



UNIVERSITY OF EDINBURGH
Business School

MBA Consultancy Project Report

Social Investment and the Acquiring Business 4 Good Programme

6TH JUNE, 2011

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Prepared for:



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1. Executive Summary

Social Firms Scotland (SFS) is an Edinburgh based entity that seeks to create work in sustainable businesses for severely disadvantaged people. In the Spring of 2011, SFS approached the University of Edinburgh Business School to undertake a consultancy project, which ultimately resulted in a gathering of information regarding the views and attitudes of the private investment community on investment into Social Firms.

Using that objective as a baseline, University of Edinburgh MBA Students Troy Barnes and Robert Hoermann put together a project outline geared at seeking insight and opinion from the private and angel investment community (referred to in this report as “investors”) in Scotland with regard to Social Firms. To accomplish this, a detailed Terms of Reference was finalized with SFS, which included precise information that SFS was seeking from the investment community. These specific questions included:

- Are investors aware of social enterprises and their trading activities?
- Are investors aware of the opportunity to invest in social enterprise?
- What parameters would make this type of investment an attractive option?
- How is business acquisition viewed as an alternative investment in social enterprise?
- What obstacles are investors currently facing with regard to social enterprise?

From there, MBA students leveraged contacts to gather this information, which is compiled and presented in this report.

The findings of our research, while varied, provided an in-depth look into how social firms and enterprises are viewed by this investment community. Achieved through a series of interviews and surveys, this analysis uncovered some clear trends that resound with investors with specific regard to SFS.

Due to the nature of this project, many of our findings were qualitative in nature, which we grouped into three distinct trends. We found that many investors are in fact interested in investing in social enterprise, but the following opinions resound:

1. Many are not aware of the investment opportunities within this sector.
2. There is a disconnect in business acumen and language between investors and social firms.
3. Some investors struggle to define the clear difference between investment and philanthropy with regard to social firms.

Virtually all of the information and opinions we gathered while undertaking this research can be grouped into one of the above mentioned themes. These themes, including the methodology that was outlined to obtain this information, is presented in detail in the following report.

Following a detailed analysis of our findings and the interests of the investment community with regard to SFS, we have concluded the report with a few clear recommendations that could be implemented to establish further relationships with this investment community. As noted, the main finding throughout this research is that there is significant interest in SFS from the Scottish investment community. With the right approach, which is outlined in this report, this interest could amount to further relationships with investors and ultimately, increased funding for SFS.

2. Methodology

The overall objective of this project is to provide Social Firms Scotland with a clearer perspective of how social investment is perceived in the eyes of private investors and business angels. In initial meetings with the client, Karen Anderson stated that “investors are still primarily large charitable trusts rather than private individuals or business angels or even venture capitalists”. Because of the nature of this current relationship between investors and social firms, it became essential to understand their position regarding social enterprise as an investment opportunity.

Knowing that the client was seeking information related to this objective, various tools were analyzed in order to accurately collect such information from investors. Early on, it became clear that this community is close knit, and somewhat difficult to approach. Based on recommendation from Peter Shakeshaft, former CEO of Archangel and current Chairman of LINC Scotland, it was determined that an online administered survey sent to investors would be the most efficient and effective way to gather data for this project.

The nature of this data collection approach led to much more qualitative perceptions, and subjective viewpoints given by investors. As with any project that is dealing with opinions, perceptions and emotions, overall findings become very qualitative, leading analysis to focus on trends and analysis of viewpoints. For this specific project, we were able to administer the survey to Peter’s vast network of investors and investor syndicates, including LINC Scotland, Archangel, Angel’s Den, Par Equity and others. It is estimated that the survey went out to approximately between 100 and 120 individual investors, with an approximate response rate of 25% (28 respondents), providing ample and accurate representation of the overall Scottish investment community (see Appendix 6.1).

Specifically, our survey was designed to address the exact questions that the client proposed in our Terms of Reference document. To do this, a combination of question formats were chosen, including multiple choice, open-ended, and scalable selection responses.

For a detailed project flow and step by step analysis, see Appendix 6.5.

2.1 Limitations

- Due to investors very busy schedule, collecting responses was difficult, which supports our decision to administer an online survey.
- Survey results represent a limited number of investors in comparison to the entire private investor community, making results subject to inaccuracy of overall representation.
- Limited time frame of the project hindered further research into investors insights and additional investor responses.
- Response rate was quite varied to certain survey questions, proving some questions more relevant than others.
- Deeper research, such as personal interviews, proved difficult due to investors schedules and priorities.

3. Results

One clear recurring theme that we came across during our discussions and research with the private investment community was a noticeable lack of awareness, and even further, a lack of participation in social enterprise investing. For example, 88.9% of investors said they have never worked with or invested in social enterprise before. We see this astounding percentage as a huge opportunity for SFS, in terms of growth within the private investment sector.

Out of this large percentage of investors who have never worked with SFS or similar institutions, 50% said that they do have general interest in this type of investment. Simply put, half of the private investment community are genuinely interested in the social impact of their investments. We see this as further evidence that SFS has a true market opportunity here with regard to funding from previously untapped resources.

One other observation we noted while doing our research is that the private investment community does have a significant interest in contributing to society. In fact, over 96% of investors said that they had made a prior charitable donation. We are aware that SFS are looking to be viewed as an investment in sustainable business opportunities, but it is important to acknowledge how interested this community is in philanthropy.

Not only are investors very interested in contributing to charities, many of them have significant resources to do so. Most investors have contributed less than £10,000 to charities, however, there are investors that have significantly more funds than that. 8% of investors that have contributed to charities in the past have contributed over £50,000 – a noteworthy amount for any business. These results are congruent with current views, from both Social Firms UK and Social Ventures Australia, which states “We believe that there is a potential pool of investors that will be content with low or modest return on investment as long as the business is producing worthwhile social outputs”¹. It was also noted in a recent Financial Times article, that “Banks say ‘a new asset class’ where people invest for social returns, not just a commercial return, is starting to emerge. And advocates of social impact bonds say they have the potential in time to raise hundreds of millions of pounds”².

After confirming that private investors do indeed have interest in social investment and contribution to society, the next step involved figuring out what form of investment these individuals would be most interested in pursuing with social enterprises. The results were quite spread out, with no real clear trend developing as to what investors would prefer. However, a few notable discoveries were made. Almost 40% of investors rated a loan investment as the least attractive option in investing in social enterprise, showing that, even though these are social enterprises, investors still desire to have a stake in the business.

Outside of the lack of interest in funding social enterprise by loan, investors seemed to be quite evenly spread out among the alternative investment types. Both equity and quasi-equity seemed to show a moderate level of interest, but no clear trend developed to show preference of one over the other.

¹ socialfirms.co.uk, 2009, “What if a private investor wants to get involved in setting up a social firm?”

² Timmons, 2011, “Big society fund will not plug cuts gap”

There were also some interesting responses when the option of a donation was brought up. Some investors (almost 24%) said that a donation would be their most likely form of contribution to social enterprise, however the same amount also said that it would be their least likely option. After analysing investors personal comments regarding this topic, it can be determined that each individual investor does think differently about this type of contribution, working with different levels of risk, return, and involvement in the business. These specific trends and comments will be further analysed later in this report.

When thinking about approaching individual investors, it is also important to think about what exactly these investors are looking for in investment opportunities. As mentioned earlier, not all investors think alike, however there are certain aspects of business investment that attract investors of all types. Two of the most important factors that investors look at unanimously are the return generated from the investment and the overall idea of the business. It is also important to note that many private and angel investors are very particular about stated returns earned from investment. Almost 40% of investors stated that they look to earn somewhere between 10 and 20% returns of their investment, with 30% seeking even higher returns (above 30% returns). This statistic shows the level of risk that these investors are used to dealing with. As one investor stated, "Angel investments are hugely risky and so we expect a 10X return on the investment over a 3 year period."

