged over 50 were locked out of work due to age discrimination.

8% unemployment rate for Black, African, Caribbean and Black British people

Compared with 3% for white people.

Only 17% in PAYE after prison

Only 17 percent of people were in PAYE employment a year after leaving prison.

Female pay 8.6% lower than male pay

In 2018 the UK's average pay for full-time female employees was 8.6% lower than for full-time male employees.

Coastal towns made up 5/10 of the local authorities with the highest unemployment rate (2017)

Half the number of jobs as working age people

Some regions, which do not share in the economic growth and prosperity of a country, had only half as many available jobs as people of working age.

How businesses are already helping

Anglian water

They bring environmental and social prosperity to the regions they serve, through their commitment to "Love Every Drop".



- In 2013 Anglian Water focused on providing jobs to those not in employment, education or training in the town of Wisbech.
- They helped secure the lease of a disused school building, and transformed it into a community hub.
- 76 different services and groups are now delivering directly out of the hub, including a weekly jobs cafe offering advice on CV improvement, applications and interviews, and annual jobs fair. Through it they have helped over 2,000 people, and secured 300 jobs.

Timpson

Their primary goal is to provide high quality retail services for their customers. As part of this, they specialise in offering employment and a opportunities to ex-offenders and other marginalised groups, as well as facilitating career progression for all employees.



- They currently employ around 650 ex-offenders. This helps reduce reoffending rates significantly and gives people a second chance.
- During Covid-19, furloughed employees have been paid 100% of their pay.

Applied

They are seeking to strip unconscious bias out of hiring and improve staff retention in the process.



- They have processed over 200,000 applications in five years.
- 60% of candidates shortlisted would never have been hired through a typical CV sift and were statistically more likely to come from underrepresented groups.

Recycling lives

They provide waste management solutions to increase recycling and reuse. They do so in a way that provides not only financial return, but social return through helping ex-offenders and those who have been homeless to turn their lives around and get back into employment, often at Recycling Lives.



- The ex-offenders they work with have a reoffending rate of just four percent.
- They have provided over one-million meals a year to families suffering from food poverty.
- They have assisted homeless people into employment and stable accommodation.

PROMOTING GOOD PHYSICAL AND MENTAL WELLBEING



How businesses are already helping

Diabetes Digital Media

They have developed digital platforms to connect diabetic patients with clinical health support relating to pre-diabetes, obesity, type 2 diabetes, and wellbeing.

- Through data collection and use of AI, they have contributed to the discovery that Type 2 diabetes can go into remission.
- Diabetes.co.uk has given typically self-managing diabetics a trustworthy community of support.
- GPs can now provide higher quality monitoring more efficiently. Through the GP dashboard, a doctor can review how someone is progressing and suggest timings for adjustments based on two-way data sharing.



Big White Wall

They provide a 24/7 digital mental health service through its online platform, and access to a supportive network of peers and mental health professionals.

- BWW has helped 215,000 people, with around 10,000 signing up each month.
- Seven in ten members join for immediate access, demonstrating the power of 'always on' mental health support.
- Three-quarters experience a mental health wellness gain with over half feeling less isolated after using the service.
- It is estimated that they will save the NHS over £15 million in a reduction of visits to GPs or AE and save employees over £4 million in days lost to sick leave.
- In the wake of Covid-19, they have seen registrations double and member activity increase four-fold, with around half of the activity in the community now being anxiety caused by the pandemic.

Challenges

1/4 experience mental health problems

A quarter of people in the UK experience a mental health problem each year.

Over half of Brits lonely

54% of Britain's admitted to feeling lonely at work, and that was before Covid-19.

141 million lost days

In 2018, an estimated 141 million working days were lost because of sickness or injury in the UK.

Mental health and stress

A study found mental ill health and stress as the two leading causes of long-term absences.

Chapter two summary

The power of business to do good

ACHIEVING NET ZERO GREENHOUSE GAS EMISSIONS BY 2050

Challenges

+0.9°C temperature rise

The average global temperature has risen by 0.9 degrees Celsius, between 1993 and 2016.

8 inches in 100 years

Sea levels have risen by about 8 inches in the past 100 years.

90% of CO₂ emission

Fossil fuels and industry created nearly nine in ten of all CO₂ emissions (2018) and they are currently catering for over 85% of our energy consumption.

134 million tonnes CO₂ reduced

The UK has reduced the amount of carbon dioxide it emits by 134 million tonnes since 2010.

364 million tonnes CO₂ produced

Yet it still produced 364 million tonnes of carbon dioxide, in 2018.

75 - 175 million tonnes

In order to achieve Net Zero it is likely that between 75 and 175 million tonnes of greenhouse gases will have to be removed by carbon capture and storage technology alone. For comparison, the UK's biggest carbon capture plant is set to capture just 16 million tonnes by the mid 2020s.

0% coal in the UK energy mix

By June 2020, the UK achieved a new record of 67 days without coal power.

How businesses are already helping

Octopus Energy

They were set up to provide energy that is "good for the planet, and good for your wallet".

- In 2019 Octopus Renewables created four terawatt hours of energy, mostly from solar power, but also from wind and biomass, saving 3.6 million tonnes of CO₂.
- They boost social impact by helping customers understand their energy use through a variety of resources and apps.
- More than nine in ten of Octopus's customers rate them as 5* Excellent on TrustPilot.

octopusenergy

Energiesprong

They aim to bring about desirable, viable Net-Zero energy refurbishment solutions to the mass market.

- The low cost and low hassle of retrofits removes barriers to householders and local authorities and helps uptake.
- In the Nottingham pilot, energy bills halved for tenants; while in the Netherlands there was an average 60 percent reduction in bills.
- The model removes the need for government subsidies for improving the energy efficiency of homes.
- Potential scale: 11 million UK homes are suitable for Energiesprong retrofits. This includes 2.3 million social homes and seven million privately owned homes in England alone.

energie
sprong
uk

CREATING A CIRCULAR ECONOMY

How businesses are already helping

ELVIS & KRESSE

Elvis & Kresse

They create lifestyle accessories by re-engineering waste material. They are a certified B Corporation.

- For over a decade, as a result of Elvis & Kresse, none of London's fire-hose has gone to landfill and over 200 tons of material has been reclaimed.
- They are on track to repurpose 120 tonnes of leather offcuts from Burberry's manufacturing.
- Their apprenticeship scheme pays the living wage, they only buy renewable energy, and they give half of their profits to charity.



Olio

Olio's purpose to reduce food waste is embedded in a set of four values the company shares in public: "inclusiveness", "resourcefulness", "caringness", and "ambitiousness." They are a certified B Corporation.

- Nearly five million food portions have been shared through the app and "saved."
- The app has brought communities together, especially in cities with "insular" demographics.
- Throughout Covid-19, the app provided a platform to support those who needed leftover food most.

Challenges

45% of emissions from everyday products

45% of all global emissions come from the production and disposal of cars, clothes, food, and other everyday products.

1.5 million tonnes of plastic littering

In the UK an estimated five million tonnes of plastic are used every year, just under a third (30 percent) of which is littering the soil, rivers, and oceans.

9.5 million tonnes food waste

The UK wastes around 9.5 million tonnes of food a year (2018), causing the emission of as much as 25 million tonnes of greenhouse gases since rotting food produces methane, a powerful greenhouse gas, as it decomposes.

16% of food is thrown away

The average household throws away 16% of all food.

52.3 million tonnes of waste to landfill

In the UK, 52.3 million tonnes of waste was sent to landfill (2016), up 8.5 percent from 2014.

Chapter three summary

Why purpose is good business

THERE IS STRONG EVIDENCE, BOTH DIRECT AND INDIRECT, THAT HAVING A PURPOSE BEYOND PROFIT IS GOOD FOR BUSINESS

DIRECT EVIDENCE

Firms of Endearment

(Wolfe, Sisodia and Sheth)

Found that US-based "Firms of Endearment" **outperformed the S&P 500 Index by a factor of 14.3 over the period 1998 to 2013**. International "Firms of Endearment" outperformed the S&P 500 index by a factor of 10 across the same period.

The Business Case for Purpose

(Harvard Business Review and EY Beacon Institute)

Found that a firm's level of commitment to purpose influences a businesses growth and broader success. Businesses where purpose was clearly articulated and understood were **far more likely to achieve more than 10 percent growth between 2012 and 2015**, than businesses where purpose was not well understood or communicated.

Corporate Purpose and Financial Performance

(Gartenberg, Prat and Serafeim)

Found that organisations with **a clear purpose and high management clarity delivered greater stock performance of up to 7.6 percent above those that did not**. They found that it was mid-level employees with strong beliefs in the purpose of their firm that drove the relationship between purpose and better financial performance.

INDIRECT EVIDENCE

Businesses with good ESG performance deliver stronger financial performance.

ESG stocks have typically outperformed the market in the wake of Covid-19. HSBC analysed 613 shares of global public companies up to 23rd March 2020. They found that **climate focused stocks outperformed others by 7.6 percent from December**, and by three percent since February.

Businesses that manage for the long-term outperform peers.

Research by the McKinsey Global Institute in cooperation with FCLT Global, found that **companies that operate with a long-term mindset have consistently outperformed their industry peers since 2001**. They did so across almost every financial measure, including average revenue, earnings growth and market capitalisation.

Businesses that are highly ethical outperform the market.

The 128 honourees of Ethisphere's 2019 'World's Most Ethical Companies' had a **collective 14.4 percent five-year premium against the large cap index between 2014 and 2019**. These companies often go above and beyond in helping lead their industry to more responsible places through helping develop and implement best practice approaches.

Visionary leaders inspire better business performance than autocratic leaders.

An academic study found that **visionary leaders were found to relate positively to employees' extra effort, which in turn relates to strong firm performance**. Autocratic leaders were found to have no effect on firm performance.

Businesses that are great places to work create superior long-term value.

The great places to work survey includes several questions that ask employees to express how much purpose they have in their job. Top performing businesses consistently achieve strong responses to these questions, highlighting the link between purpose and a great workplace.

Investments in companies in the 100 Best Companies to Work For in America' performed 3.5 percent better than the market index annually from 1984 to 2009, and 2.1 percent above industry benchmarks.

PURPOSE OFTEN LEADS TO SUCCESS BECAUSE EMPLOYEES AND CUSTOMERS REWARD IT

Customers

- ✓ More of them
- ✓ More loyal
- ✓ More willing to spend more

Larger potential customer base

- 38%** Of millennials initiated or deepened relationships with businesses because they perceived a company's products or services as having a positive impact on the environment (Deloitte 2020).
- 67%** Of people say that a good reputation may get them to try a product, but unless they come to trust the company behind the it, they will soon stop buying it (Edelman 2019).
- 21%** Increase in the number of people that will defend a brand they trust (Edelman 2019).

More loyal customers

- 79%** Are more loyal to purpose-driven companies (Novelli, 2018).
- 70%** Proud to be associated with purpose-driven companies (Novelli, 2018).
- 73%** Would be willing to defend or forgive a misdeed, compared to 67% who would forgive a misdeed from a non-purposeful equivalent (Novelli, 2018).

Customers happy to pay a premium

Customers willing to pay higher than average for:

- 38%** Products from sustainable materials.
- 30%** Companies that deliver on social responsibility claims (Nielsen, 2018).

People and Talent

- ✓ Improved recruitment
- ✓ Improved retention
- ✓ Improved productivity

Recruitment

- 70%** Of employees said they were more likely to choose work at a company with a strong environmental agenda (Fast Company 2019).
- 71%** Of B Corps said people joined them because of their standing as Benefit corporations, that prioritised people and planet (B Lab UK, 2019).

Retention

- 27%** More likely to stay at a company if it has a higher purpose than profits (Tiny Pulse 2019).

If an employee is fulfilled they are, compared with those who are not fulfilled

- 2 x** More likely to stay five years.
- 3 x** More likely to stay ten years (Imperative 2019).

Productivity

Businesses with engaged teams experienced:

- 21%** Increased profitability.
- 20%** Increased sales productivity.
- 40%** Increased output quality (Gallup 2016).



Introduction

Entrepreneurs and established businesses have tremendous potential to help tackle the great social and environmental issues of our age. They cannot do it alone, but they do have a unique role due to their innovative power and ability to deliver solutions at scale.

As things stand, most businesses, intentionally or otherwise, contribute to more than just the pockets of their shareholders. Typically, this is through providing employment, paying taxes that fund public services and creating goods and services that the public need and enjoy. Moreover, much of the shareholder benefit goes into people's pensions, helping provide for them in later life.

We will likely need, however, more than just "business as usual" or a "growth at all costs" attitude to create a prosperous economy where everyone benefits, especially in light of Covid-19. Evidence is already emerging that, as well as having a greater impact on society, businesses with a purpose beyond profit are also proving more resilient during the pandemic, providing better returns and looking after employees and consumers better.¹ We will need more of them if we are to truly build back better, and create an economy that enables every person and region of the UK, and wider world, to prosper.

This paper sets out the case for encouraging such businesses. We explore why we should desperately want more of them in the UK. The short answer to which is simple to sum up:

- The public want businesses to take greater responsibility for social and environmental issues;
- Businesses have the potential to positively transform society;
- Being purpose-driven is increasingly shown to make businesses become more successful and sustainable.

This paper is written for anyone with a personal or professional interest in the role business can play in tackling the great social and environmental issues of our age, and helping everyone recover fully from the economic and social effects of the Covid-19 pandemic.

¹ For example, see Sustainable investing: resilience amid uncertainty, Blackrock, May 2020 (accessed via www.blackrock.com/corporate/literature/investor-education/sustainable-investing-resilience.pdf) and Debevoise, N, Why Purpose-Driven Businesses Are Faring Better In Covid-19, May 2020 (accessed via www.forbes.com/sites/nelldebevoise/2020/05/12/why-purpose-driven-businesses-are-faring-better-in-Covid-19/)

For those already steeped in this topic, we are aware it may cover some familiar ground. Yet we hope it will not only be a refreshing reminder of the power of business to tackle great injustices, but may also provide some new insights, especially around the views of the public whose voice is often lacking from this debate.

If we are to successfully support the UK and the wider world to flourish once more and meet the economic, social and environmental issues we face head on, there will need to be broad consensus between the public, government, business, entrepreneurship and investment. We hope this paper will build momentum behind this movement.

CHAPTER ONE explores the public's views on the role of business. It is based on an in-depth poll of the UK public, which was created by B Lab UK and ReGenerate and conducted in May 2020 by Hanbury Strategy. It explores the public's views of Capitalism, the responsibility of business and what they expect of companies they work for and buy from.

CHAPTER TWO provides numerous case studies of inspiring companies already making a significant difference in four areas relating to specific social and environmental issues. Two of them are social issues that are likely to be made worse by Covid-19, and two of them are environmental issues that cannot be ignored if we are to set up future generations for success.

CHAPTER THREE builds on these previous two chapters and draws from an increasing pool of evidence that shows it makes business sense to have a purpose beyond profit. Put simply, there is a strong evidence base that having a purpose beyond profit is likely to ensure a more successful and sustainable business.

Together we believe that this makes a strong case for purpose-driven business.



Context

The world is messy. The unexpected arrival of Covid-19 has left us with the most severe public health and economic crisis any of us will likely experience in our lifetimes. This, too, comes on top of a number of social and environmental issues already present in society, from poverty to racism to climate change, that will require significant efforts to address.

Within this context, we need as many entrepreneurs and established businesses to think radically about how they can adapt to best help ease human suffering and get communities and countries back on their feet. It will be crucial to so many parts of our recovery.

Purpose-driven businesses have a huge role to play in helping “level up” the country. It will require businesses thinking about where they create jobs and the quality of those jobs; it will need businesses that actively seek to benefit the local communities they companies are rooted in. Furthermore, if we are to tackle climate change, purpose-driven businesses will need to play a major role in rebuilding the economy in a sustainable way.

And while a more positive impact on society and the environment can come through businesses, they cannot do it alone. No matter how brilliant the innovative ideas of entrepreneurs or the strength of the foundations of purpose-driven SMEs, they will need investors that back their purpose-driven approach at every stage of growth. No matter the level of intent from established businesses, if the rules of the game promote short-term, profit-only thinking they will be limited in their ability to deliver social and environmental impact.

That is why, for businesses to play their full role towards helping the UK and the wider world to recover well from Covid-19, we need systemic change to support them.



CHAPTER ONE

THE PUBLIC WANT BUSINESS TO BE A FORCE FOR GOOD

Introduction

Business leaders who operate purpose-driven companies are often motivated by a personal sense that it is simply the “right” approach to take. They see the power that business has to improve the world, want to make their contribution, and - importantly - see that acting in this way is likely to help their business be successful and sustainable.

The reason why doing good and doing well so often go hand in hand is because the public actively want businesses to have a positive influence on the world. They want them to care about the people who work for them and in their supply chains, to operate in a way that is environmentally sustainable, and to create products and services that contribute to human flourishing.

This matters, because our whole democratic system and market economy is orientated to serve what the public wants. The public makes their voice heard in four main ways:

- Who they work for;
- Who they buy from;
- How they vote; and
- Where they invest.

This chapter explores the public’s views on the role of business. It is based on an in-depth poll of the UK public, which was created by B Lab UK and ReGenerate and conducted in May 2020 by Hanbury Strategy. It explores the public’s views of Capitalism, the responsibilities of business and what they expect of companies they work for and buy from.

Summary of findings

The poll asked the public their views on 35 different questions. As might be imagined, this has generated a huge amount of data and interesting findings. This chapter draws out the key results. As we analysed the data, a few themes emerged:

Insights on Capitalism

- A majority of the UK public are in favour of Capitalism, but believe it needs “fixing”.
- On average the UK public tend to identify more with the shortcomings of Capitalism more than they do the positives.
- People are increasingly making up their minds about Capitalism.

Insights on business responsibility

- The public do not think businesses are upholding their responsibilities in helping tackle social and environmental issues.
- The public are most interested in how businesses look after their staff, with young people also focused on environmental issues.

Insights on transparency

- The UK public favour brands doing good in the world.
- The public finds it hard to identify truly purpose-driven companies apart from those using purpose as a marketing tool.

Please note that the answers to these questions reflect people's instinctive and subjective view of what "Capitalism" means to them, rather than following any discussion on the definition of Capitalism, as we were interested in people's real world views on how they believe the system is operating.

Survey design

The poll was designed by using questions that were sourced from the following previous poll, as well as a selection of original questions.

Sampling. The survey was conducted online and targeted to be UK-wide with a total of 2,144 respondents. The sample size was calculated to be representative at a national level.

Disaggregation. Results of the poll can be disaggregated by the following segmentation

- Gender
- Age Group
- Region
- Education level
- Employment Status
- Employment role
- Employer size
- Employer sector
- EU Referendum Vote
- General Election, 2019 vote
- General Election, Voting Intention

A note on segmentation. The full results of the poll and the crosstabs of responses will be released in a separate report. For the political affiliation segmentation, responses focused on Conservative, Labour and Liberal Democrats, which accounted to 74 percent of responses). Throughout this chapter we focus mostly on the total average response, the age groups and political segments. It was within these segments that we noted the largest variance in responses from which to make observations. Greater detail about other segments, such as Region and Gender, can be seen in the full results of the poll. The minimal variance we see in other segments is itself an interesting observation but one which is out of scope of this report.

