The Social Investment Intelligence Network

Q2 – 2018

Connect Fund
Building a better social investment market

SocialSpider

Introduction

The Social Investment Intelligence Network (SIIN) is a new initiative that brings together a group of charity and social enterprise leaders from around the country – to provide informed perspectives on developments in the social investment market and discuss how the market could work better for their organisations and others in their regions and sectors.

The SIIN panel meets on a quarterly basis with a short report published after each meeting to reflect the discussions and provide timely information to the market.

Our first report summarised several key insights including:

- Seeking unsecured investment is a very different challenge to seeking secured investment
- Charities and social enterprises have mixed experiences from intermediary to intermediary, and even with different people within one intermediary
- Charity and social enterprise leaders feel they are treated differently based on who they are
- Investment readiness models need refining and changing but are valued

After the broad general discussion in our first meeting, the second meeting consisted of feedback on our previous report and panel members' updates, followed by themed discussions on 'investment readiness' and 'diversity and equality'.

Feedback on Previous Report

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The group discussed responses to the first SIIN report - both informal feedback and press coverage including:

- a blog by Access Chief Executive Seb Elsworth
- a short report on the Finance Matters blog
- a Pioneers Post article by members of the SIIN Secretariat

The group noted that we had seen largely positive feedback to the first SIIN report. It was briefly discussed whether the role of the group was purely to provide insight into market conditions or whether it should also suggest ways to improve them.

It was also noted by the group how some feedback had expressed surprise that various problems still existed in the market from the users' perspective, when steps had been taken to address these from the financiers' perspective.

The group discussed how it is a tendency of policymakers and funders (perhaps especially in the social investment industry) to assume that, once a fund or initiative has been launched, its effects will be felt immediately in the field. The reality is that it often takes many months or years for the effects of an intervention to "trickle down". This reinforced the idea, discussed during our previous meeting, of a dislocation between policy and the supply of finance on the one hand and the demand side in the field on the other.

Panel Members’ Updates

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One of the panel members reported facing difficulties with the FCA’s approach to regulating emerging peer-to-peer finance models but was hopeful this had now been overcome. Some prominent peer-to-peer lenders were still discriminating against CICs.

One panel member had very recently received investment from a social investment accelerator for a digital project while another noted they were on course to repay an outstanding loan.

One panel member reported that they needed a short-term overdraft from an ethical bank and had requested £25k. They were told that that could not be approved as the limit was £20k so they had to put the phone down, call again and ask for £20k. One member of the group was embarking on a new enterprise and had started early discussions with a few finance providers, including an idea for a city-based bond.

Another member described how their recent experience with a social bank “had not been too bad” but reiterated previous comments by other panel members that there seemed to be “lots of retired bank managers in the industry”. This was not meant as an entirely positive statement: simultaneously echoing concerns that the social investment sector mirrors the practices of mainstream banking whilst also suggesting that it might be a less professional or committed version of it.

One member of the group had been particularly frustrated by the process of applying to the Access Foundation’s Reach Fund, reporting this had taken three months, with steps that didn’t seem to make much sense from the enterprise perspective. The panel member had received conflicting advice, an initial rejection and then, through connections and visibility on social media, had been contacted by a senior figure associated with the fund and invited to reapply. A grant was then approved within a few days. It was notable that the panel member’s high social media profile seemed to have driven this change of course, hinting at how social capital may be a factor in shaping access to finance. The panel member also noted that part of the problem was linked to a somewhat cart-and-horse relationship between understanding the business opportunity and structuring the finance.

Investment Readiness

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The group discussed how from around 2010 to 2017, a series of programmes described in terms of *investment readiness* had been created by the Government, the Lottery and others. These included:

- the Cabinet Office-funded Investment and Contract Readiness Fund
- the Big Lottery-funded programmes: Big Potential Breakthrough and Big Potential Advanced
- Access Foundation's Reach Fund and more

These programmes followed a similar model whereby an organisation applies to a programme and, if successful, receives grant funded *investment readiness* support from an approved consultant support provider, enabling them to pursue the "holy grail" of investment.

The group discussed several recent reports published by leading social investment organisations relevant to the future of 'investment readiness' support:

- Strength In Numbers – a review of investment readiness programmes from Social Investment Business
- Big Potential Breakthrough – year three evaluation by University of Northampton
- Access Strategic Plan 2018-23 – including plans to spend £40 million on 'enterprise development activities'

Alongside the recently published reports, sector leaders and commentators have been expressing their views on the future of 'investment readiness':

- Nick Temple, Social Investment Business – "Let's scrap the phrase 'investment readiness'"
- Seb Elsworth, Access – "ready for what?"
- Anoushka Kenley, NPC – "Readiness or resilience"

The combination of the reports and the blogs indicated a shift in the narrative away from *investment readiness* to *resilience* and *enterprise development*.