Outside of these two main factors, it becomes much more up to the individual investor on what specifically they are looking for. For example, 10% of investors said that the contribution to society was the most important attribute they look for when investing. Both level of involvement in the business and personal relationship with the founders or existing management showed levels of importance to investors as well. There was also one common theme emerging from the open-ended section of this question, and that was the fact that the quality of the management team that is in place is quite important to these investors. SFS should be aware of this, making sure that if they approach businesses for acquisition using private investment funding, that investors involved will be highly interested in the management team that is running that business.

Investors were also approached with regard to their thoughts about investment into a particular fund, geared at social enterprise and entrepreneurship. The basis for this question revolved around the fund created in 2002 as part of the Bridges Ventures private investment company. Bridges Social Entrepreneurs Fund (BSEF) "founding principle is that all of its funds aim to achieve social goals as well as financial returns"³. Funds like this have the opportunity to provide investors a diversified option in investment into social enterprises, however the responses collected from the private investment community failed to show much interest in this type of investment option. Only 17% of investors surveyed had even heard of BSEF, and only 32% said they would be likely to invest into a similar fund. Some of the investors showed concern about the lack of knowledge of a fund such as BSEF, stating that they would need to know much more about the fund before investing into it. Another investor specifically stated "[I] do not know the fund, but any investment would depend on the quality of the business plan, the exit and the anticipated return potential". One other issue that was brought up regarding investment into a fund such as this is the loss of control that investors would face upon investment into such a device.

³ Good Deals Almanack, 2009, "Venturing into social action"

It is also important to note, with particular respect to social enterprise, that many investors expect, and enjoy, contributing personal expertise in a certain field to their investments. While no private investor is looking to be part of the daily operations of their invested business, half of them expect to be fairly involved from an advisory role. This is an invaluable asset to have, especially for social firms. The private investment community has not only funds available for business investment, but a wealth of knowledge and experience that can be put to use. There are a small portion of investors (roughly 20%) that are seeking hands-off investment opportunities, but the majority of them prefer to be somewhat involved in the business.

3.1 General Trends among the investment community with regard to social enterprise

Upon doing this primary research with the private and angel investment community in Scotland, we discovered three clear trends that emerged among all investors that were approached regarding the topic. The following are three key areas that should be addressed by SFS, and will serve as the basis for our recommendations.

1. Awareness of social investment opportunities within the private investment community
2. Overall business acumen when dealing with this community
3. Investment vs. Philanthropy in the eyes of the investor

3.1.1 Awareness

The first trend that was quite obvious when talking with investors centred around the fact that a large number of investors were simply not aware that investment opportunities existed in the social enterprise sector. Many investors seem interested in the idea of investing in social firms, and some even have a personal affiliation or deep desire to do so. The problem that seemed to come about quite often is that investors do not know of the opportunities that are available to them. SFS has a large opportunity here in that, with a push to increase awareness of investment into social enterprise, SFS could have many willing investors waiting for them.

Specific comments we received directly from investors were “Let us know you are there” and “Get better known”. Other investors mention never having come across an opportunity to invest in social enterprise, or having never seen a proposal for that particular type of investment. Based on these comments and from the overwhelming number of investors that said they haven’t ever worked or invested in social enterprise, it can be concluded that there is a severe lack of awareness within the community.

3.1.2 Business Acumen, Plans, Proposals and Returns

The private investment community primarily consists of a highly successful group of business people, who have become accustomed to speaking proper business language. One common trend that began to develop while doing research with this community is that they sometimes find it difficult to conduct business with people unfamiliar with their investment terminology. Investors expect to see proper business plans, written in appropriate language, stating a clear idea and displaying how this idea will lead to financial returns on their investment. As one investor simply stated, “Angels invest for profit”. Investors clearly put great emphasis on the leadership behind the investment (management team), and like to

have a clear understanding of the exit strategy involved to realise their returns. Congruent results were noticed when analysing a similar report, compiled by NESTA UK, which looked at motivations and key drivers behind high net wealth individuals investment into social enterprise⁴.

The underlying theme here, akin to one investors sentiment, is that social enterprise must “Ideally try and distance from charities and run as a responsible venture which could be perceived as sustainable without subsidies or public funding in the long run”. Or as another quoted, “Start talking business and not political correctness”. In other words, the quality of the business plan and the management behind the idea are just as important as the idea itself.

3.1.3 Investment vs. Philanthropy

There is currently a significant separation within the investment community between investment options and contribution to charity or philanthropic initiatives. Many investors view the idea of “investing” in a social enterprise or other social good purely as philanthropy. As such, some investors are not keen on the idea of confusing the two. One investor put it this way, “If [they] want private investment rather than donations, they must demonstrate how the investment will provide a return of 30% IRR.”

It seems that most investors, while having an interest in providing funds for social good, are still interested in the overall financial return that the project can provide. Therefore, many are hesitant to “invest” in these types of businesses, rather choosing to strictly donate and not get involved any further. One investor stated that “This is not investing, this is philanthropy. Investing implies that it is done for profit, a return on investment, normally generated through an exit event”. The idea behind social firms and creating sustainable social enterprises revolves around creating financial returns as profitable businesses, but also businesses that provide some social good to the community. This idea must be clearly articulated to ease confusion within the investment community.

4. Recommendations

Our recommendations for SFS, congruent with comments and input from the investment community, resound from the three main themes we outlined above. We believe that with increased awareness given to SFS’s funding objectives and potential returns, a knowledge of investors views on investment vs. philanthropy, and the business acumen to bring these investment opportunities to the right investors, a network could start to be created that would give SFS access to previously unseen investor funds.

- 1. Build awareness of investment opportunities present through SFS and the Acquiring Business 4 Good programme.*

To accomplish this, we would recommend putting together a comprehensive marketing plan geared specifically at the angel and private investment community. Based on the research we undertook we know that, while not every investor might be interested in this type of investment, there are those out there that have a passion for this sector, and are very willing to pursue investment opportunities there. To accomplish this, however, these investors need to be approached, enlightened, and educated on the opportunity.

⁴ Elliott, 2009, “Investing for the good of society”

More than just making investors aware of SFS and their objectives, these investors need to be engaged. Based on feedback, we believe there is ample opportunity to reach out to investors, investment groups, and angel syndicates to help spread the word about the Acquiring Business 4 Good programme, and begin to make them feel a part of what SFS is trying to accomplish in the community. The current website is a good start, however, putting a “business proposal” or similar marketing package together, and taking this directly to investment groups would be much more effective. The main reason for this recommendation is not based on getting information about SFS out to the investment community. Rather, it is geared toward building relationships with the investment community, and specifically, with the investors who are interested in such a cause. Various angel syndicates, including Archangel, Angel’s Den, and Par Equity all had investors who seemed interested in this type of proposal, but were just not aware of the opportunity.