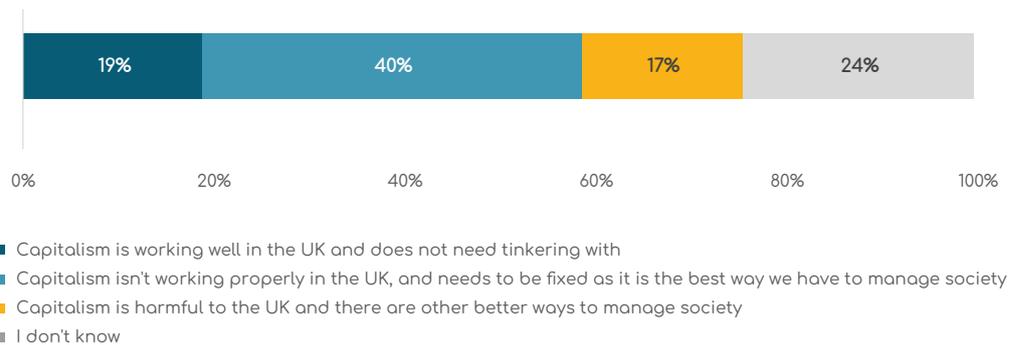
1.1 Insights on Capitalism

A majority of the UK public are in favour of Capitalism, but believe it needs “fixing”.

Two in five of the UK public think that while Capitalism is the best system we have, they think it is broken and needs fixing (figure 1.1). This was more than twice those who thought Capitalism is working well in the UK and does not need tinkering with (19 percent) and those who thought Capitalism is harmful to the UK and there are other better ways to manage society (17 percent).

Figure 1.1: Most people back Capitalism, but think it is broken and needs fixing.

Which of the following comes closest to your view on Capitalism in Britain today?



If we exclude those who didn't know what they thought, over half of the public (53 percent) responded that it was the best way of managing society, but that it was not working and needed fixing. While this finding is consistent across the age groups the younger generation express the strongest sentiment against Capitalism (Figure 1.2).

There was broad support for the view that Capitalism isn't working properly, needs fixing but is the best way we have of managing society from across the political spectrum. Labour voters, however, were the most likely to think it was harmful and should be replaced; while Conservative voters were most likely to think it was fine as it is (Figure 1.3)

Figure 1.2: Over half of the UK public back Capitalism, but think it is broken and needs fixing, if we exclude those who didn't know.

Which of the following comes closest to your view on Capitalism in Britain today?

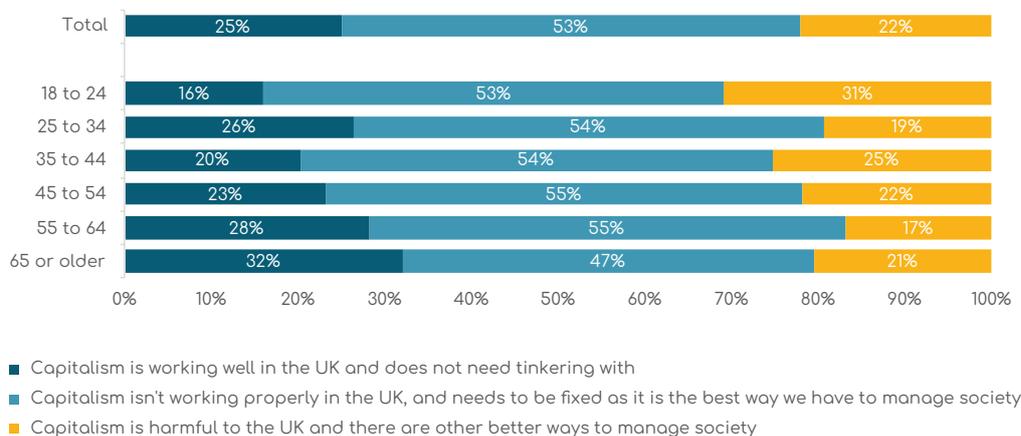
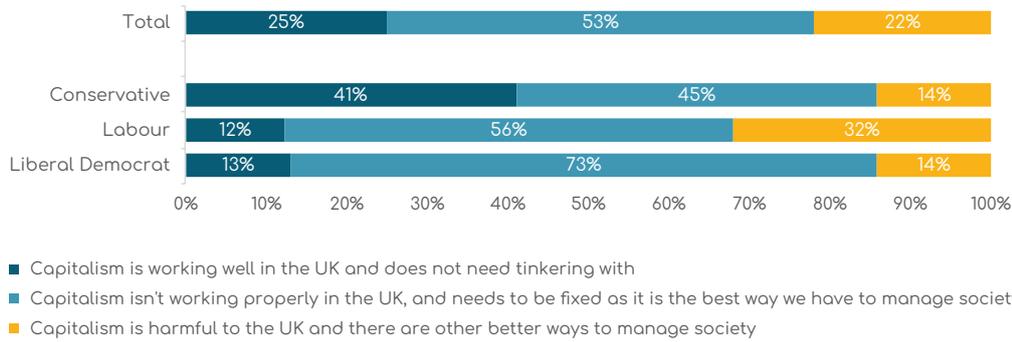


Figure 1.3: Conservative voters were the most supportive of Capitalism, while Labour voters were the least.

Which of the following comes closest to your view on Capitalism in Britain today?



On average the UK public tends to identify more with the shortcomings of Capitalism than they do the positives.

As well as understanding the broad agreement for or against Capitalism, we were keen to understand how strong respondents underlying feelings were on it.

To identify this, we asked them six questions. Three of them were positive statements on Capitalism, and three were negative.

The three positive statements were:	The three negative statements were:
“Capitalism is the greatest job and wealth creating system ever created”	“Capitalism leaves the poor behind”
“Capitalism is superior to all other economic systems as a means of creating a stable and prosperous world.”	“Capitalism is destroying the environment”
“The gains from Capitalism benefit the whole of society.”	“Capitalism creates unacceptable levels of inequality in our society”

For each question, we asked the public to give a score out of 100, with 100 meaning they “Totally agreed” with the statement, and 0 meaning they “Fully disagreed” with it.

The public were, on average, more critical of Capitalism, the average score for the positive statements was 51 out of 100, whilst the average score for the negative statements was 60 out of 100. In other words, on average, the public more strongly agreed with the negative than the positive statements.

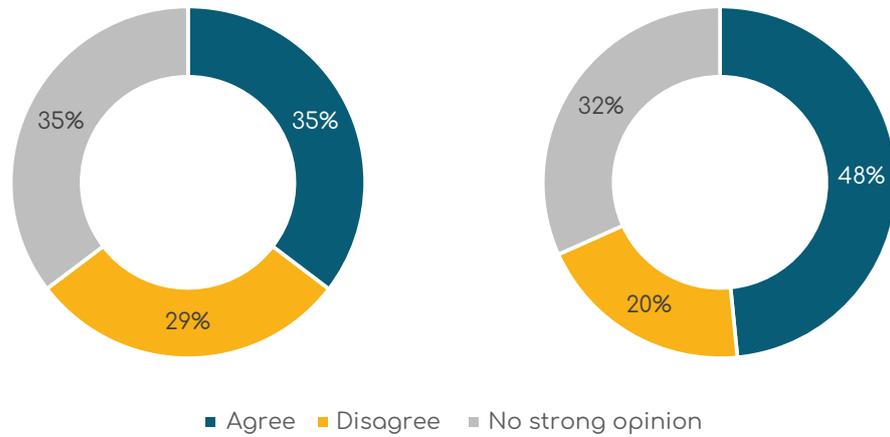
We combined the three positive and negative scores together to create two composite indicators of sentiment on Capitalism: a positive and a negative one.² Figure 1.4 shows the overall proportion of people agreeing or disagreeing positive and negative indicators.

² To categorise the scores, results in the range 0-40 were classified as ‘Disagree’, 40-60 were classified as ‘No strong opinion’ and 60-100 were classified as ‘Agree’.

Figure 1.4: The public more strongly agreed with the negative than the positive statements about Capitalism.

Proportion of people agreeing or disagreeing with POSITIVE statements about Capitalism

Proportion of people agreeing or disagreeing with NEGATIVE statements about Capitalism



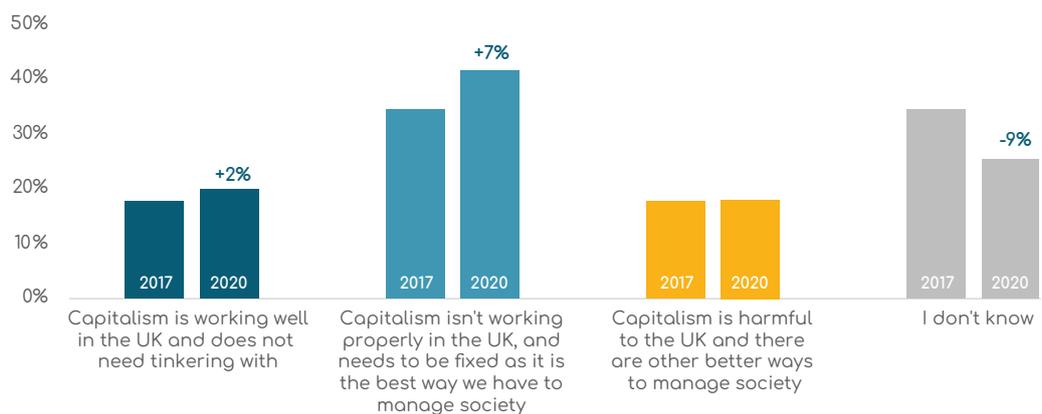
People are increasingly making up their mind on Capitalism.

People are increasingly making up their mind on Capitalism. Three years ago (YouGov, 2017), 33 percent of respondents did not express an opinion when asked whether Capitalism was working well or not. When we asked the identical question earlier this year, only 24 percent did not express an opinion. In other words, 9 percent of people who previously said they did not know what they thought, have now made up their mind.

The opinion of supporting Capitalism, but believing it needs to be fixed was the biggest benefactor of those coming off the fence, with an seven percentage point increase. Figure 1.5 shows the change in perception over time.

Figure 1.5: People are increasingly making up their mind on Capitalism, 2017 vs. 2020.

Which of the following comes closest to your view on Capitalism in Britain today?



1.2 Insights on business responsibility

The public do not think businesses are upholding their responsibilities on helping tackle social and environmental issues.

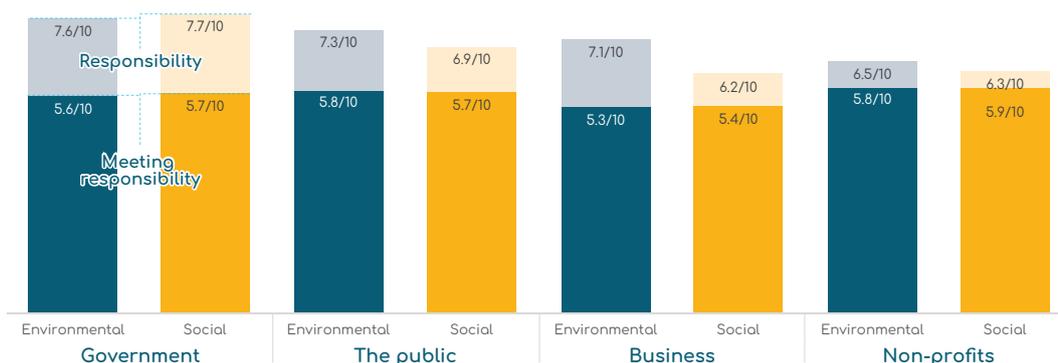
In the poll, we were keen to understand what responsibility the public felt business had towards social and environmental issues, and how much they felt they were upholding those responsibilities.

To achieve this, we asked two questions. The first asked the public, out of 10 how responsible they were for both social and environmental issues. A second question, asked them, again out of 10, how much they felt they were upholding their responsibilities (Figure 1.6).

The responses pointed towards a shared responsibility between actors to solve the complex problems and perhaps importantly, the public themselves said that they have just as much, if not more, responsibility as business.

Figure 1.6: The responsibility deficit - Measuring the responsibility the public believe sectors have towards society and the environment; relative to how much the public believe they are meeting those responsibilities.

On a scale of 0 to 10, where 0 is “no responsibility” and 10 is “completely responsible”, how much responsibility do you think each of the following has for tackling the environmental challenges the world is experiencing?



The public are most interested in how businesses look after their staff, with young people also focused on environmental issues.

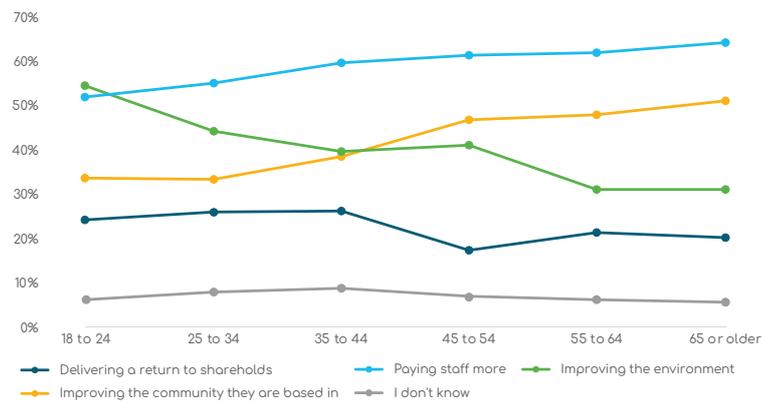
As well as seeking to understand the level of responsibility businesses had, we were also keen to know what kind of responsibilities the public were keen for them to focus on. We found that the most important focus for the UK public is often the way companies treat their staff. Environmental concerns were also prominent, especially for younger people.

We explored this through asking a couple of questions, one about what the public felt businesses should do with excess profits and another on what would sway buying decisions. We explore these below.

First, we asked people to imagine a company had excess profits, and asked them where they thought it should be spent, respondents could select up to two options. Figure 1.7 shows the percentage of people that would prioritise spending on these issues with the results broken down by age. The youngest age group put improving the environment as their priority, all other age groups put paying staff more. When considering the balance between social and environmental issues, there was an interesting generational divide, with younger people favouring action on the environment, while older people favouring improving the local community.

Figure 1.7: Young people place a higher significance on improving the environment, while older generations prioritise improving the community they are based in.

Imagine the scenario where a business has had a successful year and has some excess profit to use. Which of the following do you think they should spend it on? Select a maximum of two options.



When viewed across party affiliations there was general consensus and little variation on the priorities of each of the choices (Figure 1.8). The second most popular selection, after paying staff more, for Conservative voters was improving the community they are based in, while Labour and Liberal Democrat voters it was improving the environment. However, the responses were not significantly different to the average and the importance of both social and environmental issues were close to each other.

It is perhaps important to comment that we are not advocating to choose between tackling environment and social issues and that many initiatives can be aimed at solving both simultaneously.

Figure 1.8: Percentage of respondents that put the priority of issues in the top two choices when prioritising excess profits, by party affiliation.

Imagine the scenario where a business has had a successful year and has some excess profit to use. Which of the following do you think they should spend it on? Select a maximum of two options.

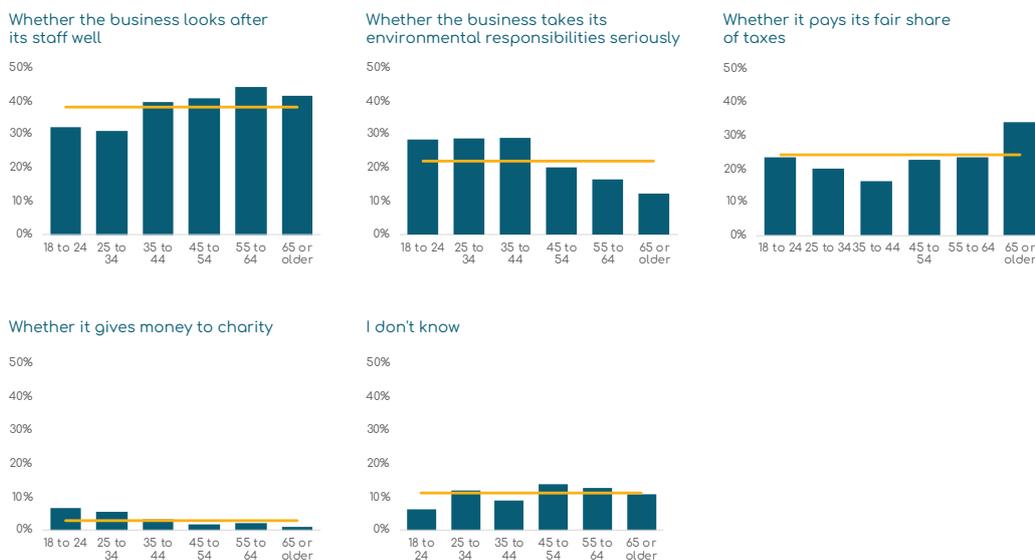
	Average	Conservative	Labour	Liberal Democrat
Paying staff more	59%	60%	61%	54%
Improving the community they are based in	42%	47%	40%	39%
Improving the environment	39%	33%	45%	49%
Delivering a return to shareholders	22%	24%	17%	24%
I don't know	6%	5%	7%	3%

We also asked the public what, all other things being equal, would most likely sway the their purchasing decisions on a product or service. Figure 1.9 shows how most of the public focused on how businesses look after their staff, with 41 percent of respondents saying this is the most important thing that would sway their decision. However, the importance of environmental issues was again a higher priority for millennials and generation Z.

A business paying its fair share of taxes was particularly important for those aged 65 or over, while very few people, of any age, thought that whether a company gave money to charity would sway their purchasing decision.

Figure 1.9: Percentage of respondents that are swayed by company behaviors, by age group.

Imagine a scenario where there are two companies that provide exactly the same product at the same price. Which of the following would be most likely to sway your purchasing decisions?



1.3 Insight on transparency

The UK public favour brands doing good in the world.

There is an opportunity for companies to lead the public on the purpose agenda, and benefit from increased brand loyalty by upholding their responsibilities towards the environment and society.

Across every age, gender, regional and political segment, those who expressed a view indicated that they were more likely to favour brands that are doing good in the world. Figure 1.10 shows that, on average, 53 percent of the population said they would be more likely to favour brands that they feel are doing good in the world. Only 11 percent disagreed.

Figure 1.10: The UK public favour brands doing good in the world.

To what extent do you agree with the following statement? I am more likely to favour brands that I feel are doing good in the world.

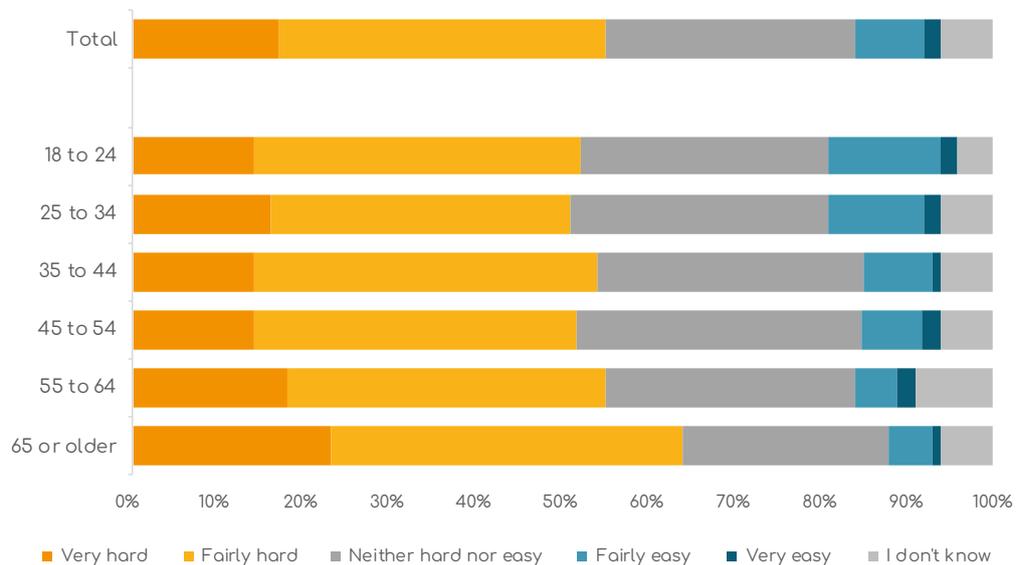


The public finds it hard to identify purpose-driven companies apart from those using purpose as a marketing tool.

The public, however, finds it hard to tell purpose-driven companies apart from those using purpose solely as a marketing tool. Figure 1.11 shows that when asking them how easy it is to tell if companies mean it when they say they want to improve the world in some way, 55 percent said they found it hard or very hard.

