



Designing Social Investment

Prototyping and Testing Interventions to
improve the Social Investment Sector



Who we are

This report is an independent piece of research commissioned by the Cabinet Office and developed by the Point People and Snook.

Anna Mouser, Cassie Robinson and Jennie Winhall are all part of the Point People. The Point People are a collective of social innovators, designers, entrepreneurs, writers and researchers committed to driving systemic change for a more equitable society. For this work, The Point People brought Snook in to work as Prototyping Partners. Snook and the Point People work as close collaborators for clients such as the Department of Health and Lankelly Chase.

Snook are an award winning design agency based in Scotland and London. Snook specialise in researching user needs and turning insight into prototypes and action, testing ideas before scaled implementation and evaluating the outcomes. Their prototyping skills range from basic paper based mock ups to full experience prototypes that operate over a sustained period of time in 3D format and online. Their client base is largely public sector and funder orientated and include, Design Council, NHS, Nominet Trust, Bethnal Green Ventures, Glasgow Council, Department of Health, Edinburgh Council, Stirling Council, Scottish Government, British Council. The project partners would like to thank all the participants for their time and input into the project.

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Introduction

Aims of the Project

The team set out to work with investors and funders to prototype a range of concepts and ideas to improve the social investment field for ventures and strengthen the overall effectiveness of the ecosystem. The team were briefed to encourage tangible ways in which the sector could become more responsive in addressing the needs of ventures and more cohesive

overall.

The work follows on from the 'Designing Social investment' report released in 2014 by the Design Council. The research highlighted a range of issues faced by ventures in accessing social investment and recommended that further work be undertaken to explore potential design solutions to these issues.

Our Approach

Stage 1 - Developing a Range of Solutions for Prototyping

Drawing on existing research in the field the team developed a menu of potential solutions to be prototyped by investors and funders. Each solution was designed to be actionable and had clear steps to involve ventures in the prototyping process.

The team sought to ensure that the ideas ranged from 'quick fixes' to more 'systemic' solutions and that they were all replicable to some degree across the field. Open questions were identified for each concept along with the prototyping steps that would need to be taken.

In addition, the team also identified the broad benefits to funders and investors of implementing these prototypes. The solutions were

left flexible for funders to develop them fully with the idea that they would take ownership of them and make them context specific. With the menu of solutions in place the team were able to identify three cross-cutting themes underlying improvement in the field in relation to the venture needs.

- Building empathy and mutual understanding
- Improving transparency & consistency in the field
- Maximising venture impact through the investment process

Stage 2 - Gaining the Input and Buy-In of Funders to Prototyping Solutions

A range of organisations in the field were invited to participate in the programme of work. Twelve funders and investors signed up to take part and the project team started the process with a workshop to introduce the basics of prototyping, and the ten ideas for solutions. During the workshop feedback was gathered on all the different solutions with people working in pairs. Following this the group split into self formed teams to explore and refine ideas that were of particular interest. At the end of the session funders were asked to sign up to take forward one or more concept.

The prototype activities chosen were:

• Peer Panel -

An adaptation of Peer Review, a concept around members of ventures being involved on interview and selection panels, instead peer panel would explore where venture's peer to peer expertise could be best used.

• Shared Data –

A blending of two concepts a) open data where funders work to establish what data they could share to benefit ventures and the social investment field and b) shared application, looking at how sharing data can be used in the application process.

• Finance Central -

A concept proposed by funders to create a platform to guide ventures to, and match them with, appropriate funding and packages of investment ready support

• Undue Diligence -

Originally titled 'loss to benefit' funders investigate how the due diligence process could be improved to maximise value to ventures' businesses

Only the more systemic solutions and people's pre-existing ideas were taken away. Whilst this highlights awareness amongst funders and investors of the need for more than just tweaks and a desire to tackle the big issues it is possible that it may also reflect a lack of motivation to implement or test easier measures or perhaps a lack of recognition of the potential offered by small shifts in practice.

It is also important to note that people brought their personal perspectives to the workshop rather than organisational perspectives. The commitments made to work on prototyping solutions were often personal and people acknowledged that they would have further work to encourage organisational buy-in.