SFS could put together an information packet or business proposal, and take this packet directly to various angel syndicates, including the LINC Scotland investment community. LINC Scotland also has various different events throughout the year, such as the Business Forum Scotland, and the Deals and Dealmakers awards event in September. Partnerships could also be investigated with potential social investment funds, such as the Bridges Social Entrepreneurs Fund (See Appendix 6.3 for a full list of such funds). Funds such as this attract investment from socially minded investors, and we believe there could be mutual synergies developed in partnering with these funds. As Sir Ronald Cohen, president of BSEF stated, “[This] is different from traditional philanthropy because the social enterprise models we want to back have a revenue generation capability consistent with their social mission”⁵. We see this as similar in nature to the Acquiring Business 4 Good programme. There could also be opportunities present in networking with various banks that have specific departments dedicated to social enterprise funding, such as Coutts & Co based in London.⁶

We would also recommend embracing some of the new media marketing outlets that exist, including groups on professional networking sites such as LinkedIn, that could help to enhance relationships with investors and keep both investors and SFS in the loop on existing opportunities and ongoing initiatives.

2. Increase communication and attractiveness with the investment community, using vivid presentations, professional style, and articulate business acumen.

In other words, as one investor said, “talk appropriate language”. Investment, specifically from the angel community, often revolves around trust as much as it does a good business idea. To obtain this trust, it must be proven to this community. There are numerous ways to do this, but without speaking to investors in a language they can understand, this trust will be very difficult to achieve.

There are certain elements that attract investors no matter what the underlying business idea. A proper business plan, sufficient yet realistic return projections, favourable growth prospects and a proper exit strategy is a good start. However, in addition, investors want to work with individuals they can trust to achieve the goals stated in a business proposal or plan. To do this, anyone seeking investment must speak with passion, confidence, and an overall business acumen that can be recognized by the investor. Professional presentation style, coupled with a working knowledge of business terminology is essential in attracting this tight knit and busy community.

⁵ Cohen, 2011 “Social Investment Ten Years On”

⁶ Coutts.com, 2011, “The Coutts Guide to Financing Social Enterprise”

Coupled with our first recommendation of proactively reaching out to this community by way of event attendance and a polished marketing package, we also recommend consciously focusing on honing in to the real “business” behind these projects (Acquiring Business 4 Good) rather than always focusing on the social gains and political correctness. If these are businesses that can provide returns to investors, make sure those returns are clearly presented in language investors can understand.

- 3. Be clear and informative when presenting opportunities for investment, as many investors choose not to blur the lines between investment and philanthropy.*

If presenting an opportunity to an investor, it is imperative the investor know whether they are getting involved in an investment (return based) or a philanthropic activity (charity based). There are certain investors who are very willing to donate to a cause, but would rather keep investment separate from charity. These investors should be approached with a different perspective, but keep in mind that they are still very willing to contribute financially to a cause.

If presenting a true investment opportunity, based around providing a return to the investor (such as the Acquiring Business 4 Good initiative) a clear business plan should be assembled, showing the forecasted returns on a justifiable basis. In an investment opportunity, investors are going to want to know specific details about revenue generation, market analysis, management team behind the project, equity share of the venture, etc. Investment opportunities should document all of these, just as any other business plan should. However, a request for a charitable donation could be much less detailed and still accomplish the overall goal of raising funds.

This issue of investment vs. philanthropy also raises the important issue of taxation, and shelter thereof, for investors. Many charitable donations result in tax benefits for the donator, usually by way of a deduction. If there is a similar tax benefit available by way of investment into a social firm, this should be clearly outlined for the investor to understand and take advantage of. For example, “the Community Investment Tax Relief (CITR) is used by community development finance institutions to attract private capital from both corporate and individual investors that can be lent on to enterprises in disadvantaged areas and to social enterprises”⁷. Along with contributing to the greater good of society, this could also prove as incentive for an investor to choose investment in a social enterprise over a similar business opportunity in a different sector.

5. Conclusion

Based on feedback directly from the private investment community, it is clear that there is significant interest in the contribution to society that can be achieved through social enterprise. While the majority of investors are still focused primarily on the return that can be achieved through such investment, many have a deep interest in this sector and the desire to get more involved via available funds. However, the few but noticeable themes that surfaced during this research bring to light the current gap that exists between social enterprise and private investment.

⁷ Giotis, 2011, “Fight is on to save social investments only tax relief”

It is essential, if SFS desires to become more involved with the private investment community, that they make their investment opportunities available to investment groups, and publicize these opportunities through various marketing initiatives and event attendance. There are many investment syndicates, even as locally as Edinburgh, that could be approached. Archangel, Angel's Den and LINC Scotland all have investors that have expressed interest in learning more about social enterprise. However, to invest in an opportunity, they must know that the opportunity exists.

Related to reaching out to potential investors, it is also imperative that contact with these groups is done on a professional and trustworthy basis. Proper business plans should be utilized, with great emphasis put on appearing professional and knowledgeable of the investors concerns. If an investor is interested in a business proposal, specifically in social enterprise, it is likely they will still want to see forecasted returns that can be expected from the investment. Provide a clear business proposal that demonstrates how the business addresses a need and what contribution the business will make to society, and the investment community will likely take interest.

It is also clear that certain investors have no interest in social investment, but still have a passion for this sector and would prefer to contribute by way of a philanthropic donation. It would be beneficial to have two separate awareness initiatives, keeping investment separate from philanthropy. Blending the two only creates confusion in the eyes of some investors, which could lead to resistance and scepticism from the investment perspective.

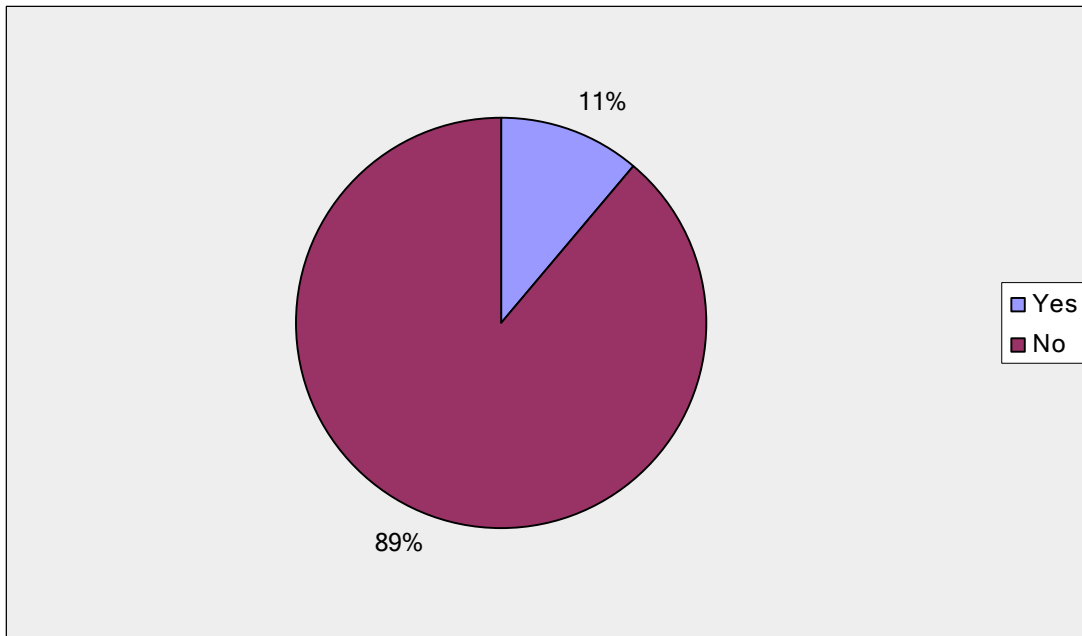
Overall, we did find throughout the course of this project, there is significant interest in social enterprise from the investment community. With the right approach, focused on awareness and professional presentation, we believe that this community could be engaged in what SFS is doing. The interest is there, they just need to be made aware of the opportunity, and have reason to believe in it. If SFS can provide these things - awareness and opportunity - we see a bright future ahead for social investment in Edinburgh.