Figure 1.11: The public find it hard to tell apart purpose - driven companies from those using purpose as a marketing tool

A number of companies claim to be making the world a better place. When considering whether to work for, or buy from such companies, how easy do you find it to tell whether a company means what they say?



This was over five times higher than those who said it was easy to identify whether a company meant what they said on purpose. Younger people were more likely to think they could tell whether a company was delivering on their purpose: 15 percent of 18 to 24 year olds say they find it easy to tell whether a company means what it says compared with only six percent of over 65s.

This hints at the importance of companies being able to authentically demonstrate their purpose credentials.

A final comment on the polling

Within the heart of our polling we identified a paradox which is worth noting: while younger people tended to be more negative towards Capitalism they expected less of business (and government, non-profits and the public) than older generations.

For instance, just 16 percent of 18 to 24-year olds thought Capitalism was working well and did not need fixing, the lowest proportion across the age ranges. Yet, younger people were less likely than older age groups to believe that businesses should have a legal responsibility towards people and the planet, or that they had a responsibility to protect the natural environment or tackle social issues.

This trend appeared not just in business but across all sectors. Younger people were less likely to think that the government, the public and non-profits were responsible for tackling social or environmental issues than older people too.

This is perhaps a warning shot that trust with the younger generation needs to be earned, not just by business but by governments as well. We explore this in more detail in Chapter 3 where Millennials and Generation Z express clear favour in finding work that they consider to be meaningful. Equally, it could hint at a frustration at current systems and a level of disengagement from expecting government or business playing a major role in solving big social and environmental issues. This is, however, a best guess and something that we intend to explore in future polling and research, including exploring the relative levels of responsibility younger people place on business, government and others to help tackle social and environmental issues.



CHAPTER TWO

THE POWER OF BUSINESS TO DO GOOD

INTRODUCTION

Businesses have a remarkable potential to help tackle the great social and environmental issues of our age, whether it is poverty, racial injustice, climate change or something else.

This potential needs to be realised and leveraged like never before. The onset of Covid-19 has made sure of this by leaving a wake of social destruction in its path that will require everyone, including business, to play an active role in helping people to recover from it. Moreover, significant environmental issues, such as climate change, are not going away either.

Fortunately, there are many inspiring companies already blazing a trail, as this chapter shows. In it, we look at four areas where businesses are making a significant difference. Two of them are social issues that are likely to be made worse by Covid-19, and two of them are environmental issues that cannot be ignored if we are to set up future generations for success.

We have chosen these four areas to highlight the breadth of positive impact business can have. We recognise that there are many other areas worthy of focus, where business can have a huge role to play and will be looking to explore them in future publications.

Social issues

- Creating work opportunities for people and places that are often excluded
- Supporting good mental and physical health



Environmental issues

- Achieving Net Zero greenhouse gas emissions by 2050
- Creating a circular economy



2.1 CREATING WORK OPPORTUNITIES FOR PEOPLE AND PLACES THAT ARE OFTEN EXCLUDED

Lack of good work is one of the leading drivers of poverty and disadvantage. Not only does employment affect people's incomes, but it is also proven to have a marked effect on people's self-esteem, and their physical and mental health.³ Studies have even suggested that it is nearly impossible to be fulfilled in life without meaningful relationships, impact, and growth at work.⁴

While, in this age of Covid-19, the threat of unemployment is widespread, it is particularly keenly felt by those for whom structural barriers exist between them and good jobs. This can happen for many reasons, including someone's immutable characteristics, their background or where they live.

Immutable characteristics, rather than talent, can determine someone's opportunities in work. This can include the colour of someone's skin, their age, gender, religion or whether they have a disability or not. This is reflected in employment statistics showing, for example, that while unemployment for white people at the end of 2019 was three percent, it was eight percent for Black, African, Caribbean and Black British people; and over a third (36 percent) of those aged 50 and over think they have been discriminated against at work because of their age.^{5 6}

Barriers are also present for factors relating to someone's background, such as whether they have grown up in care, have a criminal record or been long-term unemployed. For example, only 17 percent of people who have been in prison have a PAYE job within a year and care leavers are over three-times more likely than average to be not in education, employment or training aged 19 to 21.^{7 8}

There are, too, particular regions, where local residents are far less likely to get a job, let alone a good one. These regions are largely concentrated in post-industrial districts in northern England and in coastal areas in southern England.

It is estimated that such "left behind" areas had only half as many available jobs as working age people, and that was before Covid-19.⁹ Figure 2.1 shows the visibility of the North-South divide across a number of metrics, including employment, unemployment, poverty and earnings.

This reality is a driving force behind the government's "levelling up" agenda, which seeks to help make sure that prosperity is generated throughout the country.

3 For example see Waddell G. and Burton A., Is work good for your health and well-being, 2006 (accessed via: [cardinal-management.co.uk/wp-content/uploads/2016/04/Burton-Waddell-is-work-good-for-you.pdf](https://www.cardinal-management.co.uk/wp-content/uploads/2016/04/Burton-Waddell-is-work-good-for-you.pdf))

4 2019 Workforce Purpose Index Pathways to Fulfillment at Work, Imperative, 2019 (accessed via [/static1.squarespace.com/static/55f3a1b7e4b0d34cd55076ac/t/5ce20b78c744f0001932bfe/1558318088657/Imperative+2019+Workforce+Purpose+Index-eccoh+APAC.pdf](https://static1.squarespace.com/static/55f3a1b7e4b0d34cd55076ac/t/5ce20b78c744f0001932bfe/1558318088657/Imperative+2019+Workforce+Purpose+Index-eccoh+APAC.pdf))

5 Francis-Devine, B., Unemployment by ethnic background, House of Commons Library, June 2020 (accessed via commonslibrary.parliament.uk/research-briefings/sn06385/)

6 Ageism and Age Equality (Great Britain), Age UK, August 2018 (accessed via www.ageuk.org.uk/globalassets/age-uk/documents/policy-positions/cross-cutting-issues/ageism-and-age-equality-pp-great-britain-august-2018.pdf)

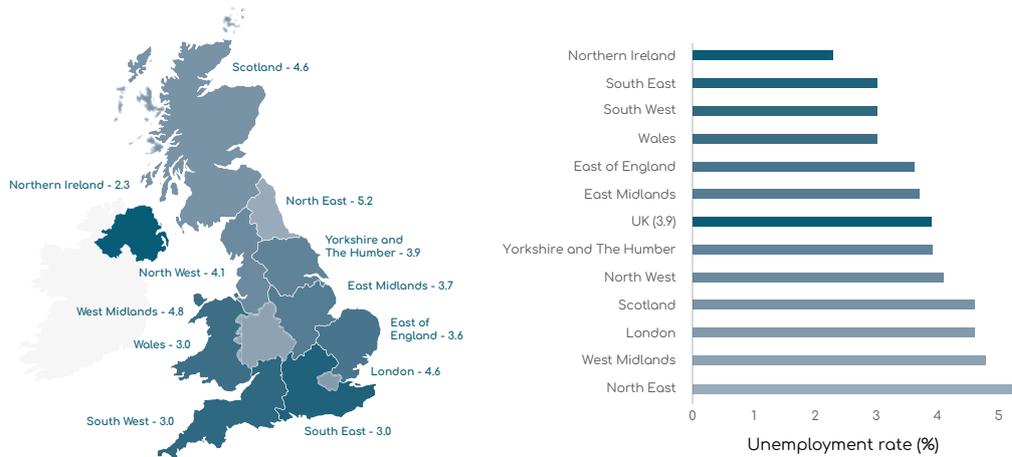
7 Employing prisoners and ex-offenders, Ministry of Justice, May 2018 (accessed via www.gov.uk/government/publications/unlock-opportunity-employer-information-pack-and-case-studies/employing-prisoners-and-ex-offenders)

8 Statistical report, Winter 2019-20 Home for Good, 2020 (accessed via www.homeforgood.org.uk/statistics/care-leavers#:~:text=35%25%20of%20care%20leavers%20aged%2019%20were%20NEET%20.&text=12%25%20of%20all%20care%20leavers%20aged%2019%20were%20parents)

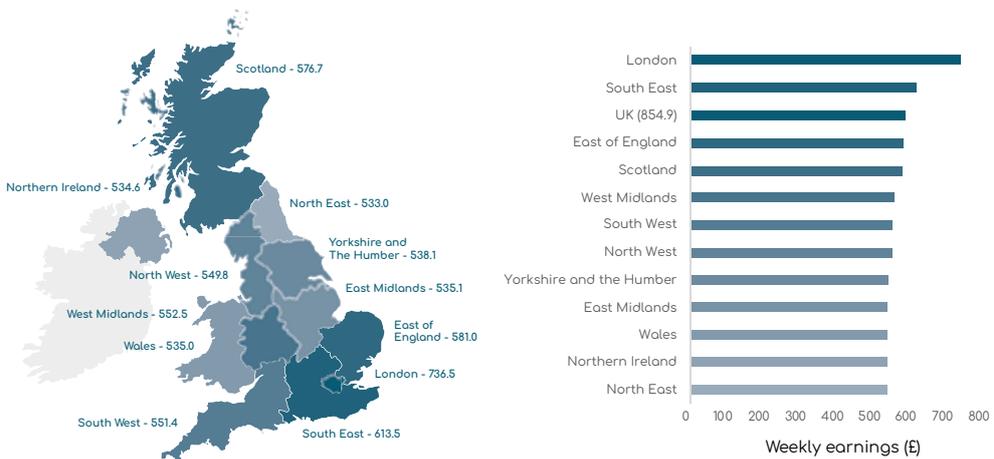
9 Left behind? Understanding communities on the edge, Local Trust, 2019, (accessed via localtrust.org.uk/wp-content/uploads/2019/08/local_trust_oci_left_behind_research_august_2019.pdf)

Figure 2.1: UK poverty statistics highlighting regional inequalities.

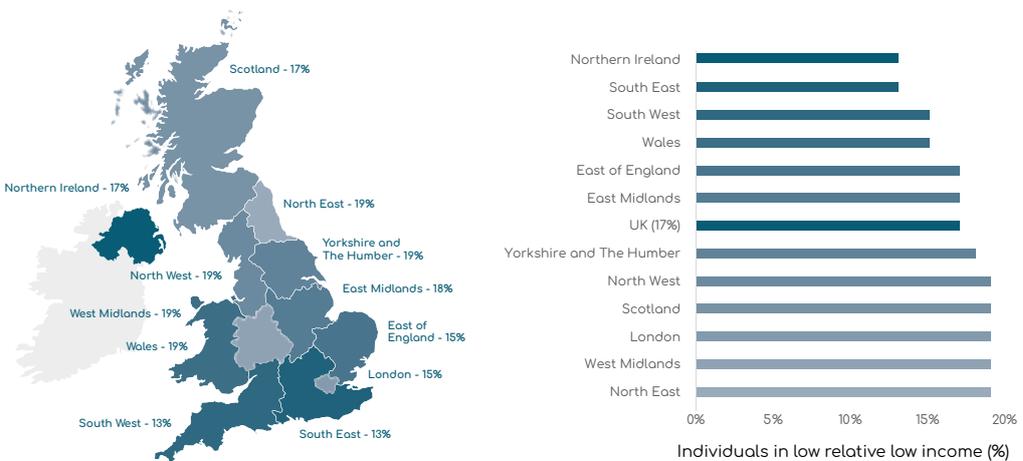
Unemployment rate in the UK, February to April 2020¹⁰



Weekly earnings¹¹



Individuals living in relative low income¹²



10 Office for National Statistics - Labour Force Survey <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/june2020>

11 Office for National Statistics <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/regionallabourmarket/june2020>

12 Source: DWP, Households Below Average Income, 2018/19, Briefing paper, June 2020 <https://researchbriefings.files.parliament.uk/documents/SN07096/SN07096.pdf>

Some people and places are often locked out of good job opportunities

KEY FIGURES

Black graduates are twice as likely to be unemployed as white graduates

Disparity in employment exists for all levels of qualification.¹³

One million over 50s locked out of work

A million people aged over 50 were locked out of work due to age discrimination.¹⁴

8% unemployment rate for Black, African, Caribbean and Black British people

Compared with 3% for white people.¹⁵

Only 17% in PAYE after prison

Only 17% of people were in PAYE employment a year after leaving prison.¹⁶

Female pay 8.6% lower than male pay

In 2018 the UK's average pay for full-time female employees was 8.6% lower than for full-time male employees.¹⁷

Coastal towns made up 5/10 of the local authorities with the highest unemployment rate (2017)¹⁸

Half the number of jobs as working age people

Some regions, which do not share in the economic growth and prosperity of a country, had only half as many available jobs as people of working age.¹⁹

¹³ Black, qualified and unemployed, TUC, 2016 (accessed via www.tuc.org.uk/sites/default/files/BlackQualifiedandunemployed.pdf)

¹⁴ More than a million older workers locked out of work due to age discrimination, MPs' report says, Independent, 2018 (accessed via www.independent.co.uk/news/business/news/age-discrimination-uk-work-old-jobs-women-equalities-committee-mps-a8450066.html)

¹⁵ Francis-Devine, B., Unemployment by ethnic background, House of Commons Library, June 2020 (accessed via commonslibrary.parliament.uk/research-briefings/sn06385/)

¹⁶ Education and Employment Strategy 2018, Ministry of Justice, May 2018 (accessed via www.gov.uk/government/publications/education-and-employment-strategy-2018)

¹⁷ Gender Pay Gap Reporting, CIPD, January 2020 (accessed via www.cipd.co.uk/Images/gender-pay-gap-reporting-2020_tcm18-19647.pdf)

¹⁸ Seaside towns among most deprived communities in UK, The Guardian, September 2017 (accessed via www.theguardian.com/inequality/2017/sep/04/seaside-towns-among-most-deprived-communities-in-uk)

¹⁹ Left behind? Understanding communities on the edge, Local Trust, 2019, (accessed via localtrust.org.uk/wp-content/uploads/2019/08/local_trust_oci_left_behind_research_august_2019.pdf)

2.1.1 Creating work opportunity for people and places that are often excluded post Covid-19.

The Covid-19 pandemic has had a quick and devastating impact on employment. Over nine million people are now (June 2020) reliant on the government furlough scheme for their income and the number of people claiming work-related benefits has shot up 126 percent to 2.8 million.²⁰

The UK government has taken unprecedented action to support businesses and jobs, by providing £330 billion worth of loans, £20 billion in other aid, a business rates holiday, and grants for retailers and pubs.²¹

With the furlough scheme due to end in October 2020, it is likely that unemployment will increase significantly over the coming months, and that it will be increasingly difficult for many people to find work, especially those suffering from pre-existing barriers to employment.

2.1.2 How business can provide work opportunities to often excluded people and places.

There are many ways in which businesses are playing an active role in tackling discrimination and inequality of opportunity within the labour market. We explore three areas below:

- Targeting specific groups of people for employment opportunities
- Adopting inclusive approaches to recruitment and leadership
- Creating jobs in areas that particularly need them

Targeting specific groups of people for employment opportunities.

There are a growing number of companies helping people who are often excluded from the labour market into good jobs through the way they advertise and reach out to them.

Many have sought to support people with criminal records into work. Virgin Trains launched an in-prison employability training programme to make prisoners job-ready on the day of release.²² Timpson has invested in a number of training academies within prison grounds, and around a tenth of their workforce is now made up of people with criminal convictions.²³ Marks & Spencer works closely with women's prisons HM Prison Send and HM Prison Styal, with employees using their charitable volunteering day to deliver employability and skills workshops to women offenders.²⁴ Finally, Greggs delivers training sessions in prisons for people who are nearing the end of a sentence and gives work experience to those who demonstrate potential as part of their 'Fresh Start' programme.²⁵

“At Greggs, we believe that by not overlooking any potential employees because of their past, we can select the right person and develop them to their full potential.”

Roisin Currie, Group People Director, Greggs²⁶

20 Coronavirus: Job cuts warning as 600,000 roles go in lockdown, BBC, June 2020 (accessed via www.bbc.co.uk/news/business-53060529)

21 Coronavirus: Chancellor unveils £350bn lifeline for economy, BBC, March 2020 (accessed via www.bbc.co.uk/news/business-51935467)

22 Virgin Trains launches prison employability training programme, October 2018 (accessed via www.virgin.com/news/virgin-trains-launches-prison-employability-training-programme)

23 The Timpson Foundation (accessed June 2020 via www.timpson-group.co.uk/timpson-foundation/ex-offenders/)

24 Marks & Spencer (accessed June 2020 via assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/85563/marks-spencer.pdf)

25 Giving people a Fresh Start, Greggs (accessed June 2020 via corporate.greggs.co.uk/social-responsibility/people/giving-people-a-fresh-start)

26 Employers who hire ex-offenders, HACRO, October 2019 (accessed via hacro.org.uk/employers-who-hire-ex-offenders/)

Recycling Lives, a waste management business, for which the founder won EY's Entrepreneur of the Year Award 2019, has designed a job creation and training programme for employees, which includes housing and training up people who have been homeless, and struggled with addictions.²⁷

Lloyds Banking Group has been one of a number of companies that have sought to ensure fair employment opportunities for people from ethnic minority backgrounds. They established their REACH network to connect, support and develop colleagues from an ethnic minority background. It now has over 3,000 members.²⁸

There has also been a concerted effort over the past few years to support women back into employment following maternity leave. For example, a growing number of companies have begun to adopt schemes to help them return to work at level at least as senior as when they left, through a mixture of coaching, mentoring and other support.²⁹ These so-called 'returnships' have risen in use from three employers in 2014 to 37 in 2017 to 83 in 2019.³⁰

Adopting inclusive approaches to recruitment and leadership.

Adopting an inclusive approach to recruitment is vital to ensuring that everyone is afforded fair and equal access to employment opportunities. It is also crucial for business success. Done well, it is the means by which someone is not judged by the colour of their skin, their gender, age or even the mistakes in their past, but on their ability to do the job. This is crucial not just at the point of recruitment, but in the way that a company is led to ensure that everyone's voice is heard, and promotion opportunities and other benefits are handled fairly.

Many companies have adjusted their recruitment processes to reduce bias and discrimination. In 2015 UK firms including **HSBC** and **Deloitte** agreed to go 'name blind', in attempts to address racial and gender bias.³¹ Businesses, such as the **Spectator Magazine** and **Ernst & Young** have gone a step further and become 'CV blind'. As Fraser Nelson, Editor of the Spectator, explains: "what really matters is what you can do - not what you have done. That's why CVs are of diminishing use."³²

Technology and new tools are emerging to help remove socioeconomic information from early stages of the recruitment process. Hiring technologists like **Applied** cite that this can lead to a far higher level of inclusion of ethnically diverse candidates.³³ Applied's customers include the likes of HM Government, Wellcome Trust and B-Lab, to name but a few.

To tackle discrimination against those with a criminal record, 145 UK employers, including **Barclays** and **Boots**, have signed up to the Ban the Box Campaign, which commits employers to remove the tick box on criminal records from application forms.³⁴

27 Residential Programme: Supporting men facing homelessness to regain their independence, Recycling Lives, 2020 (accessed via www.recyclinglives.com/social-value/residential-programme)

28 Ethnicity, Lloyds Banking Group (accessed June 2020 via www.lloydsbankinggroup.com/our-group/responsible-business/inclusion-and-diversity/ethnicity/)

29 Returnships: can the hiring programme help mothers return to work?, The Guardian, August 2018 (accessed via www.theguardian.com/careers/2018/aug/30/returnships-can-the-hiring-programme-help-mothers-return-to-work)

30 UK Returner Programmes, Women Returners (accessed June 2020 via womenreturners.com/employers/facts-figures/uk-returner-programmes-market-data/)

31 Some UK companies are removing job candidates' names from their applications, Business Insider, October 2015 (accessed via www.businessinsider.com/uk-name-blind-recruitment-2015-10?r=US&IR=T)

32 Nelson, F., The Spectator's 48-year-old intern shows why it's time to dispense with CVs, The Spectator, September 2017 (accessed via www.spectator.co.uk/article/the-spectator-s-48-year-old-intern-shows-why-it-s-time-to-dispense-with-cvs)

33 Glazebrook, K., What is blind hiring, Applied, March 2020 (accessed via www.beapplied.com/post/what-is-blind-hiring)

34 Ban the Box employers, Business in the Community, March 2020 (accessed via www.bitc.org.uk/wp-content/uploads/2020/03/BITC_Factsheet_Employment_BantheBoxemployers_March2020_V2.pdf)

Finally, a growing number of companies have become increasingly disability-inclusive in recent years. For example, **NetworkRail** not only promotes inclusive practice within its firm but also champions the cause across their local business community, networks and supply chain.³⁵ **Channel 4** currently offers the 4Mind mental health employee network and the 4Purple disability network and support groups.³⁶

Creating jobs in areas that particularly need them.