The group welcomed the growing recognition within the support sector that investment should not be a goal in itself but should be connected, and often secondary, to wider enterprise development aimed at organisational sustainability.

But some of the group suggested that the underlying reasons for the shift might be, more simply, because *investment readiness* programmes were not very successful. The panel noted how:

- Evidence from reports suggested a lower proportion of enterprises receiving investment than the panel members would have expected
- Some of the programmes involved many millions of pounds
- Some organisations actually seemed to suffer negative effects due to their involvement with these programmes
- Sometimes, social enterprises applied for these programmes but never really wanted investment anyway
- *Investment Readiness* sets the tone for a patronising or paternalistic dynamic, which assumes an organisation is not ready. The idea of "readiness" may even be perceived as offensive
- There are many organisations that don't know how to engage with this kind of programme
- These programmes may not be useful for those who actually need the most help. (NB: The group felt that they themselves are arguably relatively privileged players in the social sector, better able to engage with some of these programmes than many of their peers in communities across the country, whereas policymakers and investors would consider them as the outliers)
- Programmes like these still seem to be a "friends' circle" where you can access them if you follow certain routes or speak to certain people. The perception is "It's about who you know"

Despite their suspicions about the motivation behind it, the group broadly welcomed the recent shift in emphasis. However, several members cautioned that the pendulum may swing too far, too fast and questioned the idea of organisational *resilience* as the new overarching principle.

Above all, the group was frustrated that it was funders dictating the ideas of "investment readiness", "resilience", "capacity building" or whatever the ambition may be next year. Instead, the group suggested that better models, which reflect the ethos of the *social* sector should:

- be shaped and influenced by social enterprises themselves
- not involve "consultants who take your watch and tell you the time" but instead involve group learning over a number of weeks, for instance
- let the entrepreneurs shape what support they receive, creating opportunities for self-development
- not take the shape of one model; there is not one answer
- involve pairing entrepreneurs up with others just ahead of them in their development
- be more *tailored, bespoke, empowering and peer-to-peer, agile, flexible and friendly, and recognise strengths as well as weaknesses*

The group concluded that there was an important issue about power here. The investment readiness model had been lifted from "the corporate financial sector and planted in our sector".

The group suggested that there was nothing particularly progressive about the model, replicating the same power structures and relationships and behaviours identified as problematic in other sectors, just to access capital. One member of the group persuasively suggested that the social investment industry need to radically change, with investors and support providers moving away from central London, into communities and distributing power more in line with the supposed ethos of social investment.

Several panelists highlighted the need for more peer support and for an approach that builds on existing strengths, noting that: "Support seems to be based on a deficit model – we need to recognise assets and build on those." It was suggested that organisations considering seeking social investment or other forms of business development could be paired with other organisations in similar sectors.

The group felt that there should be investment in peer support as part of capacity building, with the clear message that "Peer to peer does have to be resourced" – so that both the organisation providing the expertise and the organisation developing their business are paid for their time.

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Diversity and Equality

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The group considered the issues of diversity and equality within the social investment industry. The SIIN secretariat introduced existing research in the field including:

- a report from the Young Foundation which noted that despite being a global leader in social investment, the UK has a blind spot when it comes to gender and is losing out on investment opportunities, and in some cases having a negative impact.
- a report from TSIC which discussed the need to address investor diversity in order to improve decision-making, avoid 'group think', and to create a more inclusive sector that can better represent, understand and invest in the communities it seeks to serve

The secretariat also highlighted action underway in the field, such as projects led by The Dartington Hall Trust and The School for Social Entrepreneurs, TSIC and others to help the UK social investment sector be more aware of how its constitution, culture and investments impact on equality outcomes and ensure that social finance does not replicate inequalities of gender, race and class evident in mainstream society.

The group considered the two related issues of a) who works in the social investment industry and b) who gets to access the investment. The panel considered the nine protected characteristics set out in UK law (Age, Disability, Gender reassignment, Race, Religion or belief, Sex, Sexual orientation, Marriage and civil partnership, and Pregnancy and maternity) as well as other lenses on equality, such as geography, class, mental health and economic disadvantage.

The discussion was wide ranging and members of the group held a diverse mix of views. Some members held strong differing views and expressed them while – when compared to discussions on other topics – it was notable that several panelists did not contribute significantly to this part of the meeting.

Some of the group felt that the social investment industry "hasn't been representative of much from beginning" and that "if we had a more representative sector we wouldn't have half the problems." There was a strong view from most of the panel members who participated in this discussion that social investment was nowhere near delivering on the inclusive principles we might imagine the industry to embody. One panelist noted: "It looks like it's been designed off the back of a mix of the traditional finance sector and how tech sectors are working."