6. Appendix

6.1 Survey Analysis and Results

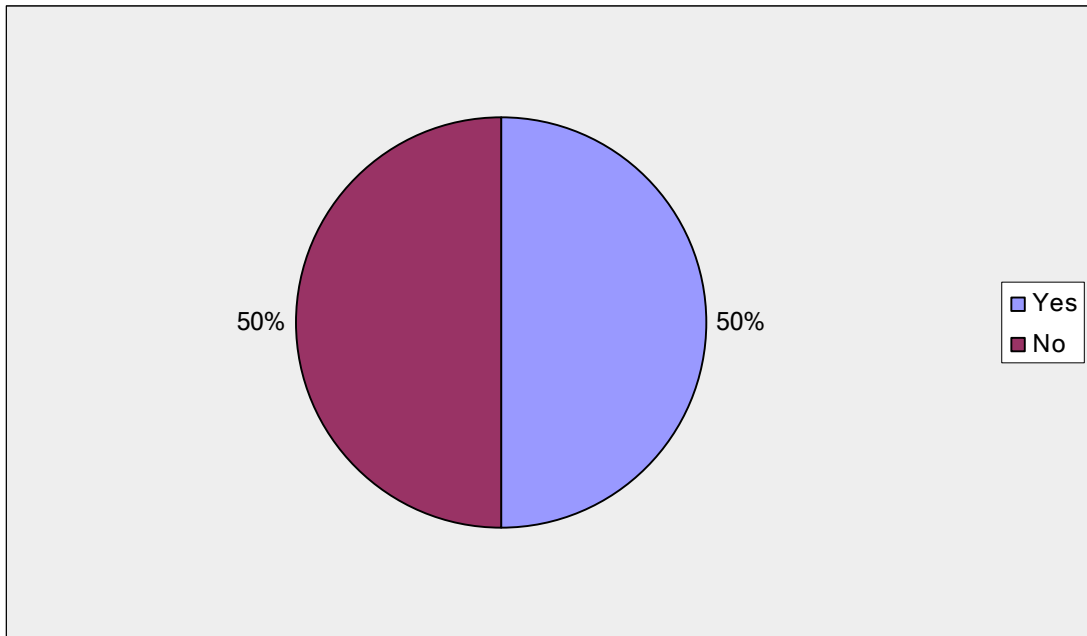
Question 1

Have you ever worked with or invested in social enterprise before?		
Answer Options	Response Percent	Response Count
Yes	11.1%	3
No	88.9%	24
<i>answered question</i>		27
<i>skipped question</i>		1



Question 2

If no, is this type of investment something that you have general interest in?		
Answer Options	Response Percent	Response Count
Yes	50.0%	12
No	50.0%	12
<i>answered question</i>		24
<i>skipped question</i>		4



Question 3

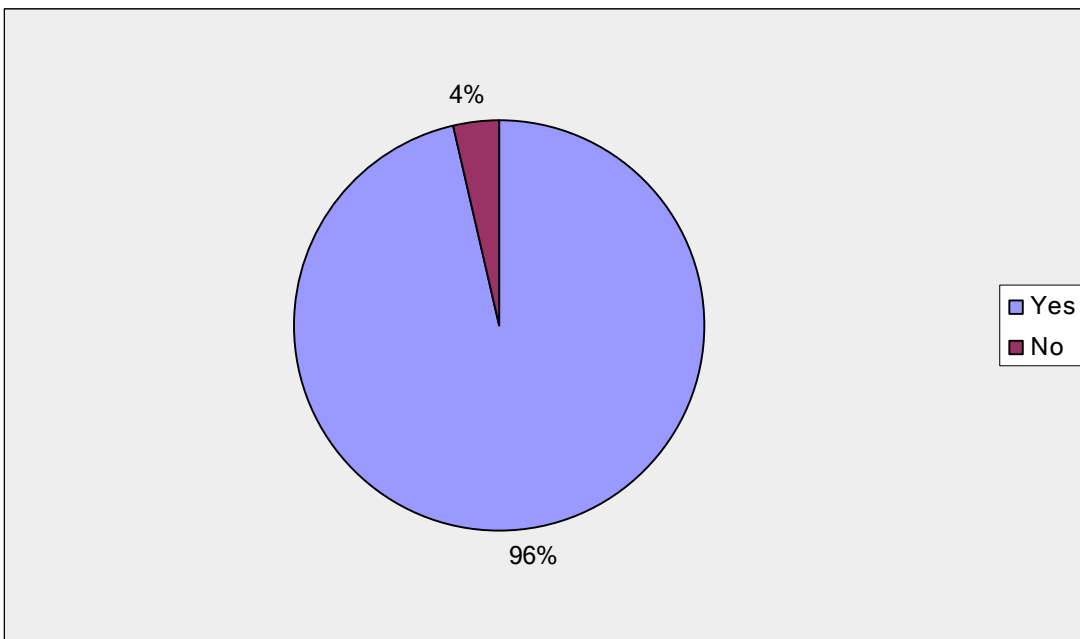
If no, for what specific reason? What obstacles prevent you from considering this type of investment?	
Answer Options	Response Count
	13
<i>answered question</i>	13
<i>skipped question</i>	15

Investor Comments:

- Lack of likely financial return when the concept is combined with the word “investment”
- In principle interested and would make charitable donation to organisation helping disadvantaged but would not invest directly
- Have not come across an opportunity
- I have never seen a specific proposal for this type of investment
- Not been brought to my attention as an investment opportunity
- Lack of high growth prospect or exit for the investor; many depend on government grants for their existence – not a sound business model
- Usually because of lack of clear leadership and accountability
- Angels invest for profit. Re question 6. I cannot answer the question because you have not addressed the issue of risk. Angel investments are hugely risky and so we expect a X 10 return on the investment over a 3 year period. This has yet to happen in my syndicate or I suspect many others. In fact so far there has been no exit, which has resulted in a material profit of any sort at all!
- I don't like to confuse business with charity
- Lack of commercial return, also perception of time demands for no return
- Too political
- Cannot identify return on investment
- This is not “investing”, This is philanthropy. Investing implies that it is done for profit, a return on investment, normally generated through an exit event, typically an M&A acquisition.