The UK has one of the most regionally unequal economies in the advanced world. As a result, several areas of the UK are without sufficient good job opportunities for those who live there.³⁷

Entrepreneurs and businesses are clearly central to providing these jobs. And while there are some good examples of companies that have purposely sought to create work in particular geographic locations, it is an area of social impact that has far fewer examples than the other issues covered in this paper. This will be crucial to change, if the UK is to be successfully “levelled up” over the coming years.

Many of those creating jobs in left behind areas have done so through incentive schemes set up by the Government. Enterprise Zones are at the heart of this, by supporting businesses with tax breaks and other benefits, 44 of which have been created since 2012.³⁸

Seajacks, a company that operates and maintains offshore installations, is one such business. It has created 220 jobs in Great Yarmouth.³⁹

“The range of benefits such as simplified planning, reduction from business rates for five years and the roll-out of superfast broadband means that we are committed to growing jobs in this area.”

Blair Ainslie, Managing Director, Seajacks⁴⁰

Anglian Water has focused on providing jobs to those not in employment, education or training (NEET) in the town of Wisbech. As our case study shows, they have developed local collaborations and played an active role in helping support Wisbech to thrive.⁴¹

35 Top 10 disability-inclusive employers 2018, Vercida Group, 2018 (accessed via employerblog.vercida.com/top-10-disability-employers-2018)

36 Vercida (accessed June 2020 via www.vercida.com/uk/employers/channel-4)

37 Levelling up: how wide are the UK's regional inequalities?, Financial Times, March 2020 (accessed via www.ft.com/content/c9db4c66-5971-11ea-a528-dd0f971febbc)

38 Looking for a place to grow your business?, HM Government (accessed June 2020 via enterprisezones.communities.gov.uk/about-enterprise-zones/)

39 Careers at Seajacks, Seajacks (accessed June 2020, via www.seajacks.com/careers/)

40 Looking for a place to grow your business?, HM Government (accessed June 2020 via enterprisezones.communities.gov.uk/about-enterprise-zones/)

41 A guide to community regeneration in Wisbech, Anglian Water, 2017 (accessed via www.anglianwater.co.uk/siteassets/household/about-us/community-regeneration-in-wisbech.pdf)

CASE STUDY

Anglian Water

Stated purpose

To bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop.

- ✓ Revenue of £1,420 million (2020)⁴²
- ✓ Pre-tax profit of £74 million (2020)⁴³
- ✓ They employ 5,000 people⁴⁴
- ✓ They provide water and water recycling services to six million people⁴⁵

Business

Anglian Water provides water and water recycling services to six million people, handling about a billion litres of water per day.⁴⁶ In 2019 they became the first water company to change its articles of association to include public interest into the way the board must run the business. Beyond delivering safe water, they have invested in drinking water quality, sustainable methods of cleaning wastewater and creating good jobs. They are the only water company to have achieved ISO standards for excellence in quality, environment and health and safety. In 2019 they achieved the top spot in Glassdoor's Best Places to Work.⁴⁷

Impact

- ✓ In 2013 Anglian Water focused on providing jobs to those not in employment, education or training (NEET) in the town of Wisbech. They funded the secondment of a senior manager into Business in the Community as a connector, also rallying senior leaders from their Tier 1 supply chain - 'The @one Alliance' - around the project.
- ✓ They helped secure the lease of a disused school building and transformed it into a community hub. 76 different services and groups are now delivering directly out of the hub, including a weekly jobs cafe offering advice on CV improvement, applications and interviews, and annual jobs fair. Through it they have helped over 2,000 people and secured 300 jobs.
- ✓ Anglian Water worked with the College of West Anglia to develop two new courses, with students guaranteed an interview with a @one Alliance partner on completion. By September 2017, they had 50 apprentices across two courses.⁴⁸

Key takeaways

- They invested in understanding people's needs, rather than assuming they knew what they needed. This was key to their success.
- They clearly defined the geographic location they wished to benefit with a project, which helped them have a high impact for those living there.
- Having a meaningful impact required deep collaboration with others in the community.

42 Anglian Water Services Limited Preliminary results, Anglian Water, June 2020 (accessed via file:///C:/Users/eddyb/Downloads/awsl-preliminary-results-31-march-2020%20(1).pdf)

43 Ibid.

44 Who we are, Anglian Water (accessed June 2020 via www.anglianwater.co.uk/about-us/who-we-are/#:-:text=Who%20we%20are,east%20of%20England%20and%20Hartlepool).

45 Ibid.

46 Ibid.

47 2019 Best Places to Work, Glassdoor (accessed June 2020 via www.glassdoor.co.uk/Award/Best-Places-to-Work-UK-2019-LST_KQ0,27.htm)

48 A guide to community regeneration in Wisbech, Anglian Water, 2017 (accessed via www.anglianwater.co.uk/siteassets/household/about-us/community-regeneration-in-wisbech.pdf)

CASE STUDY

Applied

Stated purpose

Make recruitment smart, fair and easy.

- ✓ 27 employees (March 2020)⁴⁹
- ✓ Tripled revenues in 2019
- ✓ Over 100 customers worldwide
- ✓ \$1m US annual recurring revenue
- ✓ £5m capital raised (Angel, social impact investors, and institutional investors)

Business

Applied, which was rolled out of the Behavioural Insights Team in 2016, seeks to make recruitment smart, fair and easy by baking the best research on predictive, bias-free hiring into tech. In addition to anonymising applications, Applied employs a host of other tools to guardrail against unconscious bias and make sure teams find the best person for the job, regardless of their background.

It has always been central to Applied that it identifies previously overlooked talent; in particular, to hire from across the whole talent pool, and avoid falling into the traps of hiring pedigree over talent.

When they were founded, they toyed with whether they should establish as a charity or a business. They decided on the latter, as they felt that successfully becoming the market leader in recruitment tech (and the scale that demands) would necessarily maximise the impact the platform could have.

Impact

- ✓ They have processed over 200,000 applications in five years and 60 percent of the successful hires would never have been hired through a typical CV sift, and they were statistically more likely to come from underrepresented groups.⁵⁰
- ✓ 96 percent first year retention rate, compared with 82 percent as an average.⁵¹
- ✓ 2-3x rate of hiring of ethnically diverse candidates into STEM organisations.⁵²

Key takeaways

- If you encode purpose into the DNA of your company, then there is no tension between living out your purpose and scaling, indeed they rely on each other.
- There is a significant win-win opportunity within recruitment, as recruiting on talent alone is better for potential employees and companies.

“The purpose of our business is encoded into not just our DNA as a company, but also in the way our technology works. This means that there is no tension between increasing our impact and scaling as a company.”

Kate Glazebrook, Co-founder of Applied

49 In conversation with ReGenerate, July 2020

50 Can we predict applicant performance without requiring CVs?, Applied website, June 2020 (Accessed via www.beapplied.com/post/can-we-predict-applicant-performance-without-requiring-cvs-putting-applied-to-the-test-part-1)

51 Here's What Your Turnover and Retention Rates Should Look Like, Glassdoor, September 2018 (Accessed via www.glassdoor.com/employers/blog/turnover-retention-rates/)

52 Improving racial and ethnic diversity in STEM: What impact does debiasing your hiring have?, Applied website, July 2020 (Accessed via www.beapplied.com/post/improving-racial-and-ethnic-diversity-in-stemm-what-impact-does-debiasing-your-hiring-have)

CASE STUDY

Timpson

Stated Purpose

Their primary goal is to provide high quality retail services for their customers. As part of this, they specialise in offering employment and management opportunities to ex-offenders and other marginalised groups, as well as facilitating career progression for all employees.⁵³

- ✓ £4.34 million profit in 2017/18⁵⁴
- ✓ 5,600 employees⁵⁵
- ✓ Over 10 percent of the company are ex-offenders⁵⁶

Business

Timpson employs over 5,600 people and owns 2,000 stores and 119 Snappy Snaps photographic service franchises in the UK and Ireland. Their services range from shoe repairs and key cutting to phone and tablet repairs.⁵⁷ Their motto is “Great Service by Great People” and they place a strong focus on employee wellbeing and customer service. They have been accredited with the Fair Tax Mark.⁵⁸

Impact

- ✓ They currently employ around 650 ex-offenders. This helps reduce reoffending rates significantly and gives people a second chance.
- ✓ During Covid-19, furloughed employees have been paid 100% of their pay.⁵⁹

Take-aways

- There is a strong link between purpose and commercial success.
- Someone’s background isn’t necessarily a good indicator as to whether they will be good in a job.

53 Timpson Website (accessed June 2020 via www.timpson.co.uk/about-timpson)

54 Strategic report, Director’s report and financial statements for the period 1 October 2017 to 29 September 2018, Companies House

55 Timpson Website (accessed June 2020 via www.timpson.co.uk/about-timpson)

56 The Timpson Foundation (accessed June 2020 via www.timpson-group.co.uk/timpson-foundation/ex-offenders/)

57 Timpson Website (accessed June 2020 via www.timpson.co.uk/about-timpson)

58 Timpson Group gain Fair Tax Mark at opening of Fair Tax Fortnight, FairTax, June 2018 (accessed via fairtaxmark.net/high-street-favourite-timpson-gain-fair-tax-mark-at-opening-of-uks-first-fair-tax-fortnight)

59 Ibid.

CASE STUDY

Recycling Lives

Stated Purpose

They provide waste management solutions to increase recycling and reuse, and do so in a way that provides not only financial return but social return through helping ex-offenders and those who have been homeless to turn their lives around and get back into employment, often at Recycling Lives.⁶⁰

- ✓ £75 million in sales in 2017⁶¹
- ✓ EBITDA of £10.5 million⁶²
- ✓ Employs 130 people⁶³
- ✓ Founder was the EY Entrepreneur of the Year UK 2019⁶⁴

Business

Recycling Lives provides commercial waste management and scrap recycling for blue-chip corporations and local authorities. The company considers creating social and environmental value as important as creating commercial value. It combines commercial operations with support for offender rehabilitation, tackling homelessness and food poverty.

Impact

- ✓ They provide customers with a social value report with their contract, so they can provide evidence the social impact of each contract.⁶⁵
- ✓ Over the past three years, they have reported £17.3m of social value created through savings to society, including:
 - ✓ The ex-offenders they work with have a reoffending rate of just four percent.
 - ✓ They have provided over one-million meals a year to families suffering from food poverty.
 - ✓ They have assisting homeless people into employment and stable accommodation.

Take-aways

- Purpose can be an effective tool to win more business.
- Purpose can spur productivity gains.

“Our purpose wins us business. Recycling Lives was created to generate both profit and social value; it is these two components, sharing equal importance that defines the purpose of our brand.”

Steve Jackson, CEO of Recycling Lives⁶⁶

⁶⁰ Recycling Lives website (accessed June 2020 via www.recyclinglives.com/)

⁶¹ Recycling Lives Boosts turnover to £75m, Resource, January 2019 (resource.co/article/recycling-lives-boosts-turnover-75m-13029)

⁶² LetsRecycle.Com website, January 2019 (accessed via www.letsrecycle.com/news/latest-news/recycling-lives-reports-increased-sales/#:~:text=In%20financial%20results%20published%20today,to%20over%20%C2%A310.5%20million.)

⁶³ Recycling Lives website (accessed June 2020 via www.recyclinglives.com/news/general/more-employment-opportunities#:~:text=Recycling%20Lives%20currently%20employs%20over,be%20found%20at%20recyclinglives.com.)

⁶⁴ Recycling Lives' founder named UK's Entrepreneur of the Year, Business Lancashire, November 2019 (accessed via businesslancashire.co.uk/2019/11/11/recycling-lives-founder-named-uks-entrepreneur-of-the-year/)

⁶⁵ In conversation with ReGenerate May 2020

⁶⁶ In conversation with ReGenerate January 2020

2.2 PROMOTING GOOD PHYSICAL AND MENTAL WELLBEING

The wellbeing of its people - their comfort, health and happiness - is critical to a prosperous and flourishing society. It is also critical if a business is to prosper.

There are, however, significant mental and physical wellbeing issues in the UK population. For example, around a quarter of people in the UK will experience a mental health problem each year and six percent of the population live with diabetes.^{67 68}

When society and business do not get it right, poor wellbeing can stop people from making the most of their lives. It can rob individuals and their loved ones of joy, as well as erode productivity at work. At the same time, the creation of products and services that improve health and well-run businesses, can have a remarkably positive effect on people's lives.

Areas where business can make a difference on wellbeing

KEY FIGURES

1/4 experience mental health problems

A quarter of people in the UK experience a mental health problem each year.⁶⁹

Over half of Brits lonely

54% of Britains' admitted to feeling lonely at work, and that was before Covid-19.⁷⁰

141 million lost days

In 2018, an estimated 141 million working days were lost because of sickness or injury in the UK.⁷¹

Mental health and stress

A study found mental ill health and stress as the two leading causes of long-term absences.⁷²

67 Mental health facts and statistics, Mind (accessed June 2020 via www.mind.org.uk/information-support/types-of-mental-health-problems/statistics-and-facts-about-mental-health/how-common-are-mental-health-problems/)

68 Diabetes Prevalence, Diabetes.co.uk, January 2019 (accessed via www.diabetes.co.uk/diabetes-prevalence.html)

69 Mental health facts and statistics, Mind (accessed June 2020 via www.mind.org.uk/information-support/types-of-mental-health-problems/statistics-and-facts-about-mental-health/how-common-are-mental-health-problems/)

70 Henning, A., Over half of Brits suffer from loneliness in the workplace, CV Library, 2019 (accessed via www.cv-library.co.uk/recruitment-insight/brits-suffer-loneliness-workplace/)

71 Sickness absence in the UK labour market: 2018, Office for National Statistics, 2019 (accessed via ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/articles/sicknessabsenceinthelabourmarket/2018#which-groups-have-the-highest-sickness-absence-rates)

72 Health and wellbeing at work survey, CIPD, 2019 (accessed via cipd.co.uk/Images/infographic-health-and-wellbeing-2019_tcm18-56171.pdf)

2.2.1 Good mental and physical wellbeing after Covid-19.

The Covid-19 crisis has had a significant impact on people's wellbeing. One in five Brits are worried about the impacts of isolation and how the crisis will affect their mental wellbeing. Over a quarter (28 percent) of women say they are concerned about mental illness during the current pandemic, and 13 percent of men.⁷³

The impact is even more severe for essential workers. Half of health workers say their mental health had deteriorated during the crisis.⁷⁴ This was even higher (71 percent) for younger health workers (aged 18-24).⁷⁵ It is fair to imagine that other essential workers face similar mental stress as they keep essential services available.

Many, however, believe this to be just the tip of the iceberg. There are fears that the Covid-19 pandemic could have a "profound" and "pervasive impact" on global mental health.⁷⁶ This will likely be particularly true for those who find themselves unemployed and unable to find new work and for the many suffering isolation and loneliness as a result of the lockdown.

In addition to the psychological impact of the disease, it is also clear that Covid-19 may cause lingering physiological problems. To make space to tackle Covid-19, routine operations, from knee replacements to cancer treatment, were put on hold.⁷⁷

2.2.2 How business can promote good mental and physical wellbeing.

Businesses play a key role in promoting wellbeing, both through the way they do business and also by providing helpful products and services that tackle issues of poor mental and physical health. We explore these two areas below.

Creating happy and healthy workplaces.

Happy and healthy workplaces boost wellbeing for staff. Workplaces interventions have been found to increase productivity, decrease costs and reduce absenteeism.⁷⁸

UK businesses are increasingly investing in wellbeing programmes, doubling investment into the wellness industry over the last 12 months.⁷⁹ Two businesses that are increasingly investing in wellbeing are **Bupa** and **Innocent Drinks**, which is a B Corporation.

Bupa, which employs 83,000 people, has designed the Bupa Performance Energy program, which is designed to help employees take better care of themselves.⁸⁰ Though it's hard to measure the direct effects of this programme, their employee satisfaction is substantial enough that Bupa UK has been named in the top five most sought-after places to work in the UK in LinkedIn's 2019 Top Companies List.⁸¹

⁷³ Ibid.

⁷⁴ Campbell, D., Half of UK health workers suffering stress because of Covid-19, The Guardian, 2020 (accessed via www.theguardian.com/society/2020/apr/23/half-of-uk-health-workers-suffering-stress-because-of-Covid-19)

⁷⁵ Half of health staff say mental health has deteriorated because of coronavirus pressures, Personnel Today, April 2020 (accessed via www.personneltoday.com/hr/half-of-health-staff-say-mental-health-has-deteriorated/)

⁷⁶ Prof Holmes, E. et al., Multidisciplinary research priorities for the COVID-19 pandemic: a call for action for mental health science, The Lancet, June 2020 (accessed via www.sciencedirect.com/science/article/pii/S2215036620301681?via%3Dihub)

⁷⁷ 'Unlike anything seen in peacetime': NHS prepares for surge in Covid-19 cases, The Guardian, March 2020 (accessed via www.theguardian.com/world/2020/mar/13/unlike-anything-seen-in-peacetime-nhs-prepares-for-surge-in-Covid-19-coronavirus-cases)

⁷⁸ For example see Dugdill, Lindsey & Brettle, Alison & Hulme, Claire & Bartys, Serena & Long, Andrew, Workplace physical activity interventions: A systematic review. International Journal of Workplace Health Management, 2008 (accessed via pure.hud.ac.uk/en/publications/workplace-physical-activity-interventions-a-systematic-review) and The case for linking employee wellbeing and productivity, Personnel Today, January 2018 (accessed via www.personneltoday.com/hr/case-linking-employee-wellbeing-productivity)

⁷⁹ Baker, L., UK Businesses investing more into corporate wellness, Wellbeing News, 2020 (accessed via wellbeingnews.co.uk/news/uk-businesses-investing-more-into-corporate-wellness/)

⁸⁰ Bupa website (accessed June 2020 via www.bupa.com/corporate/what-we-do/employee-wellbeing)

⁸¹ Bupa UK recognised amongst top 5 companies where people want to work, Bupa, April 2019 (accessed via www.bupa.com/newsroom/news/bupa-top-5-companies-to-work)

Innocent drinks, which employs around 300 people, introduced a range of perks to reduce employee workplace stress and boost wellbeing.⁸² This includes flexible working hours, free breakfast, a free gym membership to encourage workers to be healthy and happy through exercise, and various mental health resources, including a confidential employee assistance programme.⁸³ This has been acknowledged with its being awarded the number three place on the Sunday Time 2018 list of top companies to work for.⁸⁴ In a recent interview, Innocent's head of HR said: "The wording of our purpose and vision has evolved a bit as we've grown, but it's always been about making it easy for people to do themselves good."⁸⁵

Providing products and services that promote better wellbeing.

UK businesses have created considerable shared value through innovative products and services that both promote better wellbeing. This has created a huge healthcare, fitness and wellness market that was estimated to reach over £200 billion in 2020.⁸⁶ The fitness and wellness market reached £23 billion on its own in 2018.⁸⁷

Innovative products and services seek to address many different wellness issues, including stress, anxiety, and other mental health challenges, health promotion and education, women's health and various challenges due to disability.