One panel member argued that a lack of direction in the sector is a big problem. If there was more intentionality then power would not gravitate towards those already with privilege and power. The panel member noted: "I don't think it's by accident that we've ended up where we have."

“when we design the institutions and structures of our industry, they must be co-designed with underserved groups”

While there are funds and initiatives directed at, for example, poverty and mental health or certain age groups, the social investment industry does not have models which take into account some of the other characteristics and issues identified above. This panelist viewed this as a long-term problem which social investment was one part of: noting that the UK may have missed previous opportunities to shape something better.

Another panel member argued that when we design the institutions and structures of our industry, they must be co-designed with underserved groups.

The group agreed that it would be interesting and potentially useful to have greater transparency and data on how social investment was being distributed in terms of the characteristics and issues identified above. Also, with regard to the composition of staff across the industry.

However, within the group, panelists held differing ideas about both the nature of discriminations and appropriate measure to counterbalance discrimination. At the end of the discussion, the Secretariat member who introduced this part of the meeting concluded by observing that he knew he had much to learn and improve with regard to these issues of diversity and inclusion, and it was clear that the social investment industry more widely also had much to do.

The Secretariat notes that the conversation became increasingly personalised.

In the Secretariat’s view, both the content and manner of the discussion moved beyond differences of opinion: it was not a discussion in which all participants were treated with equal levels of respect. We believe that a panel member acted in a way that led to some of the other panel members experiencing discrimination on the basis of their ethnicity.

At this point, the Secretariat did not intervene in the discussion, leaving it to panel members to carry forward the debate. On reflection, the Secretariat believes we should have reacted to the unfolding situation differently. We are sorry that we did not intervene and make clear that the content and manner of the discussion had become inappropriate. We regret what happened and were shocked by the direction the discussion took. Two panelists have since stepped down.

It is clear from our debate, the way it unfolded and how it was handled that many of us have a lot to learn and a long way to travel. We hope that this report can prompt a number of us into deeper reflection, constructive discussion and concrete actions that help make social investment part of the solution to addressing inequalities in our society, rather than part of the problem.

Reflections

In response to the discussion on Diversity and Equality, one panelist recommended that there was a need for a comprehensive study of inclusion and diversity in the social (investment) sector, that is designed and managed by people who have observed, felt or experienced exclusion, discrimination (or discriminatory approaches/language) in the last few years, in a social sector context. The purpose of this study would be to:

- Capture real stories of exclusion and discrimination within the social sector and share these with the wider sector with the aim of increasing awareness/ educating the social investment sector about the different ways that exclusion and discrimination can manifest and the impact that it has.
- Capture stories of inclusion, of being meaningfully included and the impact that it has – showcase good practice.
- Examine and highlight the problem areas – what are we not seeing/recognising/ ignoring particularly at strategic and infrastructure levels?
- Explore improvements to be made: Make recommendations for approaches to inclusion and diversity in the social (investment) sector.

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Key Insights

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From Members' Updates:

- prominent peer-to-peer lenders continue to discriminate against charities and CICs
- the process of seeking investment is characterised by frustrating quirks and obstacles that charities and social enterprises have to navigate their way around

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From Investment Readiness:

- the shift from `investment readiness' to `resilience' is broadly welcome but some charities and social enterprises are sceptical about the motives behind it
- charities and social enterprises should play a bigger role in shaping `investment readiness' in the future
- charities and social enterprises could play a significant role in delivering `investment readiness' support through peer support models - properly resourced

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From Diversity and Equality:

- the social investment sector is not representative of wider society and has not been designed to , or evolved to challenge existing structures of privilege and power
- greater transparency and better data on who is employed in the sector and to whom money is going could make it easier to identify and tackle inequality
- charity and social enterprise leaders have differing views on diversity and equality but – while disagreements should be aired and understood – discussions should be conducted in a way that ensures participants are not discriminated against

What's Next?

These topics are both likely to be recurring themes for future work. With regard to Diversity and Equality, our initial discussion on these issues became unconstructive, sadly acting as a demonstration of the prevalence of problems faced by many. We think this makes it all the more important for the SIIN to continue to explore the topic in future meetings. In those discussions, it will be the job of the Secretariat to prepare for and guide the conversation in a way that ensures all panel members can contribute in a non-discriminatory atmosphere.

The third SIIN meeting will focus on local (or `place-based') social investment: considering what that means for charities and social enterprises.

Meeting Date May 14th 2018
Venue CAF (Charities Aid Foundation) London

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