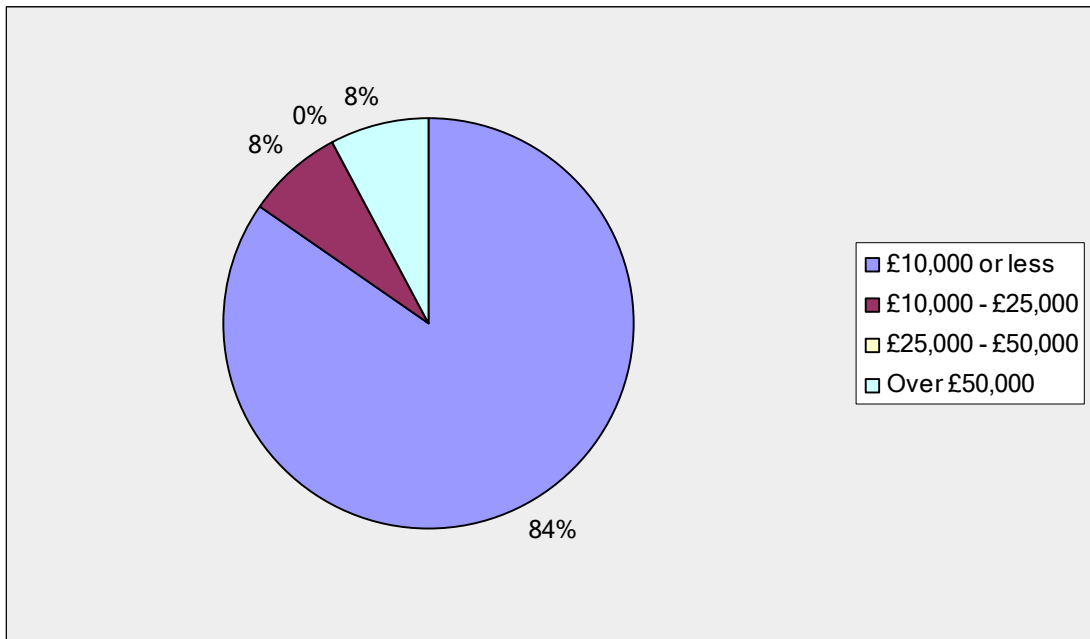
Question 4

Have you in the past contributed to any charity in the form of donation?		
Answer Options	Response Percent	Response Count
Yes	96.3%	26
No	3.7%	1
<i>answered question</i>		27
<i>skipped question</i>		1



Question 5

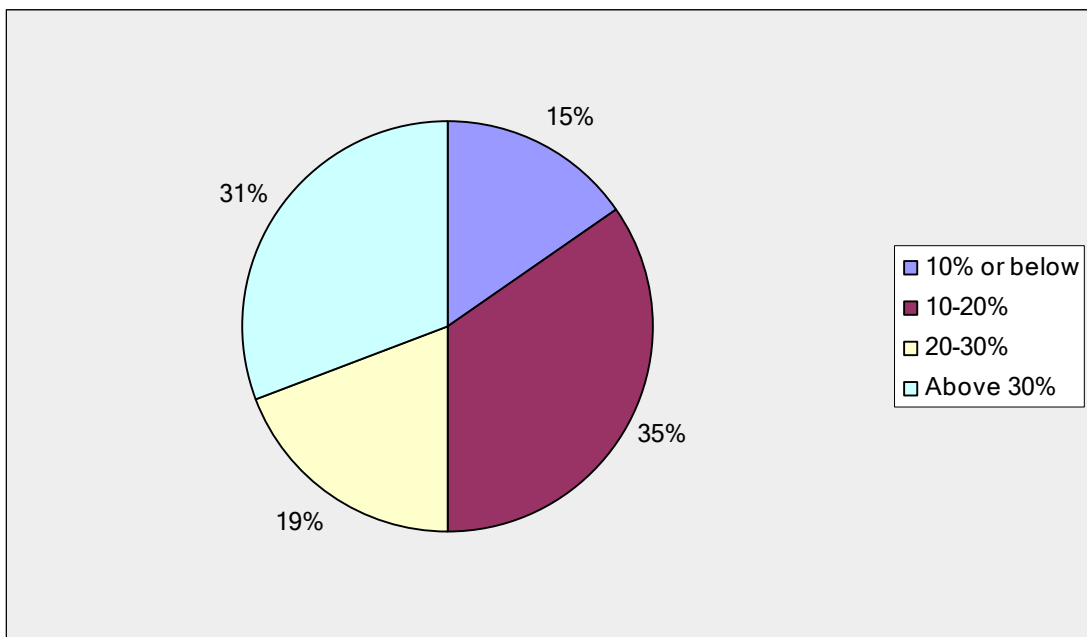
If yes, to what financial level did you contribute?		
Answer Options	Response Percent	Response Count
£10,000 or less	84.6%	22
£10,000 - £25,000	7.7%	2
£25,000 - £50,000	0.0%	0
Over £50,000	7.7%	2
<i>answered question</i>		26
<i>skipped question</i>		2



Question 6

What % annual return do you typically look for in investment opportunities?

Answer Options	Response Percent	Response Count
10% or below	15.4%	4
10-20%	34.6%	9
20-30%	19.2%	5
Above 30%	30.8%	8
<i>answered question</i>		26
<i>skipped question</i>		2

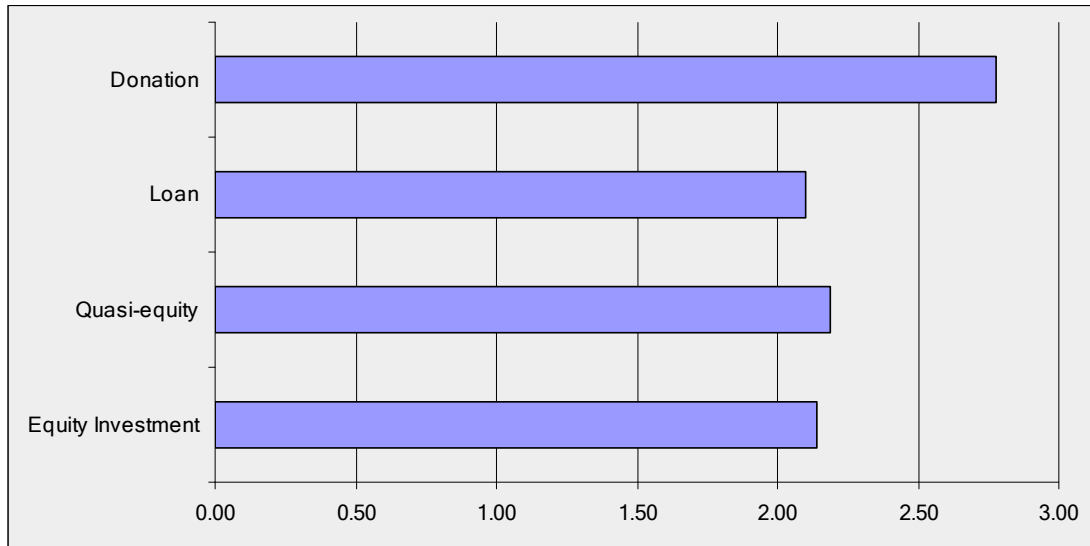


Question 7

On a scale of 1 to 5 how interested would you consider yourself in social investment?							
Answer Options	Lowest				Highest	Rating Average	Response Count
Level of Interest	9	10	4	4	0	2.11	27
						<i>answered question</i>	27
						<i>skipped question</i>	1

Question 8

If you were to contribute to social enterprise, in what form would you be most likely to do so?							
Answer Options	Lowest				Highest	Rating Average	Response Count
Equity Investment	8 (38.1%)	5 (23.8%)	5 (23.8%)	3 (14.3%)	0 (0.00%)	2.14	21
Quasi-equity	7 (33.3%)	5 (23.8%)	7 (33.3%)	2 (9.50%)	0 (0.00%)	2.19	21
Loan	8 (38.1%)	4 (20.0%)	6 (30.0%)	2 (9.50%)	0 (0.00%)	2.10	20
Donation	5 (23.8%)	6 (30.0%)	6 (30.0%)	1 (4.30%)	5 (23.8%)	2.78	23
Other (please specify)							2
<i>answered question</i>							25
<i>skipped question</i>							3



Other:

- Personal effort – e.g. management, fund-raising
- Consider helping by voluntary personal involvement.