Stage 3 – Supporting Funders to Undertake the Prototyping Process for these Solutions

For the rest of the project the team facilitated and supported the funders to develop the ideas further into practical solutions for the field. The team prepared a range of prototyping tools to support this process and worked to schedule regular time with each of the teams.

Initially the methodology was to seek opportunities to live test the ideas and involve ventures throughout but as the project progressed a variety of reasons combined to make this unfeasible. As a result the team organised a ‘show and tell’ event with ventures at the end of the project to test whether the emerging prototypes and assumptions responded to their needs. To encourage collaboration and more joined up working in the field the team also brought to this event other solutions being developed in the field by the Alternative Commission on Social Investment.

This report draws together the learning and insights from the prototyping process carried out with funders and the feedback from ventures.

A key impact of this project is to align the ventures needs expressed in the Design Council report, with the context within which funders operate and their professional motivations. This allows the team to present re-framed opportunities for driving improvement in the sector which balance venture need and potential for delivery. Based on these re-framed opportunities the team make a series of recommendations for how this work can be taken forward in the coming months to drive long-term improvements for the field as a whole.

Key Insights

1 - Solutions need to put power in the hands of ventures rather than seeking to meet needs on their behalf

A repeating theme of conversations with Social Investment and Finance Intermediaries (SIFIs) was an assumption that without direct help, ventures would not find their way to the right funding whether this was a question of not being investment ready or not knowing what they didn't know. Matching based solutions tend to be based on this belief.

However, with the current social investment market place driven by investor offers, this means that sometimes there really isn't a match

between investor and investee needs. Whilst undoubtedly there are ventures that screen out possibilities based on a superficial expectation of which finance is right for them and those who don't have a basic understanding of the field, this is far from true across the board. Many ventures are highly discerning in relation to their financial needs. As one participant on the project put it "we have to look at what ventures want, not what we want ventures to be. We should ban the term 'investment ready - it's just that we don't have the right type of finance

How to build basic understanding of the field for those who lack it

The work to test peer panel uncovered many ventures who did not have a basic level of understanding about the social investment field. For this group there is a basic set of information needs which need to be met. However, these needs may be best met by other ventures through sharing expertise rather than through SIFI intervention. Peer to peer networking may also help ventures articulate information or funding needs which they aren't able to help each other with directly. To complement this the team believe that there could be a better simple visual guide to the sector. In particular there is nothing at the moment which comes from the starting point of the venture context which is wider than just 'social investment'.

However the desire to create a comprehensive guide or matching service is misplaced. Ventures will always seek out information through their peers and working to improve connectedness amongst ventures is a better investment of time and effort than building an all singing all dancing solution. One benefit is that the understanding ventures can provide each other will not be static, require updating or a business model to sustain it. SIFIs should look to extend their reach into venture networks to communicate and to refine their investment offers rather than building solutions that they need to bring people to.

Enabling ventures to choose the right deal rather than matching them to it

Looking beyond basic awareness of social investment the issue becomes about ventures finding the right funding or investment. Both funders and ventures are willing to adapt themselves for the right deal. The flexibility over who to choose to work with is something both sides value and want to keep control of.

Tools which focus on leading ventures down a narrow route that generates them matches (or no matches) does not allow them to adapt in order to fit with funding opportunities. This is analogous to how standardised application processes can prevent a funder from engaging with an outlying deal. Ventures also raised concerns about the role of middlemen – whether in the form of web based tools or brokers. The issues they had around these were the extent to which they were neutral and that information provided could be open to interpretation or be lost in translation.

A better approach is to present ventures with information and guidance which enables them to make choices around finance. Some ventures may want to put the values of an investor ahead of the financial offer; others may want to rule out funding with mandatory business

support attached. In the venture event held by the team, participants expressed a range of considerations which were clearly personal to them and their organisations.

Going one step further ventures may be able to come together to secure deals that better meet their needs. If ventures were to aggregate or connect with each other around an area of social impact they could represent a viable place for a funder to find leads. But critically a sector based approach may be able to present funding needs so as to encourage investment covering both the services that have direct social impact, and the surrounding landscape that enables this to happen. Lankelly Chase Foundation considers how to respond to multiple and overlapping disadvantage in its work and the report *Priming the Pump* by the Omidyar Foundation makes an excellent case for sector based investing on this basis. Our insight here is that a more sector segmented market could be venture led if the right peer to peer networks are in place.