Big White Wall is helping everyone get access to online support to help tackle mental health issues,⁸⁸ while **Soma Analytics** is providing employers with tools and mechanisms to improve their employee's well-being. Their flagship product, Kelaa, measures and analyses psychological stress through an individual's sleep and speech. It then provides a tailored 14-day program to improve mental resilience. A study showed that after just three weeks of using Kelaa, employees showed signs of reduced stress. This led in turn to higher productivity, lower absenteeism, and lower attrition rates.⁸⁹ **The Mobile Health MOT Company** focuses on prevention through private health checks & workplace health checks and screening across the UK.⁹⁰

There is also growing innovation in the field of women's health, specifically designed to boost wellbeing. **Elvie** is a leading company in this area. They started their journey with two products, a pelvic trainer and the world's first silent wearable breast pump.⁹¹

There is also a growing market around supporting people with disabilities to flourish in life. For example, **Open Bionics** is a technology company with a mission to "turn disabilities into superpowers". The Hero Arm is the world's first clinically approved 3D-printed bionic arm, with multi-grip functionality and empowering aesthetics. It is also considerably cheaper than other prosthetics on the market and is available for amputees as young as nine.⁹²

82 [Owler.com](https://www.owler.com/company/innocentdrinks) website (accessed July 2020 via www.owler.com/company/innocentdrinks)

83 Murray, M., Best companies in the UK for prioritising the mental health of staff, *Stylist*, 2020 (accessed via www.stylist.co.uk/life/careers/best-uk-companies-supporting-staff-mental-health-awareness-innocent-smoothies/207271)

84 The 10 best companies to work for in the UK, *The I*, February 2018 (accessed via [inews.co.uk/news/innocent-drinks-company-named-third-best-company-work-uk-129304](https://www.inews.co.uk/news/innocent-drinks-company-named-third-best-company-work-uk-129304))

85 Smoothie does it: HR at Innocent Drinks, *HR Magazine*, January 2020 (accessed via www.hrmagazine.co.uk/article-details/smoothie-does-it-hr-at-innocent-drinks#comment)

86 Capture the growth: The opportunities for new entrants in healthcare and wellbeing, PwC, 2016 (accessed via www.pwc.co.uk/healthcare/pdf/health-new-entrants.pdf)

87 Cook, C., Passion or profit: What should motivate the wellness industry?, *Startups*, 2020 (accessed via startups.co.uk/wellness-industry-passion-or-profit/#trends)

88 Big White Wall website (accessed June 2020 via www.bigwhitewall.com)

89 Soma Analytics website (accessed June 2020 via soma-analytics.com)

90 Mental Health MOT website (accessed June 2020 via www.mobilehealthmot.co.uk/)

91 Elvie website (accessed June 2020 via www.elvie.com/about/company)

92 Li, J., A Wearable Rehabilitation Device for Paralysis. Paris, Emerging Technologies and Innovative Business Practices for the Transformation of Societies (EmergiTech), Conference: In Proceedings of the 2nd International Conference on Computer-Human Interaction Research and Application, September 2018 (accessed via www.researchgate.net/publication/327387513_Wearable_Mind_Thoughts_Controlled_Open_Source_3D_Printed_Arm_with_Embedded_Sensor_Feedback_System)

CASE STUDY

Diabetes Digital Media

Stated Purpose

Providing scalable, engaging and effective digital solutions with peer-reviewed, published health and engagement outcomes.⁹³

- ✓ 1.4m members⁹⁴
- ✓ 190 countries⁹⁵
- ✓ Hosts the world's largest diabetes support community⁹⁶

Business

Diabetes Digital Media (DDM) provides evidence-based digital health technologies that are clinically validated to improve patient and population health, offering a suite of behaviour change platforms to instigate and sustain long-term behaviour change.

They are the preferred vendor for digital solutions to Swiss Re and Gen Re, two of the world's top five reinsurers. DDM was selected due to the science and rigour of their evidence-based approach.⁹⁷

Their first service, Diabetes.co.uk, has transitioned from being an unmoderated peer-support platform, to the world's largest diabetes support community which has given DDM an unrivalled insight into the needs of people with long-term health conditions.

Impact

- ✓ Contributed to the discovery that Type 2 diabetes can go into remission, through data collection and use of AI on their Diabetes.co.uk platform.⁹⁸
- ✓ GPs can now provide higher quality monitoring more efficiently, through a dashboard. A doctor can review how someone is progressing and suggest timings for adjustments based on two-way data sharing.⁹⁹
- ✓ Proven, peer-reviewed outcomes of their Low Carb Program demonstrate half reduce diabetes medications and a quarter achieve type 2 diabetes remission in a year.¹⁰⁰ The first 250,000 members were not charged - a win-win as individuals accessed the service free, and DDM was able to collect data proving the solution worked.

Key takeaways

- A focus on digital solutions has kept DDM's offering cost effective and globally scalable, and supported data collection which has led to new discoveries and innovation.
- Seeking the win wins and gain sharing has united actors around joint pursuit of profit and purpose.

⁹³ DDM website (access June 2020 via <https://ddm.health/>)

⁹⁴ In conversation with ReGenerate, July 2020

⁹⁵ DDM website (access June 2020 via <https://ddm.health/about/>)

⁹⁶ In conversation with ReGenerate, July 2020

⁹⁷ Ibid.

⁹⁸ Ibid.

⁹⁹ Ibid.

¹⁰⁰ Ibid.

CASE STUDY

Big White Wall

Stated purpose

To improve the mental health and wellbeing of the UK population and beyond.

- ✓ 80+ employees¹⁰¹
- ✓ £5M+ revenue
- ✓ 160+ Commissioning Organisations

Business

Big White Wall (BWW) provides a 24/7 digital mental health service through its online platform, and access to a supportive network of peers and mental health professionals. 12 million people in the UK are eligible for free access through over 160 commissioning organisations including NHS trusts, Local Authorities, universities and colleges, employers and the Armed Forces. Their core principles are access for many, measurable impact and self-sufficiency of their business model. Their CEO, Henry Jones, believes that their purpose is key to their success. He is particularly excited by the way tech businesses can solve difficult issues by creating game changing models.

“our metrics are those of a high performing SaaS business - we can compete on financial performance and have an amazing purpose”.

Henry Jones, CEO

Impact

- ✓ One in four people in the UK experience a mental health issue each year, with around three in four receiving no support. With a covered population in the UK of over 12 million people, BWW has helped 215,000 people, with around 10,000 signing up each month. Next year they estimate they will help 120,000 people. Seven in ten members join for immediate access, demonstrating the power of ‘always on’ mental health support. Three-quarters experience a mental health wellness gain with over half feeling less isolated after using the service.
- ✓ BWW also has positive benefits for commissioning organisations - based on member feedback it is estimated that BWW will save the NHS over £15 million in a reduction of visits to GPs or AE and save employees over £4 million in days lost to sick leave. In the wake of Covid-19, BWW has seen a huge spike in activity (registrations have doubled and member activity has increased four-fold) with around half of the activity in the community now being anxiety caused by the pandemic.

Key takeaways

- It is important to measure impact across different stakeholders to identify and demonstrate the win-wins.
- The importance of leaders and investors caring personally and deeply about the organisation's purpose - all else flows from here.

¹⁰¹ In conversation with ReGenerate May 2020

2.3 ACHIEVING NET ZERO GREENHOUSE GAS EMISSIONS BY 2050

Climate change is impacting the UK, and wider world, right now. The impacts of flooding and coastal change in the UK for communities, businesses and infrastructure are already significant and will only increase. The heatwaves that are increasingly common will become the norm, negatively affecting health, wellbeing, and disrupting regular agricultural cycles. What is more, those most affected, for example people living on floodplains, are typically some of the poorest people in society.

“Pathways limiting global warming to 1.5°C with no or limited overshoot would require rapid and far-reaching transitions in energy, land, urban and infrastructure, and industrial systems.”

Intergovernmental Panel on Climate Change Special report on Climate Change, 2018

In June 2019, the UK Government set the target to be Net Zero of greenhouse gas emissions (GHG) by 2050. The implications of the Net Zero target for business are significant. Whole sectors and industries will need to undergo major transitions, as pointed out in the government’s clean growth focus in its modern Industrial Strategy.¹⁰² Broad efforts to decarbonise the economy could see the number of “green collar jobs” grow to two million and the value of exports from the low carbon economy grow to £170 billion a year by 2030.^{103 104}

¹⁰² Clean Growth Strategy, HM Government, April 2018 (accessed June 2020 via www.gov.uk/government/publications/clean-growth-strategy/clean-growth-strategy-executive-summary)

¹⁰³ Green investment and a predicted 2 million ‘green collar’ jobs by 2030: Green GB Week successes, Astute, 2018 (accessed June 2020 via www.astute-technical.co.uk/blog/2018/10/green-investment-and-a-predicted-2-million-green-collar-jobs-by-2030-green-gb-week-successes)

¹⁰⁴ Clean Growth Strategy, HM Government, April 2018 (accessed June 2020 via www.gov.uk/government/publications/clean-growth-strategy/clean-growth-strategy-executive-summary)

ACHIEVING NET ZERO GREENHOUSE GAS EMISSIONS BY 2050

KEY FIGURES

+0.9°C temperature rise

The average global temperature has risen by 0.9 degrees Celsius, between 1993 and 2016.¹⁰⁵

8 inches in 100 years

Sea levels have risen by about 8 inches in the past 100 years.¹⁰⁶

90% of CO₂ emission

Fossil fuels and industry created nearly nine in ten of all CO₂ emissions (2018)¹⁰⁷ and they are currently catering for over 85% of our energy consumption.¹⁰⁸

134 million tonnes CO₂ reduced

The UK has reduced the amount of carbon dioxide it emits by 134 million tonnes since 2010.¹⁰⁹

364 million tonnes CO₂ produced

The UK produced 364 million tonnes of carbon dioxide in 2018.¹¹⁰

75 - 175 million tonnes

In order to achieve Net Zero it is likely that between 75 and 175 million tonnes of greenhouse gases will have to be removed by carbon capture and storage technology alone.¹¹¹ For comparison, the UK's biggest carbon capture plant is set to capture just 16 million tonnes by the mid-2020s.¹¹²

0% coal in the UK energy mix

By June 2020, the UK achieved a new record of 67 days without coal power.¹¹³

105 Vital Signs of the Planet - Climate Change: How Do We Know?, Nasa (accessed June 2020 via climate.nasa.gov/evidence/)

106 Ibid.

107 Fossil fuels and climate change: the facts, Client Earth, Dec 2019 (Accessed June 2020 via www.clientearth.org/fossil-fuels-and-climate-change-the-facts/)

108 Ritchie H., Energy, Our world in data (accessed via ourworldindata.org/energy#energy-consumption-by-source)

109 2018 UK greenhouse gas emissions, provisional figures, Department for Business, Energy and Industrial Strategy, 2018 (accessed via assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/790626/2018-provisional-emissions-statistics-report.pdf)

110 Ibid.

111 Net Zero and the different official measures of the UK's greenhouse gas emissions, ONS, July 2019 (accessed June 2020 via www.ons.gov.uk/economy/environmentalaccounts/articles/netzeroandthedifferentofficialmeasuresoftheuksgreenhousegasemissions/2019-07-24#net-zero-can-be-achieved-by-emission-reduction-and-removal)

112 Ambrose J., UK's biggest carbon capture project is step-change on emissions, The Guardian, Jun 2019 (accessed via www.theguardian.com/environment/2019/jun/27/uks-biggest-carbon-capture-project-is-step-change-on-emissions)

113 Energy insights, Drax (accessed via electricinsights.co.uk/)

2.3.1 Net Zero after Covid-19.

The Covid-19 crisis has sharpened public opinion on the need for urgent action to address climate change. A survey in April, by pollsters Opinium, found that just under half (48 percent) of the public think the Government should respond “with the same urgency to climate change as it has with Covid-19”, with just 28 percent saying it should not.¹¹⁴ In short, the public wants the government and business to prioritise this and fight climate change.

The pandemic, through shutting down large swathes of the economy, has reduced climate emissions. In London alone, carbon dioxide emissions are said to have dropped 59 percent in May compared with the long-term average for this time of year, although this has since rebounded.^{115 116}

A sharpening of public opinion for urgent action and the potential for the UK Government to focus its recovery efforts on green growth, could offer great opportunities for businesses to help accelerate the shift to Net Zero post Covid-19.

2.3.2 How business can help achieve Net Zero.

Businesses create huge levels of greenhouse gas emissions in the production of products and services that fuel the modern way of life. They are also the engines of innovation to find solutions to climate change.

We explore four key areas where business can make a significant contribution towards helping the UK reach Net Zero by 2050:

- Decarbonising the energy network
- Decarbonising the transport network
- Improving the energy efficiency of homes and buildings
- Innovating new approaches to capture excess carbon

Decarbonising the energy network.

The UK is on its way to transition to a decarbonised electricity network. Last year (2019) was the greenest on record for the country’s energy system as UK electricity generated with zero carbon outstripped that from fossil fuels for the first time.¹¹⁷ The pandemic has pushed the share of renewables even higher, although the effect is temporary: from 10 March to 10 April UK renewables made up 43 percent of energy generation.¹¹⁸

Leading UK companies, such as **Ovo Energy**, **Bulb**, **Green Energy UK**, **NPOWER**, **Ecotricity** and **Octopus Energy**, are playing a critical role in this transition. UK energy companies are phasing out coal-powered energy and investing more heavily in technologies and projects that will transition the UK to a Net Zero electricity network.

A number of UK companies from outside the energy sector are also doing their part.

¹¹⁴ Public want radical response to climate change with same urgency as coronavirus, poll finds, The Independent, April 2020 (accessed via www.independent.co.uk/environment/climate-change/coronavirus-climate-crisis-uk-government-poll-environment-a9467371.html)

¹¹⁵ London carbon emissions fall by 59% during COVID-19 lockdown, University of Reading, May 2018 (accessed via phys.org/news/2020-05-london-carbon-emissions-fall-covid.html)

¹¹⁶ Supplementary data: Temporary reduction in daily global CO2 emissions during the COVID-19 forced confinement, ICOS, June 2019 (accessed July 2020 via www.icos-cp.eu/gcp-covid19/)

¹¹⁷ Britain hits historic clean energy milestone as zero carbon electricity outstrips fossil fuels in 2019, National grid, January 2019 (accessed via www.nationalgrid.com/britain-hits-historic-clean-energy-milestone-zero-carbon-electricity-outstrips-fossil-fuels-2019#:~:text=Data%20released%20by%20National%20Grid,8.5%25%20was%20generated%20by%20biomass.)

¹¹⁸ European responses to Covid-19 accelerate the electricity system transition by a decade, Wärtsilä, April 2020 (accessed via news.wartsila.com/wartsila-corporation/r/european-responses-to-Covid-19-accelerate-the-electricity-system-transition-by-a-decade-according-t,c3090780)

Big names such as Arsenal FC and Marks & Spencer have moved to 100 percent green electricity.^{119 120}

Decarbonising the transport network.

There is much still to do to decarbonise the UK transport network. Transport became the largest emitting sector of GHG emissions in 2016. In 2018 it accounted for 28 percent of all emissions; with passenger cars accounting for 55 percent of transport emissions.¹²¹ Though at the end of 2019, electric car sales shot up by 220 percent, this still accounted for only 1.6 percent of the market.¹²²

Businesses have a huge role to play in making this a reality. And some already are. For example, **Citymapper**, a leading mobility as a service platform, uses open data, mobile, and payment technology to make transport sustainable and hassle-free.¹²³ UK start-up **RiverSimple** has developed one of the most advanced hydrogen powered vehicles in the world in its pursuit to create mobility with zero environmental impact.¹²⁴ While **Jaguar Land Rover** and **Aston Martin** have stated their ambition to produce hybrid and electric systems and electric batteries respectively.¹²⁵

Every UK business that has a vehicle fleet can support this transition. UK businesses are expected to invest £12 billion to decarbonise their corporate fleets in response to the UK Government's pledge to ban new petrol, diesel and hybrid cars by 2035.¹²⁶ This is supported by over 160 UK Companies, including **Britvic**, **Gatwick Airport**, and **Santander UK**, that have joined the **Go Ultra Low** campaign to increase the number of electric vehicles in company fleets.¹²⁷

Improving the energy efficiency of homes and buildings.

UK homes produce between 30 to 40 percent of the UK's total carbon emissions.¹²⁸ A lot of this comes from homes and buildings that are not well-adapted for the current or future climate. This leads to excessive energy use due to inefficient heating systems in the winter and poor insulation in the summer.¹²⁹

The first challenge to create Net Zero homes and buildings is retrofitting existing homes and buildings so that they are low-carbon and resilient. Businesses such as **Energiesprong**, which takes a revolutionary approach to deliver Net Zero house refurbishments in less than 10 days. Such approaches have not only saved carbon emissions, but also reduced energy costs.¹³⁰

The second challenge is building low-carbon, energy and water efficient, and climate

119 Join Arsenal in the switch to renewable energy, Octopus Energy (accessed June 2020 via octopus.energy/arsenal/)

120 Marks and Spencer, RE 100 (accessed June 2020 via www.there100.org/marks-and-spencer)

121 Decarbonising Transport - Setting the Challenge, Department of transport, 2020 (accessed via assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/878642/decarbonising-transport-setting-the-challenge.pdf)

122 Electric car sales UK, Driving Electric, June 2020 (accessed June 2020 via www.drivingelectric.com/news/678/electric-car-sales-uk-tesla-model-3-remains-uks-best-selling-car-may)

123 Company, Citymapper, 2020 (accessed June 2020 via citymapper.com/company)

124 About the business, RiverSimple, 2020 (accessed via www.riversimple.com/how-the-business-works/)

125 How the UK is falling behind in the global electric car race, Financial Times, March 2019 (accessed via www.ft.com/content/15bd1e98-41a9-11e9-9bee-efab61506f44)

126 Ambrose J., UK Companies to invest £12bn in switch to electric vehicles, The Guardian, March 2020 (accessed via www.theguardian.com/uk-news/2020/mar/08/companies-to-invest-12-billion-pounds-in-electric-vehicles)

127 Go Ultra Low Companies hits 100 as top UK organisations embrace electric vehicle future, Go Ultra Low, July 2017 (accessed via www.goultralow.com/press-releases/go-ultra-low-companies-hits-100-top-uk-organisations-embrace-electric-vehicle-future/)

128 2018 UK Greenhouse Gas Emissions, Department for Business, Energy & Industrial Strategy, 2020 (accessed via assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/863325/2018-final-emissions-statistics-summary.pdf)

129 UK housing: Fit for the future?, Committee on Climate Change, February 2019, (accessed via: www.theccc.org.uk/publication/uk-housing-fit-for-the-future/)

130 Energiesprong Explained, Energiesprong, 2020, (accessed via energiesprong.org/about/)

resilient buildings. **NetZero Buildings** is one of the companies working to address this challenge. They use innovative technology to create high quality, energy-efficient, off-site manufactured buildings to reduce construction time, cost and environmental impact. NetZero has completed 21 different building projects.¹³¹

Innovating new approaches to capture excess carbon.

In order to ensure the world does not go above a 1.5 degrees rise in temperature, all of the Intergovernmental Panel on Climate Change recommended pathways state Carbon Capture Usage and Storage (CCUS), Bioenergy and Carbon Capture and Storage (BECCS) as being crucial to the delivery of Net Zero emissions. This is especially important for hard to decarbonise sectors such as heavy industry. It is also strategically important to the UK economy.¹³²

UK businesses have taken up the challenge. **Carbon Clean Solutions** is a leader in low-cost carbon dioxide separation & capture technology. It has demonstrated that next generation capture technologies offer important cost reduction potential.¹³³ **C-Capture**, meanwhile, is leading a ground-breaking BECCS project at **Drax Power Station**. The project aims to create carbon negative bioenergy.¹³⁴

¹³¹ Our Case Studies, NetZero Buildings (accessed June 2020 via www.netzerobuildings.co.uk/case-studies/)

¹³² Clean Growth - The UK Carbon Capture Usage and Storage deployment pathway - An Action Plan, HM Government, 2018 (accessed via assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/759637/beis-ccus-action-plan.pdf)

¹³³ Ibid.