Question 9

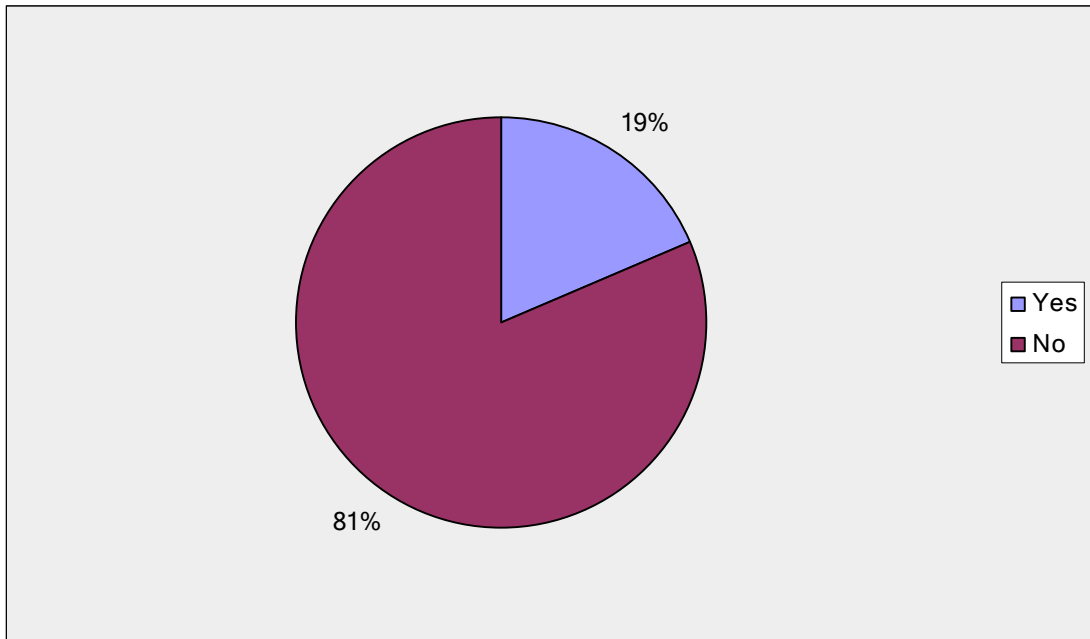
Do you consider business acquisition as a valid form of investment in social enterprise?		
Answer Options	Response Percent	Response Count
Yes	53.8%	14
No	46.2%	12
Comments:		9
<i>answered question</i>		26
<i>skipped question</i>		2

Investor Comments:

- Really all depends on the particular circumstances of the enterprise
- The terms would be the critical factor
- Social enterprises have a role, which is distinct from straight forward businesses. The key fact remains that social enterprises are not driven by the profit motive – which in my view is a key to the capitalist system. In the end, without this motive, social enterprises continually look for funding rather than addressing the key issues of running a business. For example, if a private company runs out of working capital, it folds. Social enterprises when they make poor decisions look around for others to put their hands in their pockets to sustain an inefficient company.
- I suspect it will end up as a gravey train for sort of people who already do rather well out of local authority or government quangos and national charities
- Depends if the cause is closer to my heart
- I do not consider that you can make an “investment” into a social enterprise. It is not capable of yielding a commercial return, therefore it is a charitable donation. On the other hand, there is no reason why a social enterprise should not consider business acquisition, funded out of profits or other donations.

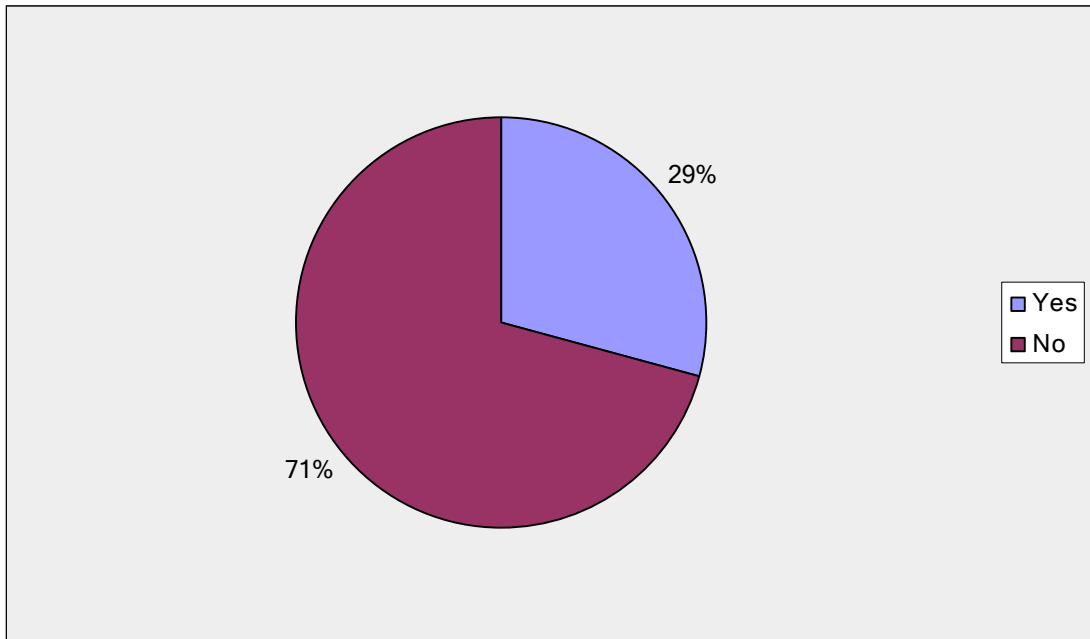
Question 10

Are you familiar with social investment funds, such as Bridges Social Entrepreneurs Fund?		
Answer Options	Response Percent	Response Count
Yes	18.5%	5
No	81.5%	22
<i>answered question</i>		27
<i>skipped question</i>		1



Question 11

Would you be more likely to invest into social enterprise by way of a collaborated fund such as this?		
Answer Options	Response Percent	Response Count
Yes	29.2%	7
No	70.8%	17
Comments:		5
<i>answered question</i>		24
<i>skipped question</i>		4



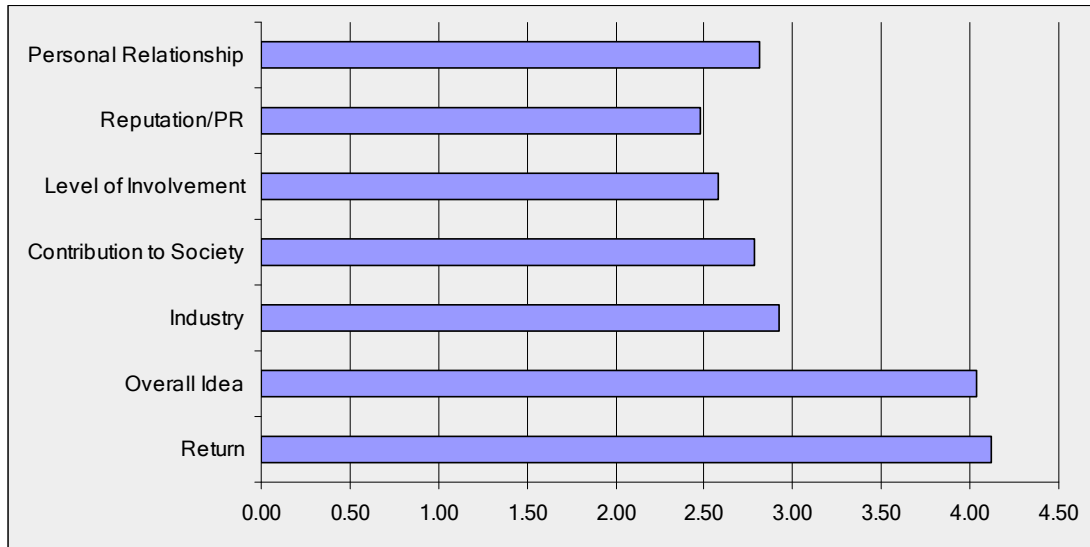
Investor Comments:

- I would need to learn much more about it before investing
- Do not know the fund but any investment would depend of the quality of the business plan, the exit plan and the anticipated return potential
- Loss of control and visibility / involvement would militate against this.