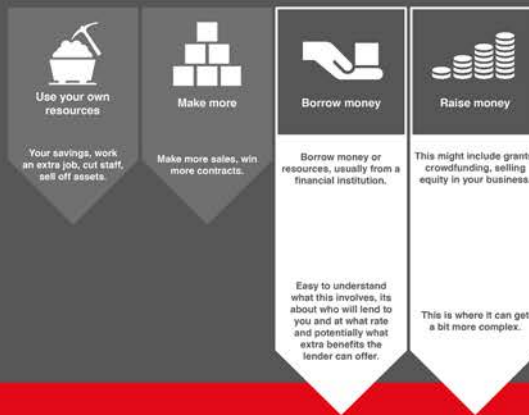
Are you an organisation or business that helps to make the world better through tackling social, environmental or other important issues. Or are you thinking of starting up something like this?

If so, the world of social finance may be relevant to you.

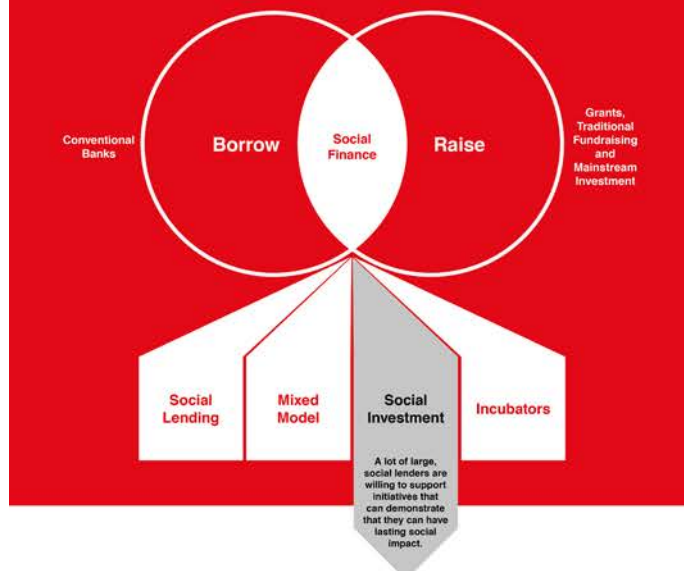
You need money for your organisation?



So, what are your options?



Looking to borrow or raise money - this is where social finance comes in



Who does it?



Re-framing how to build empathy and understanding

Many of the nascent solutions in the field including some of the teams initial prototyping concepts have sought to bridge or broker the gap between funders and ventures. Whilst it is important for both sides to become more responsive to each other this is more likely to happen if we facilitate more direct engagement. It isn't only about building direct engagement

and relationships between different stakeholder groups, it is also about information flow and extending engagement outwards to unexpected places and people. There was a sense of a small group of people holding a lot of the knowledge capital in the field and only moving this knowledge around their immediate networks.

2 - Seeking standardisation in order to improve the social investment field for ventures is often in direct conflict with many funders' professional interests

Is consistency the right objective?

One assumption underlying the drive for consistency is that funders are or should be meeting the same set of venture needs. In reality funders are still in varying stages of refining their investment offers; and part of this is defining their market or the sub-group of ventures they will target and perhaps how they will be the ones to best serve this group ahead of competition from other funders. They are iterating their business models just as ventures do.

The direction of travel is towards a market that does not have one consistent offer or process but which segments itself according to different types of venture or stages of ventures' journeys. This may well be a good thing but what it does mean is that we have to rethink what types of standardisation are possible or useful, and what navigability for ventures looks like in this context.

Rather than driving the market to be more consistent to enable ventures to navigate it, we should consider how to make the ways in

which the market is segmenting clearer to ventures so that they can make informed and efficient decisions. Feedback from ventures on the prototypes surfaced a clear desire to be able to make calculations about whether to apply to a potential funder or not. One referred to being able to make a 'return on investment' calculation looking at what was involved in applying against the likelihood of success.