¹³⁴ £5M Boost to Scale up Ground-Breaking Carbon Capture Pilot at Drax, UK's Largest Power Station, C-Capture, June 2019 (accessed via www.c-capture.co.uk/5m-boost-scale-ground-breaking-carbon-capture-pilot-drax-uks-largest-power-station/)

Octopus Energy

Stated Purpose

Their core purpose is to disrupt the status quo with energy that's good for the planet and good for your wallet.

- ✓ £459 million in sales (2019)¹³⁵
- ✓ 1.5 million customers (2020)¹³⁶
- ✓ Expected to break even in 2020¹³⁷

Business

Octopus Energy and Octopus Renewables were set up in 2016 "to disrupt the status quo with energy that's good for the planet, good for your wallet, and, honestly, good for your soul" believing that the UK energy market was "...ruled by a handful of complacent dinosaurs peddling fossil fuels, pricing trickery and poor customer service."¹³⁸

They provide 100 percent renewable electricity to customers for £222 per annum less than the average Big Six variable tariff.¹³⁹ They contribute renewable energy to the grid through their sister company, Octopus Renewables. They are unique in their offer to consumers: they do not offset carbon reduction projects, but rather create the same level of green energy that is used by their customers.

Impact

- ✓ In 2019 Octopus Renewables created four terawatt hours of energy, mostly from solar power, but also from wind and biomass, saving 3.6 million tonnes of CO₂.¹⁴⁰
- ✓ They boost social impact by helping customers understand their energy use through, for example:
 - ✓ Octopus Tracker, helps customers track the wholesale price of energy against what they are paying;¹⁴¹
 - ✓ Agile Octopus, helps people track when energy prices are cheapest;¹⁴²
 - ✓ Octopus Go, helps electric car drivers find the cheapest deal to charge their vehicles.¹⁴³
- ✓ More than nine in ten (92 percent) of Octopus's customers rate them as 5* Excellent on TrustPilot.¹⁴⁴

Take-aways

- Having an environmental purpose can be an effective differentiating tool in crowded markets.
- The supply of renewable energy is a crucial part of achieving Net Zero, not just carbon offsetting schemes.

¹³⁵ About us, Octopus Energy Limited (accessed July 2020 via octopus.energy/about-us/)

¹³⁶ About us, Octopus Energy Limited (accessed July 2020 via octopus.energy/about-us/)

¹³⁷ Graham A, Belfast Telegraph, Octopus Energy eyes balanced earnings within a year, Jan 2020 (accessed via www.belfasttelegraph.co.uk/business/uk-world/octopus-energy-eyes-balanced-earnings-within-a-year-38893996.html)

¹³⁸ About us, Octopus Energy Limited (accessed July 2020 via octopus.energy/about-us/)

¹³⁹ Your energy quote, Octopus Energy Limited (accessed July 2020 via octopus.energy/get-a-quote/)

¹⁴⁰ What makes Octopus Energy so very green?, Octopus Energy Ltd, September 2019 (accessed July 2020 via octopus.energy/blog/greenwashing/)

¹⁴¹ Octopus Tracker: Britain's fairest energy tariff, Octopus Energy Ltd (accessed June 2020 via octopus.energy/tracker/)

¹⁴² Introducing Agile Octopus, Octopus Energy Ltd (accessed June 2020 via octopus.energy/agile/)

¹⁴³ Introducing Octopus Go, Octopus Energy Ltd (accessed June 2020 via octopus.energy/go/)

¹⁴⁴ Octopus Energy, Trustpilot (accessed July 2020 via uk.trustpilot.com/review/octopus.energy)

CASE STUDY

Energiesprong

Stated Purpose

The aim of Energiesprong is to “bring about desirable, viable Net Zero energy refurbishment solutions to the mass market. Energiesprong transforms neighbourhoods and enhances people’s quality of life”.

- ✓ Over 5,000 houses retrofitted, more than 21,000 houses planned¹⁴⁵
- ✓ Primarily funded by governments¹⁴⁶

Business

Energiesprong is a charitable intermediary which creates an ecosystem within which houses can be refurbished, at no extra cost to owners, to become Net Zero of Greenhouse Gas Emissions. It works with regulators to ensure a conducive policy environment; housing associations and builders to conduct retrofitting and new builds; and financiers to ensure costs can be paid for through future reductions in maintenance and energy bills. The company guarantees long-term affordable net zero energy usage.¹⁴⁷

Energiesprong UK is currently conducting a pilot to retrofit 155 Nottingham homes to 2020 and five houses in Maldon.^{148 149} Energiesprong won the European Commission’s award for the most innovative project in 2019 and a World Green Building Council award in 2018.¹⁵⁰

Impact

- ✓ The low cost and low hassle of retrofits removes barriers to householders and local authorities and helps uptake.¹⁵¹
- ✓ In the Nottingham pilot, energy bills halved for tenants; while in the Netherlands there was an average 60 percent reduction in bills.^{152 153}
- ✓ The model removes the need for government subsidies for improving the energy efficiency of homes.¹⁵⁴
- ✓ Potential scale: 11 million UK homes are suitable for Energiesprong retrofits. This includes 2.3 million social homes and seven million privately owned homes in England alone.¹⁵⁵

Take-aways

- In a fragmented market, charities can play important roles to build ecosystems.
- Aligned cross-industry purpose, can create industry-wide growth.

145 Energiesprong (Accessed July 2020 via www.energiesprong.org)

146 Ibid.

147 Is the UK up to the task of retrofitting homes to zero-carbon standards?, Royal Institution of Chartered Surveyors, October 2019 (Accessed via <https://www.rics.org/uk/news-insight/future-of-surveying/sustainability/zero-carbon/>)

148 Nottingham, Energiesprong, July 2019 (Accessed via <https://www.energiesprong.uk/projects/nottingham>)

149 Maldon, Energiesprong, July 2019 (Accessed via <https://www.energiesprong.uk/projects/vlijmen>)

150 Awards, Energiesprong (Accessed July 2020 via <https://energiesprong.org/newsroom/>)

151 Reinventing retrofit - How to scale up home energy efficiency in the UK, Green Alliance, 2020 (https://www.green-alliance.org.uk/resources/reinventing_retrofit.pdf)

152 Ibid.

153 Vaughn A. Dutch eco initiative halves energy bills in first UK homes, The Guardian, January 2019 (Accessed via <https://www.theguardian.com/society/2019/jan/07/dutch-eco-homes-idea-arrives-in-uk-and-cuts-energy-bills-in-half-nottingham-energiesprong>)

154 Reinventing retrofit - How to scale up home energy efficiency in the UK, Green Alliance, 2020 (https://www.green-alliance.org.uk/resources/reinventing_retrofit.pdf)

155 Ibid.

2.4 CREATING A CIRCULAR ECONOMY

There is a huge amount of waste in both the UK and global economy. Food is being produced that is never eaten. Clothes are made that are worn once. More washing machines and mobile phones are being dumped into landfill every year. Single-use plastics are still dominant in consumer goods. And products are often built to become outdated or obsolete and be replaced, not reused.

This 'take-make-dispose' model results in a system that suffers substantial resource loss in the form of raw materials and energy. It has significant and negative impacts on natural ecosystems. And it plays a large role in the current climate crisis we face.¹⁵⁶

The circular economy is a concept and practice that aims to disrupt the current linear model and be restorative by intention and design. It aims for the elimination of waste through the superior design of materials, products, systems, and, within this, business models.¹⁵⁷

The benefits of a circular economy are widespread. A recent report found that designing out waste, keeping materials in use, and regenerating farmland can reduce GHG emissions by 9.3 billion tonnes per year.¹⁵⁸ A circular model can create more resilient economies and organisations too. By reducing waste, a circular economy results in significant material savings for business production and supply chains. Consumers also benefit from a wider choice of products that last longer and can deliver additional benefits - for example, carpets that act as air filters or packaging as a fertiliser.¹⁵⁹

¹⁵⁶ Towards the Circular Economy: Economic and business rationale for an accelerated transition, Ellen MacArthur Foundation, 2013 (www.ellenmacarthurfoundation.org/assets/downloads/publications/Ellen-MacArthur-Foundation-Towards-the-Circular-Economy-vol.1.pdf)

¹⁵⁷ Ibid.

¹⁵⁸ Completing the Picture: How the Circular Economy Tackles Climate Change, Ellen MacArthur Foundation and Material Economics, 2019 (www.ellenmacarthurfoundation.org/assets/downloads/Completing_The_Picture_How_The_Circular_Economy_Tackles_Climate_Change_V3_26_September.pdf)

¹⁵⁹ Towards the Circular Economy: Economic and business rationale for an accelerated transition, Ellen MacArthur Foundation, 2013 (www.ellenmacarthurfoundation.org/assets/downloads/publications/Ellen-MacArthur-Foundation-Towards-the-Circular-Economy-vol.1.pdf)

REDUCING WASTE

KEY FIGURES

45% of emissions from everyday products

45% of all global emissions come from the production and disposal of cars, clothes, food, and other everyday products.¹⁶⁰

1.5 million tonnes of plastic littering

In the UK an estimated five million tonnes of plastic are used every year, just under a third (30 percent) of which is littering the soil, rivers, and oceans.¹⁶¹

9.5 million tonnes of food waste

The UK wastes around 9.5 million tonnes of food a year (2018), causing the emission of as much as 25 million tonnes of greenhouse gases since rotting food produces methane, a powerful greenhouse gas, as it decomposes.¹⁶²

16% of food is thrown away

The average household throws away 16% of all food.¹⁶³

52.3 million tonnes of waste to landfill

In the UK, 52.3 million tonnes of waste were sent to landfill in 2016, up 8.5% from 2014.¹⁶⁴

¹⁶⁰ Completing the Picture: How the Circular Economy Tackles Climate Change, Ellen MacArthur Foundation and Material Economics, 2019 (https://www.ellenmacarthurfoundation.org/assets/downloads/Completing_The_Picture_How_The_Circular_Economy_Tackles_Climate_Change_V3_26_September.pdf)

¹⁶¹ Plastic waste briefing paper, House of Commons Library, March 2020 (<http://researchbriefings.files.parliament.uk/documents/CBP-8515/CBP-8515.pdf>)

¹⁶² Food surplus and waste in the UK - key facts, Wrap, January 2020 (https://wrap.org.uk/sites/files/wrap/Food_%20surplus_and_waste_in_the_UK_key_facts_Jan_2020.pdf)

¹⁶³ Ibid.

¹⁶⁴ UK Statistics on Waste, Department for Environment, Food and Rural Affairs, March 2020 (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/874265/UK_Statistics_on_Waste_statistical_notice_March_2020_accessible_FINAL_rev_v0.5.pdf)

2.4.1 The circular economy after Covid-19.

The Covid-19 crisis, accompanied by the huge drop in oil prices, has had mixed impacts on the circular economy. On the negative side the drop in oil prices could hurt the circular economy as virgin plastics become much cheaper than recycled plastics.¹⁶⁵ Moreover, in a bid to reduce the transmission of the virus, reusable bags and cups are losing their appeal.¹⁶⁶

On the flip side, others have argued that the pandemic has underlined how important recycling is to UK supply chains, and long, multinational supply chains are now higher risk.¹⁶⁷ Others have started to consider whether social distancing and economic lockdowns will inspire a more circular approach to consumption.¹⁶⁸

Some businesses seem to still be committed to developing the circular economy. Large organisations, for example Unilever and Tesco, remain committed to their pledges to use fully recyclable packaging.

2.4.2 How business can help create a circular economy.

Businesses have a huge role to play in making the economy more circular through keeping resources in use for as long as possible, extracting the maximum value from them, and then recovering and regenerating products and materials where possible at the end of their life. In this section we explore four opportunities:

- Transforming the fashion industry
- Reducing and reusing food waste
- Using reusable, recyclable or compostable packaging
- Tackling e-waste

Transforming the fashion industry.

There is a significant amount of waste in the UK fashion industry. The UK buys more clothes per person than any other European country, leading to a larger environmental impact, including carbon footprints, water usage and plastic microfibre emissions.¹⁶⁹ Much of this production is wasted. An estimated 350,000 tonnes of clothes go to landfill every year.¹⁷⁰ And once an item of clothing is in landfill it can take up to two hundred years to decompose, emitting methane in the process.^{171 172}

165 Hicks, R., Coronavirus-induced oil price plunge is hurting the circular economy for plastic, Eco-Business, April 2020 (accessed via www.eco-business.com/news/coronavirus-induced-oil-price-plunge-is-hurting-the-circular-economy-for-plastic/)

166 Covid-19 pandemic could provide an unlikely reprieve for single-use plastic bags, Evening Express, April 2020 (www.eveningexpress.co.uk/news/world/Covid-19-pandemic-could-provide-an-unlikely-reprieve-for-single-use-plastic-bags/)

167 Rotheray, T., Coronavirus Response: Covid-19 has shown the UK is starting to build a circular economy, BusinessGreen, 2020, (www.businessgreen.com/opinion/4013995/coronavirus-response-Covid-19-shown-uk-starting-build-circular-economy)

168 Lyche, H., Might a disaster trigger a new circular economy, Hill+Knowlton Strategies, 2020 (www.hkstrategies.com/might-a-disaster-trigger-a-new-circular-economy/)

169 Fixing fashion: clothing consumption and sustainability, UK Parliament, 2019 (accessed via publications.parliament.uk/pa/cm201719/cmselect/cmenvoud/1952/report-files/195202.htm)

170 Textiles – Overview, Wrap, 2020 (accessed via www.wrap.org.uk/content/textiles-overview)

171 McCarthy, A., Are Our Clothes Doomed for the Landfill?, re/make, 2018 (accessed via remake.world/stories/news/are-our-clothes-doomed-for-the-landfill/)

172 End of life, Close the loop, (accessed July 2020 via close-the-loop.be/en/phase/3/end-of-life)

"I don't understand entrepreneurs that set themselves up just to make money. You are starting with a clean slate - you can do anything. We could have set up our fashion business by analysing things like what colours millennials liked but that never interested me. I was more fascinated that we use 100 billion tonnes of resources every year and have no plan on how to reuse them. It was crazy. We could make a difference. Why wouldn't we?"

Kresse Wesling, Co-founder of Elvis and Kresse, 2020

To counter this linear and wasteful model environmental entrepreneurs are finding creative ways to reuse materials to make clothes and reduce waste. One example is **Elvis & Kresse**, which is a B Corporation, who use old fire hoses to make designer handbags.¹⁷³ Large retailers are also committing to more sustainable practices. The H&M Garment Collecting program recycles returned clothes, which are either resold second hand, converted into new products (such as remake collections) or made into textile fibres to make non-fashion products, such as insulation for cars.¹⁷⁴

Other solutions tackle the over-consumption challenge through the sharing economy. Companies like **Girl Meets Dress**, **Wear the Walk**, **My Wardrobe HQ**, and **Front Row** are renting out high end and designer clothing for a monthly subscription. Large clothing label, **Scotch & Soda**, has launched its own menswear rental service.

Reducing and reusing food waste.

Food waste accounts for eight percent of global emissions.¹⁷⁵ In the UK businesses and households waste 13.6 million tonnes of food each year. The majority of this happens through households, who discard 14 percent of all food and drink they take home. To achieve Net Zero, it is estimated that the UK will need to reduce food waste by almost 20 percent by 2030.¹⁷⁶

There are a number of innovative companies working in this field to combat this. **OLIO**, for example, is a smartphone application that enables food-sharing. Another app, **Too Good To Go**, which is a B Corporation, gives users the opportunity to pick up 'magic bags' of unused food at the end of the day from restaurants and shops before they go to waste.¹⁷⁷ Around 36 million meals have been saved through Too Good To Go, equivalent to 99,471 tonnes of CO₂.

Businesses are also getting creative with using food waste for positive purposes. For example, multinational engineering company **Arup** has innovated to divert food waste to become a resource for construction engineering and architecture products.¹⁷⁸

173 Homepage, Elvis and Kresse, 2020 (accessed via www.elvisandkresse.com)

174 Garment Collecting: Recycle at H&M, H&M, 2020 (accessed via www2.hm.com/en_gb/ladies/shop-by-feature/16r-garment-collecting.html)

175 Food wastage footprint & Climate Change, Food and Agriculture Organisation of the UN (<http://www.fao.org/3/a-bb144e.pdf>)

176 Land use: Policies for a Net Zero UK, Committee for Climate Change, 2020 (accessed via www.theccc.org.uk/publication/land-use-policies-for-a-net-zero-uk/)

177 About us, Too Good To Go, (accessed July 2020 via toogoodtogo.co.uk/en-gb/about-us)

178 The urban bio-loop: Growing, making and regenerating, Arup, 2017, (accessed via www.arup.com/perspectives/publications/research/section/the-urban-bio-loop)

Using reusable, recyclable or compostable packaging.

When the UK Government published its 25 Year Environment Plan it summarised well the need for reusable, recyclable or compostable packaging:

8.3 billion tonnes of plastic have been produced since the 1950s [and] without urgent action to cut demand, this is likely to be 34 billion tonnes by 2050, the majority of which will end up in landfill or polluting the world's continents and oceans.¹⁷⁹

Department for Environment, Food and Rural Affairs

Many businesses are adapting operations to reduce the waste that would have otherwise been sent to landfill. For example, Unilever's product waste impact has reduced by 31 percent since 2010 and they have committed to 100 percent reusable, recyclable, or compostable packaging by 2025. They also plan to halve the amount of new plastic they use in their products and offset it by collecting and processing more plastic than they sell.¹⁸⁰

Other companies attempting to combat single-use plastics, often in the case of eradicating virgin plastic straws, include ASDA, McDonalds, and Costa Coffee.¹⁸¹

Tackling e-waste.

E-waste is the fastest growing waste stream in the world. It was estimated to have reached 50 million tonnes in 2018. This is despite the tremendous retail value of the recoverable materials in the e-waste, which was valued globally at \$62.5 billion.¹⁸²

170 million new electrical items are purchased in the UK each year, but we recycle less than a third of these at the end of their lifecycle.¹⁸³ This amounts to 25 kg of e-waste per person, more than 7kg above the EU average.¹⁸⁴

Businesses are coming up with innovative new approaches to deal with this challenge. The first approach is to improve the durability and life of an electronic item. Hewlett Packard Enterprises (HPE) has committed to drive the circular economy in IT and reduce the environmental footprint of IT infrastructure. One way through which it achieves this are its Technology Renewal Centres. At these centres HPE refurbishes 89 percent of all end of lease IT equipment.¹⁸⁵

The second approach is to support consumers to recycle their unwanted electronic items. In 2018 Dixon's Carphones was the biggest recycler of waste electricals in UK retail, collecting 88,105 tonnes of Waste Electrical and Electronic Equipment (WEEE).¹⁸⁶ Dixons has boosted this commitment through an innovative new WEEE take-back initiative whereby they take-back any small electricals when they deliver 'big-box' items. This initiative contributed to a 375 percent increase in WEEE recycling volumes in 2019 for Dixons Carphone.