Question 12

Please rate the following attributes on a scale of 1 to 5 that you look for when investing in a business or other opportunity:

Answer Options	Lowest				Highest				Rating Average	Response Count
Return	0	2	3	11	10	10	10	10	4.12	26
Overall Idea	0	0	7	9	8	8	8	8	4.04	24
Industry	1	8	10	6	1	1	1	1	2.92	26
Contribution to Society	5	3	9	4	2	2	2	2	2.78	23
Level of Involvement	4	9	7	6	0	0	0	0	2.58	26
Reputation/PR	7	4	9	5	0	0	0	0	2.48	25
Personal Relationship	5	7	5	6	3	3	3	3	2.81	26
Other (please specify)										6
									<i>answered question</i>	27
									<i>skipped question</i>	1

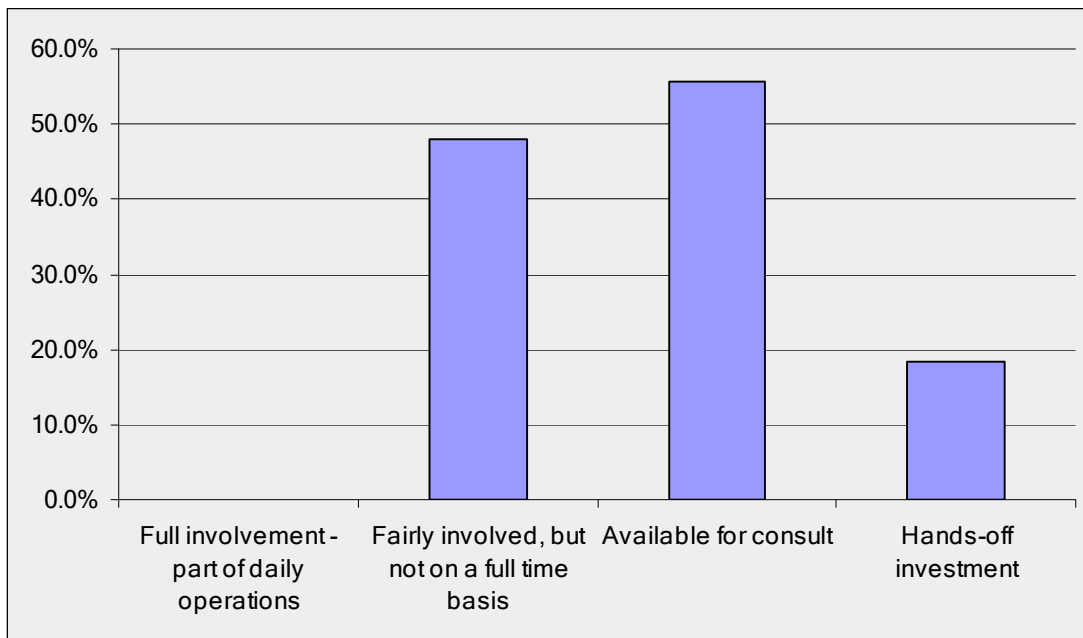


Other:

- It's all about the entrepreneur, people
- Quality of management and market prospects for the product are the key considerations above all those listed
- Team
- Quality of Management Team
- The most important factor is realistic exit opportunities

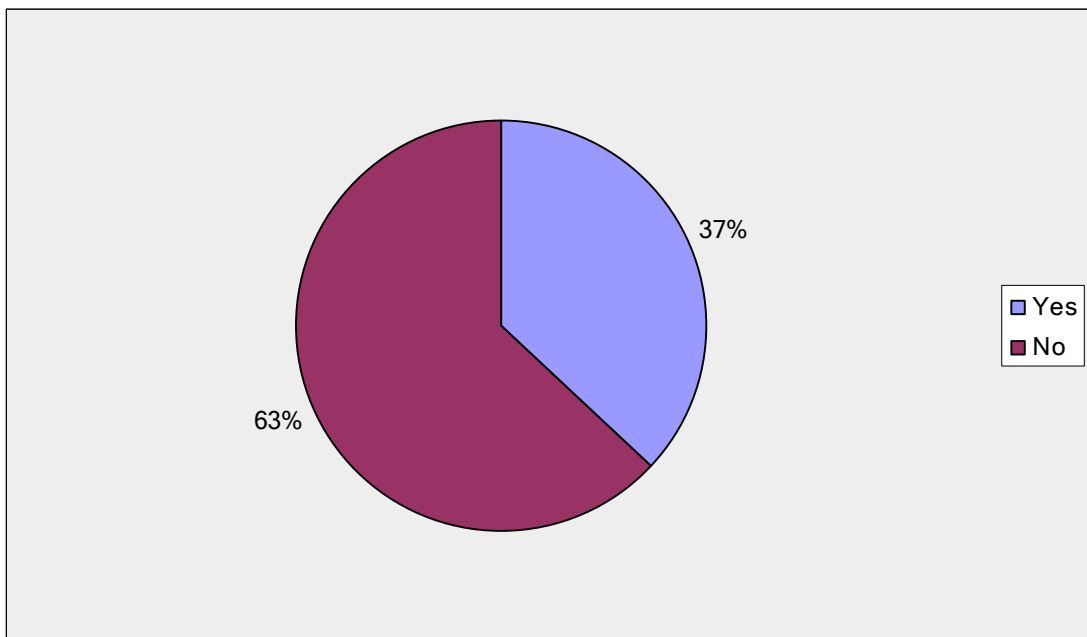
Question 13

To what extent do you typically get involved with the businesses that you invest in?		
Answer Options	Response Percent	Response Count
Full involvement - part of daily operations	0.0%	0
Fairly involved, but not on a full time basis	48.1%	13
Available for consult	55.6%	15
Hands-off investment	18.5%	5
Other (please specify)		2
<i>answered question</i>		27
<i>skipped question</i>		1



Question 14

Do you have available funds that you would be interested in contributing to social firms?		
Answer Options	Response Percent	Response Count
Yes	37.0%	10
No	63.0%	17
<i>answered question</i>		27
<i>skipped question</i>		1



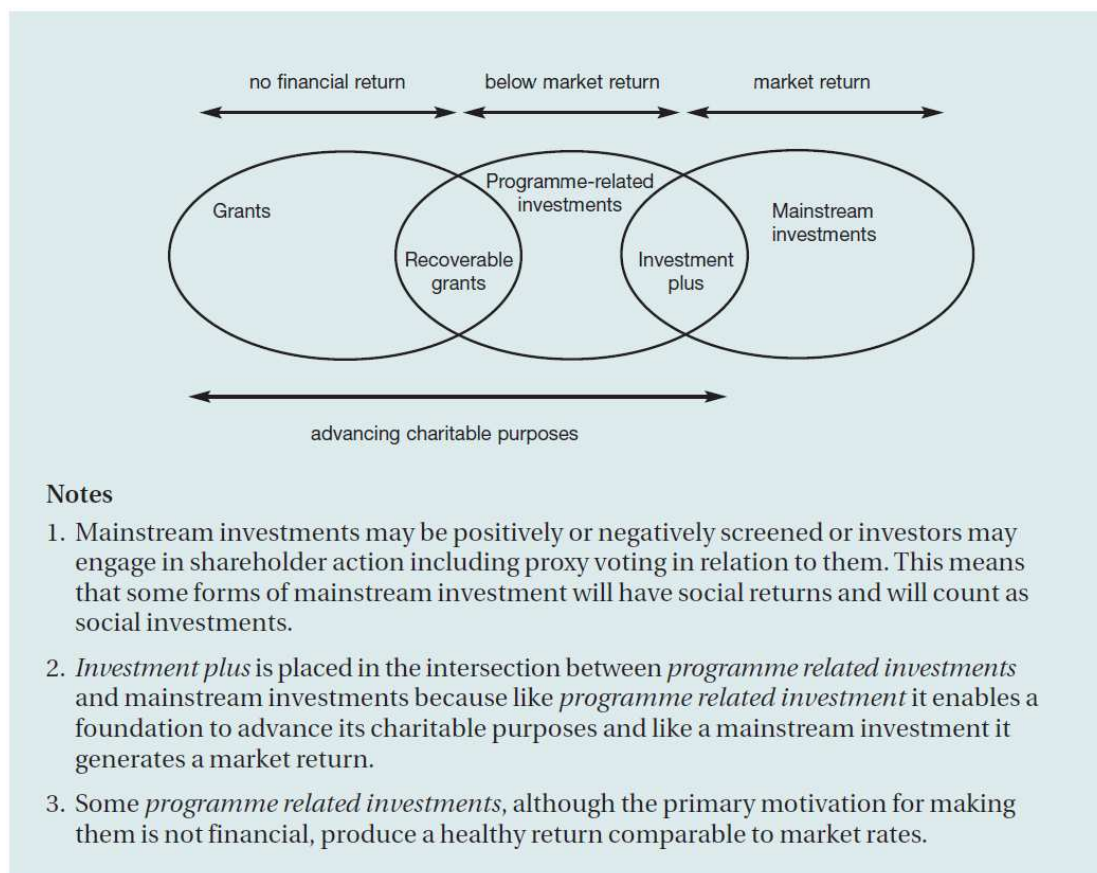
Question 15

What should social enterprises do to raise their awareness and reputation within the private investment community?	
Answer Options	Response Count
	15
<i>answered question</i>	15
<i>skipped question</i>	13

Investor Comments:

- Get in front of investors, Scotland has a very professional and relatively close knit community of Angels
- Get articles in the business sections of the media e.g. Sunday Times, Economist, local media, etc.
- Let us know you are there
- Talk appropriate language. Explain the big idea clearly. Describe the benefits and the talents of those involved
- Talk to investor groups
- Create a PR or marketing campaign on a generic basis to explain social enterprise better and to explain social as well as financial returns
- Talk to potential investor groups
- Prepare “proper” business plans and show that they know what they are about
- Ideally try and distance from charities and run as a responsible venture which could be perceived as sustainable without subsidies or public funding in the long run
- Events via Linc; professional firms etc.
- Demonstrate good business acumen
- Get better known!
- Shed the anorak and unwashed hair image
- Start talking business and not political correctness, conclusion reached from a days seminar in Fife
- If they want private “investment” rather than “donations” they must demonstrate how the investment will produce a return of 30% IRR, normally by way of capital gain (to minimise tax).

6.2 Traditional Social Enterprise Funding



Source: Bolton, 2005, Foundations and social investment⁸

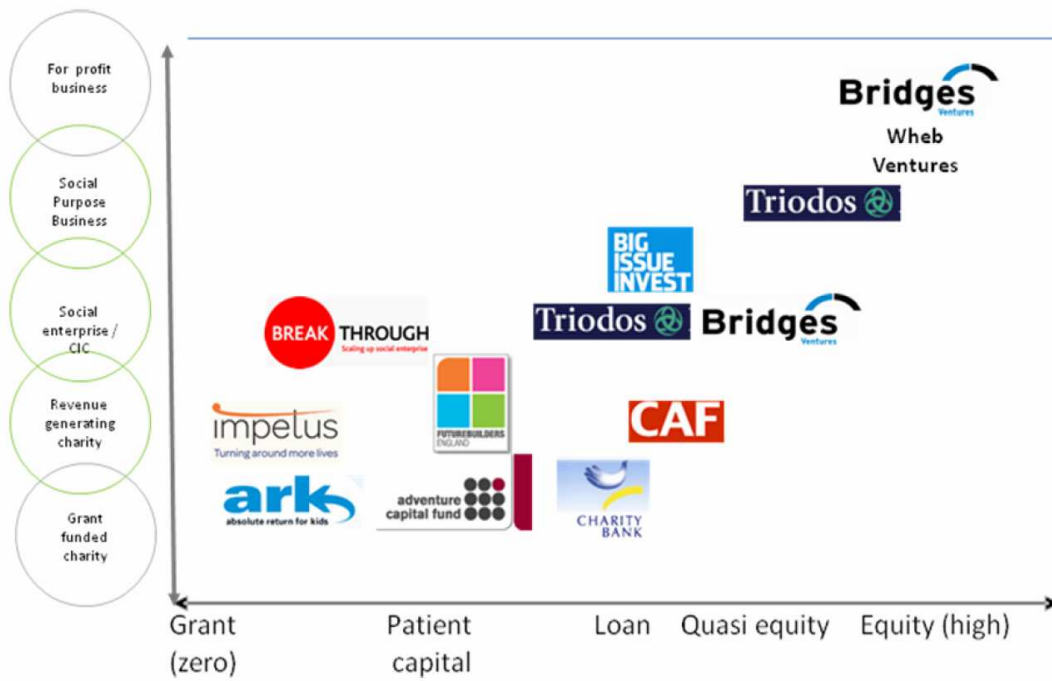
⁸ Note that the Business Acquisition 4 Good programme is seeking to position themselves in the "Mainstream investments" category, seeking funding with the objective of providing returns for investors through sustainable business operations.

6.3 List of social investment funds

UnLtd	Established with funding from the Millennium Fund to provide grant support to social entrepreneurs.	Grants
Impetus	Venture philanthropic organisation – combines strategic funding and expertise for charities and social enterprises.	Grants
Private Equity Foundation	Provides funding and pro bono private equity advice to portfolio of youth-focused charities.	Grants
Breakthrough	Joint venture between CAN and Permira. Provides funding and management support to help established social enterprises grow.	Grants
CAF Venturesome	Capital for charities and social enterprises.	Patient capital
Futurebuilders, Communitybuilders and Social Enterprise Investment Fund (Social Investment Business)	Government funded ⁶ providers of loans, grants and professional support to third sector organisations delivering public services.	Loans
Charity Bank	Bank providing affordable loan finance and advice to enable third sector organisations to develop.	Loans
Investing for Good	Provider of impact investment advice to investors.	Investment advice
Social Finance	Social investment banking firm enabling social organisations to access capital markets effectively.	Structuring advice/intermediary
ClearlySo	Adviser and on-line hub for social enterprise and investment.	Hub for sector
Bridges Social Entrepreneurs Fund	Fund for investment in scalable social enterprises delivering high social impact and operating sustainable business models.	Risk capital
Big Issue Invest	Provider of specialist finance to social enterprises and trading arms of charities.	Risk capital
Triodos Social Enterprise Fund	Fund to invest in high-impact commercially sustainable social enterprises.	Risk capital
WHEB Ventures	Venture Fund investing in high-growth clean tech as well as social and health care companies.	Venture capital
Bridges Ventures	Investment funds providing commercial expertise to deliver both financial returns and social benefits.	Venture capital/private equity and property investment

Source: Social Investment Ten Years On, 2010

6.4 Social Investment Fund Types



Source: Third Sector Research Centre, 2010

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