179 A Green Future: Our 25 Year Plan to Improve the Environment, Department for Environment, Food and Rural Affairs, 2018 (assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/693158/25-year-environment-plan.pdf)

180 Rethinking plastic packaging – towards a circular economy, Unilever (accessed June 2020 via www.unilever.com/sustainable-living/reducing-environmental-impact/waste-and-packaging/rethinking-plastic-packaging/)

181 Wentworth, A., 5 companies leading the movement to go plastic free, Climate Action, May 2018 (accessed via <http://www.climateaction.org/news/5-companies-leading-the-movement-to-go-plastic-free>)

182 A New Circular Vision for Electronics - Time for a Global Reboot, World Economic Forum, January 2019 (accessed via http://www3.weforum.org/docs/WEF_A_New_Circular_Vision_for_Electronics.pdf)

183 How are electrical items recycled?, Recycle Now, 2020 (accessed via www.recyclenow.com/recycling-knowledge/how-is-it-recycled/electricals)

184 Creagh, M., Electronic waste and the Circular Economy inquiry launched, UK Parliament, 2019, (accessed June 2020 via www.parliament.uk/business/committees/committees-a-z/commons-select/environmental-audit-committee/news-parliament-2017/-electronic-waste-and-the-circular-economy-inquiry-launch-17-19/)

185 HPE Living Progress Report, Hewlett Packard Enterprises, 2019 (accessed via www.hpe.com/us/en/pdfViewer.html?docId=a00073667&parentPage=/us/en/living-progress/report&resourceTitle=HPE+Living+Progress+Report%3A+2018+Highlights)

186 We help everyone enjoy amazing technology, Dixons Carphone, 2020 (accessed June 2020 via www.dixonscarphone.com/en/sustainable-business/help#environmental-responsibility-weee-recycling)

CASE STUDY

Elvis & Kresse

Stated Purpose

They set out to create stunning life-style accessories by re-engineering seemingly useless wastes and combining them with traditional craftsmanship.

- ✓ Founders are only shareholders¹⁸⁷
- ✓ Commitment not to release turnover or profit
- ✓ They have reclaimed over 200 tonnes of waste

Business

Discovering that London's fire hoses went to landfill, Elvis and Kresse Wesling decided to transform them into luxury accessories - and a profitable business. Since then they have become a registered B-Corp, expanding both their product range and sources of discarded materials. Handbag outer layers have been made from fire hoses discarded in landfill. They use silk from damaged parachutes and material from auction banners for lining their bags and wallets. Tea sacks and shoe boxes are reused to make packaging and labels.

Impact

- ✓ For over a decade none of London's firehose has gone to landfill and over 200 tons of material has been reclaimed.
- ✓ They are on track to repurpose 120 tonnes of leather offcuts from Burberry's manufacturing.¹⁸⁸
- ✓ Their apprenticeship scheme pays the living wage, they only buy renewable energy, and they give half of their profits to charity.

Take-aways

- Business innovation can unlock new value that improves the planet.
- You do not need to be driven by profit to make it.

"Alchemists were charged with trying to turn lead into gold. Leather is better than alchemy. Every tonne of leather waste costs £410 to dispose of, and we can turn that into £100,000 of profit".

Co-founder, Kresse Wesling

¹⁸⁷ In conversation with ReGenerate, February 2020

¹⁸⁸ Rescue, Elvis and Kresse (Accessed June 2020 via <https://www.elvisandkresse.com/pages/reclamation>)

CASE STUDY

Olio

Stated Purpose

Olio's purpose to reduce food waste is embedded in a set of four values the company shares in public: "inclusiveness", "resourcefulness", "caringness", and "ambitiousness." In its messaging, Olio directly highlights the positive impact of food saving towards the fight against climate change.

- ✓ Seed Round: \$6 million¹⁸⁹
- ✓ 40 employees (2020)¹⁹⁰
- ✓ More than 2 million users¹⁹¹

Business

Olio is a simple-to-use app that "connects neighbors with each other and with local businesses so surplus food can be shared, not thrown away."¹⁹² The founder, Tessa Clarke, describes the concepts as a "bottom-up, community approach - driven by individual behaviour."¹⁹³ Olio still explores its revenue model. Currently, it charges certain businesses to participate in the app's network to be a "zero-waste" shop.

Impact

- ✓ Nearly five million food portions have been shared through the app and "saved."¹⁹⁴
- ✓ The app has brought communities together, especially in cities with "insular" demographics.¹⁹⁵
- ✓ Throughout Covid-19, the app provided a platform to support those who needed leftover food most.¹⁹⁶

Take-aways

- Purpose can function as a bridge between communities and corporations.
- Purpose can be the north-star of operations. Yet, it seems to help to translate purpose into a set of values as guiding principles for day-to-day operations.

189 O'Hear, S., Olio, the app that lets you share unwanted food items with your neighbours, picks up 6M Series A, Tech Crunch, July 2018 (Accessed June 2020 via <https://techcrunch.com/2018/07/11/olio/>)

190 Olio - People, LinkedIn, July 2020 (Accessed July 2020 via <https://www.linkedin.com/company/olio-share-more-waste-less/people/>)

191 Homepage, Olio, (Accessed July 2020 via <https://olioex.com/>)

192 What is OLIO?, Olio (Accessed June 2020 via <https://olioex.com/about/#about>)

193 O'Hear, S., Olio, the app that lets you share unwanted food items with your neighbours, picks up 6M Series A, Tech Crunch, July 2018 (Accessed June 2020 via <https://techcrunch.com/2018/07/11/olio/>)

194 Ibid.

195 Smith, O., Connecting Communities while Combating Food Waste, TBD*, March 2018 (Accessed June 2020 via <https://www.tbd.community/en/a/olio-connecting-communities-combating-food-waste>)

196 OLIO launches creative initiatives in light of COVID-19, Maddy Studio, April 2020 (Accessed June 2020 via <https://www.maddystudio.com/uk/2020/04/30/olio-launches-creative-initiatives-in-light-of-covid-19/>)



CHAPTER THREE

WHY PURPOSE IS GOOD BUSINESS

INTRODUCTION

So far in this paper we have outlined the potential for business to do good and the desire of the public for them to do so. This chapter builds on these two findings and shows that, largely as a result of the public's views, it makes business sense to have a purpose beyond profit.

Put simply, there is a strong evidence base that having a purpose beyond profit is likely to ensure a more successful and sustainable business.

This chapter sets out the proof for this claim, looking at:

- The evidence that being purpose-driven is likely to support the success of a business
- Why having a purpose beyond profit helps create successful businesses

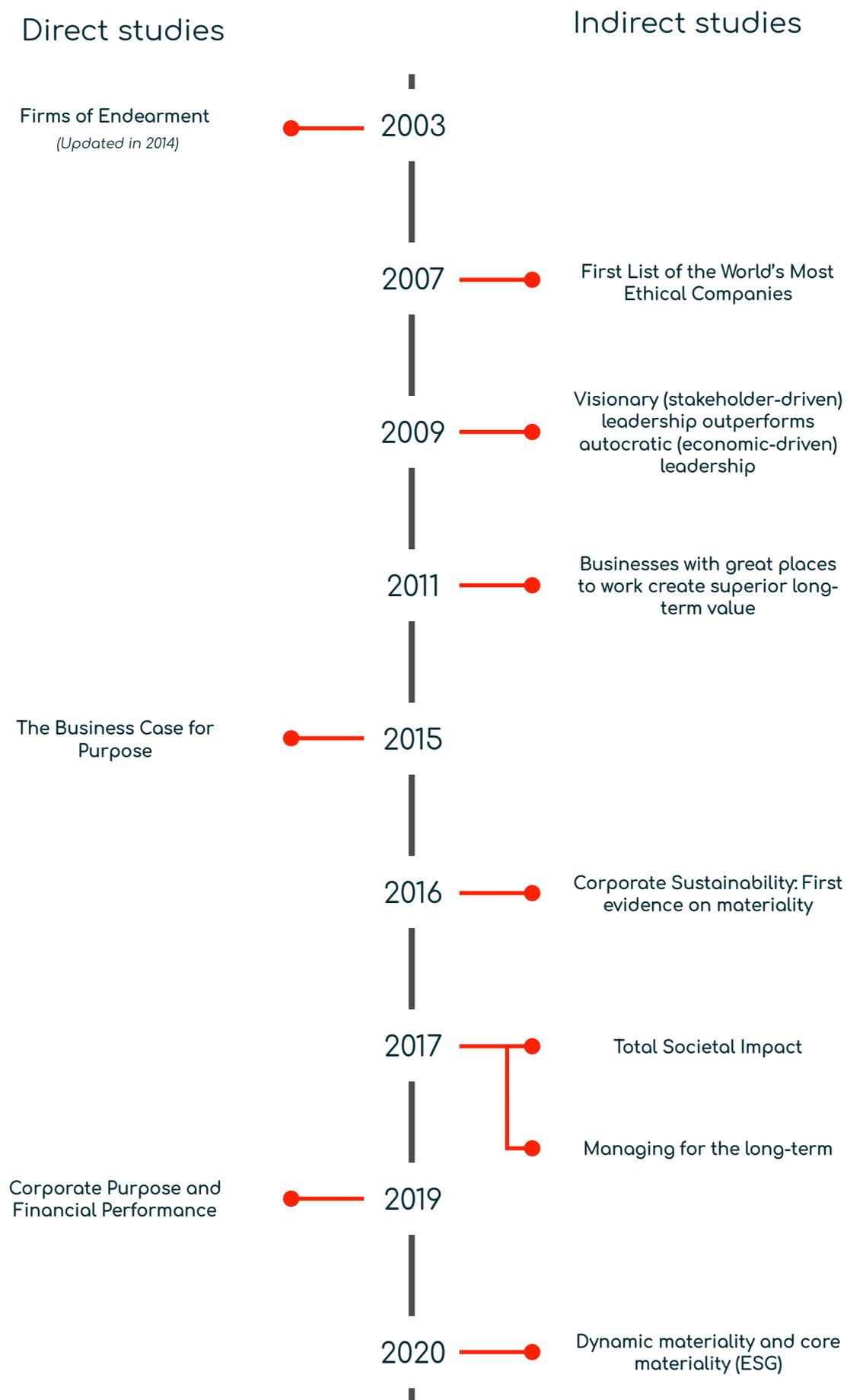
We unpack both of these two points below.

3.1 EVIDENCE THAT PURPOSE IS GOOD FOR BUSINESS

A growing number of robust studies have looked into the relationship between purpose and profit, across significant samples and over time. We do not seek to do justice to them all here, but rather to highlight some key studies from the last few decades. Figure 3.1 shows the timeline of the studies that we have drawn evidence from in two categories:

- **Direct:** studies that seek to identify purpose-driven businesses, and show the correlation between purpose-driven status and performance
- **Indirect:** studies showing a link between proxies for purpose, and performance

Figure 3.1: Timeline on direct and indirect studies we've included that link purpose to better firm performance.



3.1.1 Direct evidence.

We have picked out three studies that explore the direct relationship between being purpose-driven and success. We could have included many more but feel that these examples show the breadth of types of evidence that purpose drives profits.

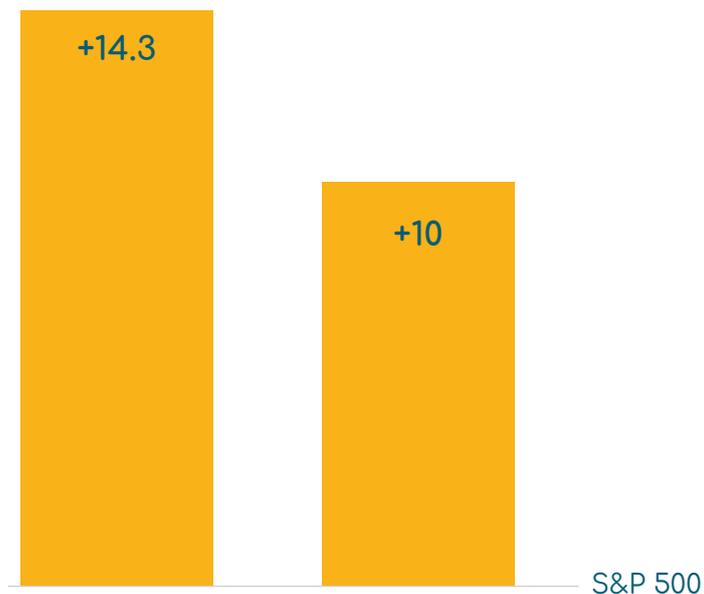
Study One: Firms of Endearment.

The book, *Firms of Endearment (FoE)*, explores the success of firms with a sense of purpose that goes beyond simply making money.^{197 198} These firms live out this purpose through the way they relate to stakeholders (including, customers, team members, suppliers, communities and shareholders), how they build their cultures, and how they practice their leadership.

They found that US-based FoE businesses outperformed the S&P 500 index by a factor of 14.3 over the period 1998 to 2013.¹⁹⁹ International FoEs businesses outperformed the S&P 500 index by a factor of 10 across the same period (Figure 3.2).²⁰⁰

The authors concluded that this competitive advantage from cultures built on a clear purpose will only increase as growing numbers of customers, employees, suppliers, and other stakeholders prefer this model of doing business.

Figure 3.2: Firms with a sense of purpose that goes beyond making money, make more money.



The S&P 500, is a stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States. It is one of the most commonly followed equity indices, and many consider it to be one of the best representations of the U.S. stock market.

Source: David B. Wolfe; Rajendra S. Sisodia; Jagdish N. Sheth (2014), *Firms of Endearment: How World-Class Companies Profit from Passion and Purpose*, PH Professional Business.

197 Wolfe D., Sisodia R., Sheth J., *Firms of Endearment: How World-Class Companies Profit from Passion and Purpose*, PH Professional Business, 2014

198 The study used humanistic criteria to identify the list of FoE firms based on how well a firm “endears itself to stakeholders by bringing the interests of all stakeholder groups into strategic alignment” and “meets the functional and psychological needs of their stakeholders in ways that delight them and engender affection for and loyalty to the company” (see Chapter 1).

199 3M, Adobe Systems, [Amazon.com](https://www.amazon.com), Autodesk, Boston Beer Company, CarMax, Chipotle, Chubb, Cognizant, Colgate-Palmolive, Costco, FedEx, Google, Harley-Davidson, IBM, J.M. Smucker, Marriott International, Mastercard Worldwide, Nordstrom, Panera, Qualcomm, Schlumberger, Southwest Airlines, Starbucks, T. Rowe Price, United Parcel Service, Walt Disney, Whole Foods Market.

200 BMW (Germany), Cipla (India), FabIndia (India), FEMSA (Mexico), Gemalto (France), Honda (Japan), Inditex (Spain), Mahindra & Mahindra (India), Marico (India), Novo Nordisk (Denmark), POSCO (South Korea), Tata Consultancy Services (India), Toyota (Japan), Unilever (UK).

Study Two: Harvard Business Review and EY Beacon Institute.

A 2015 Harvard Business Review and EY Beacon Institute global survey of 474 executives found that a firm's level of commitment to purpose influences a business's growth and broader success.^{201 202}

The survey defined organisational purpose as "an aspirational reason for being which inspires and provides a call to action for an organization and its partners and stakeholders and provides benefit to local and global society."

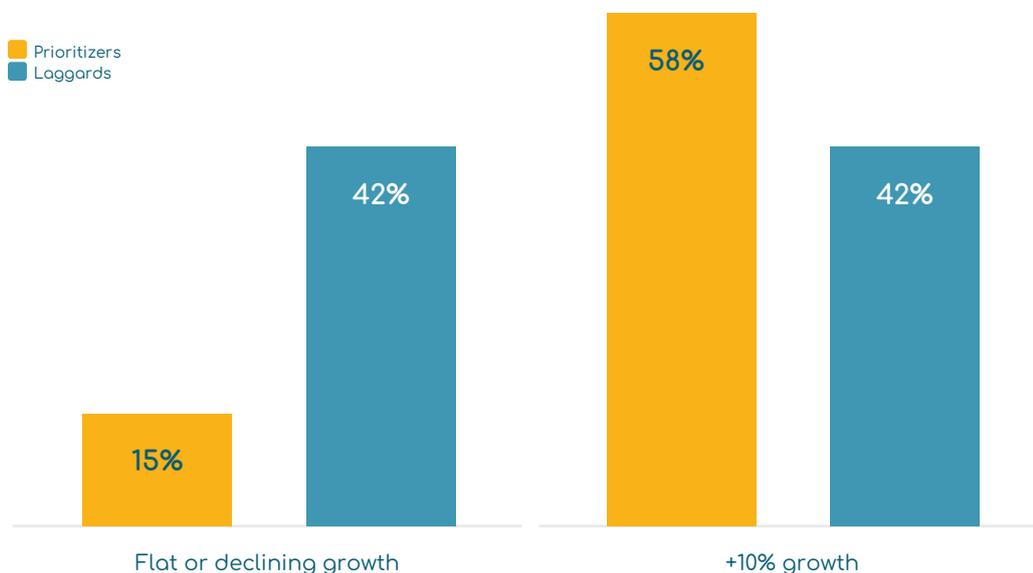
Based on survey responses the businesses were placed in one of three categories:

- **Prioritizers** - businesses in which purpose was clearly articulated and understood
- **Developers** - businesses in which purpose was understood by some areas better than others
- **Laggards** - businesses in which purpose was not well understood or communicated

The results were stark, with prioritizers being more likely to have achieved more than 10 percent growth over three years (Figure 3.3).

What's more, a lack of purpose had an even greater effect on the bottom line. Laggards were nearly three-times more likely to have experienced flat or declining revenue than Prioritizers and two times more likely than Developers. This was despite Laggards acknowledging that purpose was a powerful lever for business. Why were they lagging behind? Greater pressure for short-term results and poor communication from leadership.

Figure 3.3: Prioritizers not only had the smallest proportion experiencing flat or declining growth, but also the largest proportion experiencing +10% growth.



Note: Based on indicated revenue change in the last three years.

Source: Modified from Harvard Business Review Analytic Services (2015), The Business Case for Purpose, Harvard Business Review

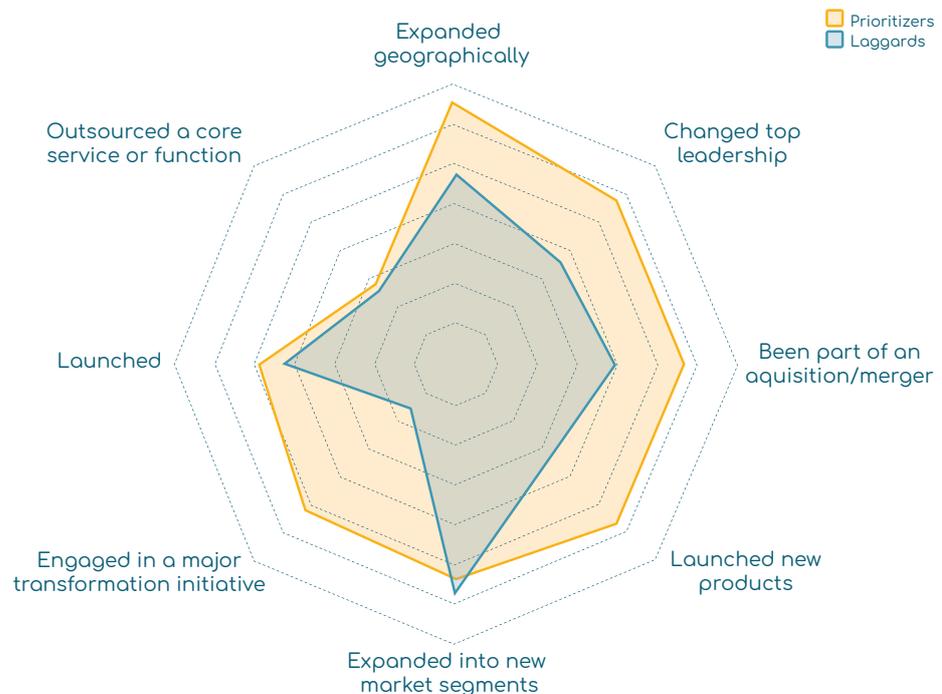
201 Thirty-seven percent of respondents were in companies with 10,000 or more employees, with a further 31 percent in companies of 1,000 to 10,000. The remaining 32 percent of respondents are in organizations with 100-999 employees. Twenty percent of respondents were executive management or board members. Manufacturing provides 16 percent of respondents, while 13 percent work in financial services and 10 percent in the technology sector. Other sectors each represented no more than 9 percent of the respondent base. Forty-two percent of respondents were from North America, with 28 percent from Europe/Middle East/Africa, 23 percent from Asia/Pacific, and 7 percent from Latin America.

202 The Business Case for Purpose, Harvard Business Review Analytic Services, 2015 (accessed via hbr.org/resources/pdfs/comm/ey/19392HBRReportEY.pdf)

Figure 3.4 borrows data from the Harvard Business Review, showing the percentage who indicated how successful their organization was in undertaking the following initiatives, focusing on the prioritisers and the laggards, demonstrating that were also more likely to successfully complete major transformation activities.

Figure 3.4: Prioritisers were more likely to successfully complete major transformation activities.

Prioritizers were more likely to successfully complete major transformation activities.



Source: Harvard Business Review Analytic Services (2015), The Business Case for Purpose, Harvard Business Review

Study Three: Analysing The Great Places to Work Survey.

A 2019 study that used survey data from the Great Places to Work survey found that organisations with a clear purpose and high management clarity delivered greater stock performance (of between 5.9 percent and 7.6 percent alpha) than those who did not.²⁰³

Crucially, they found that it was mid-level employees with strong beliefs in the purpose of their firm and clarity in the path toward that purpose that drove the relationship between purpose and better financial performance.

This was such a strong factor that they found that there was no evidence that those workplaces who stated that they have a higher sense of purpose, but did not have high scores on management clarity, had any superior financial performance at all.

²⁰³Gartenberg, C., Prat, A., and Serafeim, G., Corporate Purpose and Financial Performance, Organisation Science, vol.30, no. 1, pp.1-18, 2019 (accessed via papers.ssrn.com/sol3/papers.cfm?abstract_id=2840005)

3.1.2 Indirect evidence.

A number of other proxy measures exist to determine whether a business is purpose-driven. Using these proxy measures, we find numerous studies since the 1990s that have shown a link between these proxies and superior and more sustainable financial performance. We summarise five such studies below.

Study one: Businesses with good ESG performance deliver stronger financial performance.

While companies that satisfy Environmental, Social and Governance (ESG) criteria are often not purpose-driven businesses per se, they do place a greater emphasis on environmental and social impact and are therefore a useful proxy.

ESG stocks have typically outperformed the market in the wake of Covid-19. HSBC analysed 613 shares of global public companies up to 23rd March 2020. They found that climate-focused stocks outperformed others by 7.6 percent from December, and by three percent since February. Overall, the ESG shares beat others by about seven percent for both periods.²⁰⁴

Research by Blackrock on performance over the first quarter of 2020, showed that the outperformance was "driven by a range of material sustainability characteristics, including job satisfaction of employees, the strength of customer relations, or the effectiveness of the company's board."²⁰⁵

Study two: Businesses that manage for the long-term outperform peers.

Research by the McKinsey Global Institute in cooperation with FCLT Global, found that companies that operate with a long-term mindset have consistently outperformed their industry peers since 2001.²⁰⁶ They did so across almost every financial measure, including average revenue and earnings growth that was 47 percent and 36 percent higher respectively. Their market capitalisation was also 58 percent higher.

Study three: Businesses that are highly ethical outperform the market.

The 128 honourees of Ethisphere's 2019 'World's Most Ethical Companies' had a collective 14.4 percent five-year premium against the Large Cap Index between 2014 and 2019.²⁰⁷ These companies, including two UK companies Aptiv PLC and Northumbrian Water Group often go above and beyond in helping lead their industry to more responsible places through helping develop and implement best practice approaches and, through this, shaping industry standards.

Study four: Visionary leaders inspire better business performance than autocratic leaders.

Research into how leaders frame the economic role of their business identified two types of leaders: visionary leaders who emphasise stakeholder values and purpose beyond profit; autocratic leaders emphasise pure economic values, such as shareholder value.

²⁰⁴ ESG stocks did best in Covid-19 slump, HSBC, 27th March 2020 (accessed via www.gbm.hsbc.com/insights/global-research/esg-stocks-did-best-in-corona-slump)

²⁰⁵ Sustainable investing: resilience amid uncertainty, BlackRock, April 2020 (accessed via www.blackrock.com/corporate/literature/investor-education/sustainable-investing-resilience.pdf)

²⁰⁶ Evidence That Managing for the Long Term Pays Off, Harvard Business Review (accessed via hbr.org/2017/02/finally-proof-that-managing-for-the-long-term-pays-off)

²⁰⁷ the world's most ethical companies: introducing the companies who made the list in 2019, Ethisphere Magazine, 2019 (accessed via magazine.ethisphere.com/wp-content/uploads/S2019_WMEMini.pdf)

Visionary leaders were found to relate positively to employees' extra effort, which in turn relates to strong firm performance. Autocratic leaders were found to have no effect on firm performance.²⁰⁸

Study five: Businesses that are great places to work create superior long-term value.

The great places to work survey includes several questions that ask employees to express how much purpose they have in their job. Top performing businesses consistently achieve strong responses to these questions, highlighting the link between purpose and a great workplace.²⁰⁹

Investments in companies in the 100 Best Companies to Work For in America' performed 3.5 percent better than the market index annually from 1984 to 2009, and 2.1 percent above industry benchmarks.²¹⁰

There are many factors that contribute to firm performance, from industry structure through to macro-economic trends. What the studies above highlight is the growing evidence that connects firm performance to purpose. The next section explores the evidence on what the key drivers are for this connection between purpose and profit.

208 Sully de Luque, M. et al., Unrequited Profit: How Stakeholder and Economic Values Relate to Subordinates' Perceptions of Leadership and Firm Performance, *Administrative Science Quarterly* 53, 2008: 626-654.

209 Three Predictions for the Workplace Culture of the Future, Great Place to Work, 2017 (accessed via www.greatplacetowork.com/images/reports/Fortune_100_Report_2017_FINAL.pdf)

210 Edmans, A., (2011), Does the stock market fully value intangibles? Employee satisfaction and equity prices, *Journal of Financial Economics*, 101 (2011), pp.621-640.

3.2 WHY DOES A PURPOSE BEYOND PROFIT MAKE BUSINESS SENSE?

There are several reasons why purpose-driven businesses often thrive. Behind them all is a simple truth: it is what people tend to want. This manifests itself in many different parts of a business, as “people” are a company’s investors, customers, employees, and recruitment pool. They shape cultures that can promote a business’s products and services or try to get whole communities to boycott them through social media and activism.

This means that those businesses led by an inspiring purpose and delivering significant social or environmental impact are more likely to recruit and retain the best talent, who will often then work harder for them; and have more and increasingly loyal customers, that may even be prepared to pay a premium.

In this section we explore six benefits across two main areas:

- How purpose helps secure, retain and motivate employees;
- How purpose helps build loyal customer bases.

There are others that could be expressed, ranging from greater levels of innovation or access to capital. Exploring these areas are out of scope for this paper but may be explored in future ReGenerate publications.

3.2.1 How purpose helps secure, retain and motivate employees.

A company’s purpose, and accompanying culture, guides the organisation. It states and shows how employees should behave and what is expected of them.²¹¹

When that purpose is something that an employee positively engages with, it has been proven to help them connect meaning to the work they do and gives them a sense that they are contributing to something greater than themselves.^{212 213}

This purpose matters to employees and potential recruits. A 2016 survey found that 37 percent of LinkedIn members were “purpose oriented, which means that they optimize their job to align with work that matters to them.” Moreover, another 38 percent considered purpose to be “equally weighted with either money or status.”²¹⁴

Importantly for business, these employees show greater commitment to their organisation and are more satisfied employees. More recently, a McKinsey poll found 82 percent of people to consider it important for a company to have a purpose; yet only 42 percent felt their organisation’s purpose statement drove impact (Figure 3.5).²¹⁵

211 Martin, K., *Clarity First: How Smart Leaders and Organizations Achieve Outstanding Performance*, McGraw-Hill, 2018.

212 Pink, D.H., *Drive: The surprising truth about what motivates us*, Penguin, 2018.

213 Putting purpose to work: A study of purpose in the workplace, PwC, 2016 (accessed via www.pwc.com/us/en/purpose-workplace-study.html)

214 2016 Workforce Purpose Index: Purpose at work, Imperative, 2016 (accessed via cdn.imperative.com/media/public/Global_Purpose_Index_2016.pdf)

215 Shifting from why to how, McKinsey, 2020 (accessed via www.mckinsey.com/business-functions/organization/our-insights/purpose-shifting-from-why-to-how)

Figure 3.5: Employees feel that purpose is important - but many say their companies don't have one, let alone have one that makes a difference.

Respondents reporting that...



Note: segments displayed in blue reflect respondents who were neutral, disagreed or strongly disagreed. * Impact score, which is based on a subset of respondents reporting presence of organizational purpose, derived on basis of responses to questions about achievements on of purpose and positive change associated with purpose.

Source: This chart has been redrawn from the McKinsey Organizational Purpose Survey report - Purpose: Shifting from why to How, April 2020

Employee desire for purpose has been recognised by business leaders too. In a survey of 474 global executives almost all respondents understood that purpose is a powerful lever to motivate their employees:

- Almost nine in ten of executives surveyed (89 percent) thought that a shared purpose will help employee satisfaction;²¹⁶
- 84 percent believed shared purpose will lead to more successful transformation efforts.²¹⁷

All of this helps drive three benefits to business. They can:

- Recruit the best talent;
- Retain the best employees; and
- Boost productivity.

216 The Business Case for Purpose, Harvard Business Review Analytic Services, 2015 (accessed via hbr.org/resources/pdfs/commentary/19392HBRReportEY.pdf)

217 Ibid.

Benefit one: Recruiting the best talent.

An increasing proportion of employees now expect their employer to operate with a positive purpose. It is affecting which roles people choose to accept. The 2019 Workplace Purpose Index survey found that people are more than twice as likely to want fulfilling work over engaging work. Central to fulfilling work is a purpose mindset. People who have a purpose mindset are 52 percent more likely to be fulfilled at work.²¹⁸ And people who are fulfilled at work have higher performance, longer tenure and act as brand promoters.

Moreover, A 2019 survey in the U.S. found that more than 70 percent of employees surveyed said that they were more likely to choose work at a company with a strong environmental agenda. Millennials are most likely to have done this: nearly 40 percent said that they've chosen a job in the past because the company performed better on sustainability than the alternative.²¹⁹

The global B Corporation movement, which has advocated for a new kind of business model based on stakeholder governance beyond shareholder primacy since 2007, consistently promotes the direct link between purpose and talent attraction. In a 2019 survey commissioned by B Lab UK, 71 percent of its community members reported that their recent recruits had joined their business because of their standing as certified B Corporations.²²⁰

Benefit two: Retain the best employees.

People are moving from one job to another with increasing frequency. In 2018, 11 percent of people moved jobs in the UK, up from 9 percent in 2016, with younger workers the most likely to move.²²¹

The motivation to do so is often linked to a lack of purpose. A 2018 Tiny Pulse report found employees who believe their company has a higher purpose than profits are 27 percent more likely to stay at their companies.²²² A 2019 survey found that fulfilled employees are twice as likely to stay over five years and three-times more likely to stay at least a decade.²²³

Benefit three: A more productive workforce.

A 2016 Gallup survey, found that: "in businesses with highly engaged teams, profitability increased by 21 percent, sales productivity by 20 percent, and output quality by 40 percent."²²⁴

These findings build on the 2016 Workplace Purpose Index,²²⁵ which showed that fulfilled employees act as Brand Ambassadors while unfulfilled employees are detractors. Moreover, fulfilled employees are more likely to report outperforming 80 percent of the people in their field.²²⁶

218 2019 Workforce Purpose Index Pathways to Fulfillment at Work, Imperative, 2019 (accessed via static1.squarespace.com/static/55f3a1b7e4b0d34cd55076ac/t/5ce20b787c744f0001932bfe/1558318088657/Imperative+2019+Workforce+Purpose+Index-eccoh+APAC.pdf)

219 Most millennials would take a pay cut to work at a sustainable company, Fast Company, February 2019 (accessed via www.fastcompany.com/90306556/most-millennials-would-take-a-pay-cut-to-work-at-a-sustainable-company)

220 Data based on B Lab UK's private survey of the B Corp Community in the UK for 2019

221 Analysis of job changers and stayers, Office of National Statistics, April 2019 (accessed via www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/compendium/economicreview/april2019/analysisofjobchangersandstayers)

222 14 surprising statistics about employee retention, Tiny Pulse, August 2019 (accessed via www.tinypulse.com/blog/13-surprising-statistics-about-employee-retention)

223 2019 Workforce Purpose Index Pathways to Fulfillment at Work, Imperative, 2019 (accessed via static1.squarespace.com/static/55f3a1b7e4b0d34cd55076ac/t/5ce20b787c744f0001932bfe/1558318088657/Imperative+2019+Workforce+Purpose+Index-eccoh+APAC.pdf)

224 Shaping Culture, The Allotment (accessed via theallotment.co/employer-branding/)

225 2019 Workforce Purpose Index Pathways to Fulfillment at Work, Imperative, 2019 (accessed via static1.squarespace.com/static/55f3a1b7e4b0d34cd55076ac/t/5ce20b787c744f0001932bfe/1558318088657/Imperative+2019+Workforce+Purpose+Index-eccoh+APAC.pdf)

226 Ibid.

3.2.2 How purpose helps build loyal customer bases.

Customers are, more than ever, making decisions on who they buy from based on companies' stated purpose and whether their actions match their words, as we showed in chapter one.

Moreover, a 2018 survey of almost 30,000 end consumers from 35 countries found that purpose has become a key differentiator.²²⁷ In answer to the question "what attracts you to buy from certain brands over others (beyond price and quality)?" people responded as shown in figure 3.6 follows:

Figure 3.6: Purpose has become a key differentiator.

What attracts you to buy from certain brands over others (beyond price and quality)?



Source: Barton, R., Ishikawa, M., Quiring, K., Theofilau, B., (2019), From me to we: The rise of the purposeful brand, Accenture Strategy

²²⁷From me to we: The rise of the purposeful brand, Accenture Strategy, Barton, R., Ishikawa, M., Quiring, K., Theofilau, B., 2019 (accessed via www.accenture.com/_acnmedia/Thought-Leadership-Assets/PDF/Accenture-CompetitiveAgility-GCPR-POV.pdf#zoom=50)

The survey also found that almost two-thirds of consumers feel that they have more influence than ever on how companies act. These consumers felt that their actions can influence a company's stance on issues of public concern.

The growing importance of how companies act reflects a broader trend that people place importance on why companies do something, not just how. Trust, influence and reputation "capital" is at the heart of this trend.²²⁸

This all translates into three broad benefits for businesses:

- Larger potential customer bases;
- More loyal customers; and
- People happier to pay a premium.

Benefit four: A larger potential customer base.

A positive purpose can generate more customers. For example, according to The Deloitte Global Millennial Survey 2020, 38 percent of millennials said they had "initiated or deepened relationships with businesses because they perceived a company's products or services as having a positive impact on the environment."²²⁹

Moreover, when consumers trust a brand's product experience, customer experience and positive impact on society, the brand earns an increase in the number of consumers who will buy first (28 percentage points), advocate (27 percentage points) and defend the brand (21 percentage points).²³⁰

On the flip side, if a company has a negative effect on society it can reduce their customer base: two-thirds (67 percent) of respondents said they would stop buying a product if they did not come to trust the company behind it.

Benefit five: More loyal customers.

Connecting with consumers on issues that resonate with them is far more than just good public relations. A 2018 study identified that almost four-fifths (79 percent) of American customers would be "more loyal" to a purpose-driven company. It also affects branding, with 70 percent saying they would be "proud" to be associated with the company, such as prominently wearing the company's logo.²³¹

The study goes on to highlight the extent to which these purpose-loyal customers would defend their chosen company when it was criticised (73 percent), or be more willing to forgive it a misdeed when compared to a non-purposeful equivalent (67 percent).²³²

The same trend is also true in reverse: when companies disappoint their customers, almost half will walk away in frustration, and almost a fifth will never come back.²³³

228 The currency of the new economy is trust, Botsam, R., 2012 (accessed via www.ted.com/talks/rachel_botsman_the_currency_of_the_new_economy_is_trust?language=en#t-25220)

229 Global Millennial Survey, Deloitte, 2020 (accessed via www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html)

230 Edelman Trust Barometer Special Report: In Brands We Trust?, Edelman, 2019 (accessed via www.edelman.com/sites/g/files/aatuss191/files/2019-07/2019_edelman_trust_barometer_special_report_in_brands_we_trust.pdf)

231 How to build deeper bonds, amplify your message and amplify the consumer base, Cone/Porter Novelli, 2018 (accessed via www.conecomm.com/research-blog/2018-purpose-study)

232 Ibid.

233 From me to we: The rise of the purposeful brand, Accenture Strategy, Barton, R., Ishikawa, M., Quiring, K., Theofilau, B., 2019 (accessed via www.accenture.com/_acnmedia/Thought-Leadership-Assets/PDF/Accenture-CompetitiveAgility-GCPR-POV.pdf#zoom=50)

Benefit six: Customers paying a premium.

Some customers are willing to pay a premium for products and services that are made in a way in which they approve. According to a 2018 Nielsen Report, almost half of global respondents (49 percent) said that they would be inclined to pay higher-than-average prices for products with high-quality/safety standards, which consumers often associate with strong sustainability practices.²³⁴

Just behind safety and function, consumers also described themselves as willing to open their wallets for products that were organic (41 percent), made with sustainable materials (38 percent) or delivered on socially responsible claims (30 percent).

A study by IBM and the National Retail Federation found that an organisation's brand purpose was often more important than cost and convenience for retail shoppers, with consumers prioritising products that are sustainable, transparent and aligned with those consumer core values.²³⁵

²³⁴Unpacking the sustainability landscape, Nielsen, 2018 (accessed via www.nielsen.com/us/en/insights/report/2018/unpacking-the-sustainability-landscape/)

²³⁵IBM report: 'shoppers will pay premium prices for sustainable, traceable brands', Enterprise Times, January 2020, (Accessed via www.enterprisetimes.co.uk/2020/01/17/ibm-report-shoppers-will-pay-premium-prices-for-sustainable-traceable-brands/)



Conclusion

The potential for businesses to positively impact the world is extraordinary, whether through improving people's lives or the environment.

This paper shows how having a "purpose beyond profit" not only helps companies make a difference, but is also more likely to make them sustainable and successful. This is because the public sees the good that business can do, and are especially keen to work for and buy from companies with a purpose beyond profit.

This case for purpose-driven business is not new. It has been building for decades. While some of the material in this paper, such as the polling, was original, much is summarised from great research and exploration undertaken by others before ReGenerate was formed. The case is now overwhelmingly strong and can be summarised in the three points our chapters seek to make:

- The public want businesses to take greater responsibility for social and environmental issues;
- Businesses have the power to positively transform society - something that is really needed;
- Being purpose-driven is increasingly evidenced to lead to a business being more successful and sustainable.

We hope that you have found this paper useful in articulating this case. In combination with our earlier paper, *What is a purpose-driven business* (June, 2020) we hope it is a useful building block towards building an economy in the UK and beyond that is successful, and in which everyone gets to share in that success.

This research is just the beginning. It is one thing to make the case for purpose-driven business. It is quite another to identify the ideas and reforms that could encourage and support businesses to have a greater positive impact on people and the environment. This is the next stage of ReGenerate's research, and one that we feel is critical as part of our investigation into how the growth of the ecosystem for purpose-driven business can be accelerated.

As we build this research we would welcome all and any feedback on our work and plans. We are a deeply collaborative organisation, and are looking to work with all others who are passionate about supporting entrepreneurs and established businesses to realise their full contribution towards people and the planet.