To draw an analogy, if we were creating a map or guide to a physical place we wouldn't seek to bulldoze hills or forests to make paths easier to follow but we would seek to clearly mark out where they were. We might also build some steps on a hill or clear some of the overgrowth in a forest. We need to apply this logic to the social investment sector.

The focus should be on enabling ventures to make efficient and informed decisions rather than trying to artificially standardise the market. This would set ventures' expectations without forcing funders to be definitive or forcing consistency on the sector. For example indicating which approaches a funder takes to due diligence rather than seeking to create a template approach for all funders. Showing how funders diverge should help ventures anticipate the time and effort they will have to put in. There may not be an initial fit but the venture can choose to adapt to this or it can choose not to. Another example would be publishing data on what range of award size a funder has made to date alongside the range that they are open to, so that ventures can make an informed choice as to whether to take a chance in applying.

	Business Plan	Financial Projections	Team	Social Impact	Sector Analysis	Competitor Analysis	Customer Insight
	Paper Review Discussion Offer Support	Paper Review Discussion Independent Audit Offer Support	Paper Review Interviews Site Visits References	Scored Discussion Offers Support	Scored Discussion Offers Support	Scored Discussion Offers Support	Scored Discussion Offers Support
Funder A	✓ ✓ ✓	✓ ✗ ✓ ✓	✗ ✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✗ ✗ ✗
Funder B	✓ ✓ ✓	✓ ✗ ✓ ✗	✓ ✗ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✗
Funder C	✓ ✓ ✗	✗ ✓ ✓ ✓	✓ ✗ ✓ ✓	✓ ✗ ✓	✓ ✗ ✓	✓ ✓ ✓	✗ ✓ ✓

	Access to Expert Advice and Mentoring								
	One to One Investment Management	Business Sales/PR Peer Other	Support with Social Impact Monitoring	Support with Business Planning	Network Introductions	Board Members	Workshops and Seminars	Support with Ongoing Investment	Alumni Scheme
Funder A	✓	✓ ✗ ✓ ✓	✗	!	✓	✓	✓	✗	✗
Funder B	✓	✗ ✓ ✓ !	✓	!	!	✓	!	✓	✓
Funder C	✓	✓ ✓ ✓ ✓	✗	✓	✗	✗	✓	✓	!

These tables shows how funders processes for carrying out due diligence could be opened up to ventures to enable them to make an informed decision on what pursuing investment would involve and whether to pursue it.

3 - There is not a shared vision across the social investment sector of what a successful field looks like which undermines efforts towards building greater openness and transparency

There is a lot of talk about “building the field” but through this work with SIFIs the team found that people lacked a very clear vision of what a built field looks like. Currently there are no key performance indicators for the field as a whole and as a result determining which data should be collected to illustrate individual SIFI performance or to compare SIFI performance becomes difficult. It also makes efforts to improve the navigability of the field for ventures difficult.

At present the fear is that data transparency presents mixed messages if one funder is seeking to encourage risk-taking with early stage ventures and another funder is seeking to maximise rate of return to encourage more upstream investment in the market. How can they be meaningfully compared? Even the question of what data one would need to collect now in order to prove performance of the field in five years time is difficult to answer.

Facilitating openness between SIFIs

The prototype for sharing data for the benefit of ventures quickly surfaced an underlying tension that SIFIs have issues around sharing data with each other. There is strong interest in how to use data to drive performance, in particular data around ‘quality of support’ provided to ventures, but this information is highly contextual to the funders’ aims. There is a fear that sharing quantitative data may lead to mis-representation, as people will be comparing apples to pears even when sharing just within the SIFI community. These misgivings were further heightened when considering transparency more generally including a fear of being performance managed against inappropriate measures.

One solution to this is to focus on making transparent the approaches, the practices and the activities undertaken by SIFIs rather than a standardised set of measures around outputs, and if made public this could enable ventures to make informed decisions. For instance on quality of support, publishing the nature of support offered and whether it is optional or mandatory enables ventures to decide whether it is a good match for them. There is also the potential to take a partial approach to sharing data, revealing ranges of performance but not showing who is who on the scale.

Improving the transparency of the system as a whole

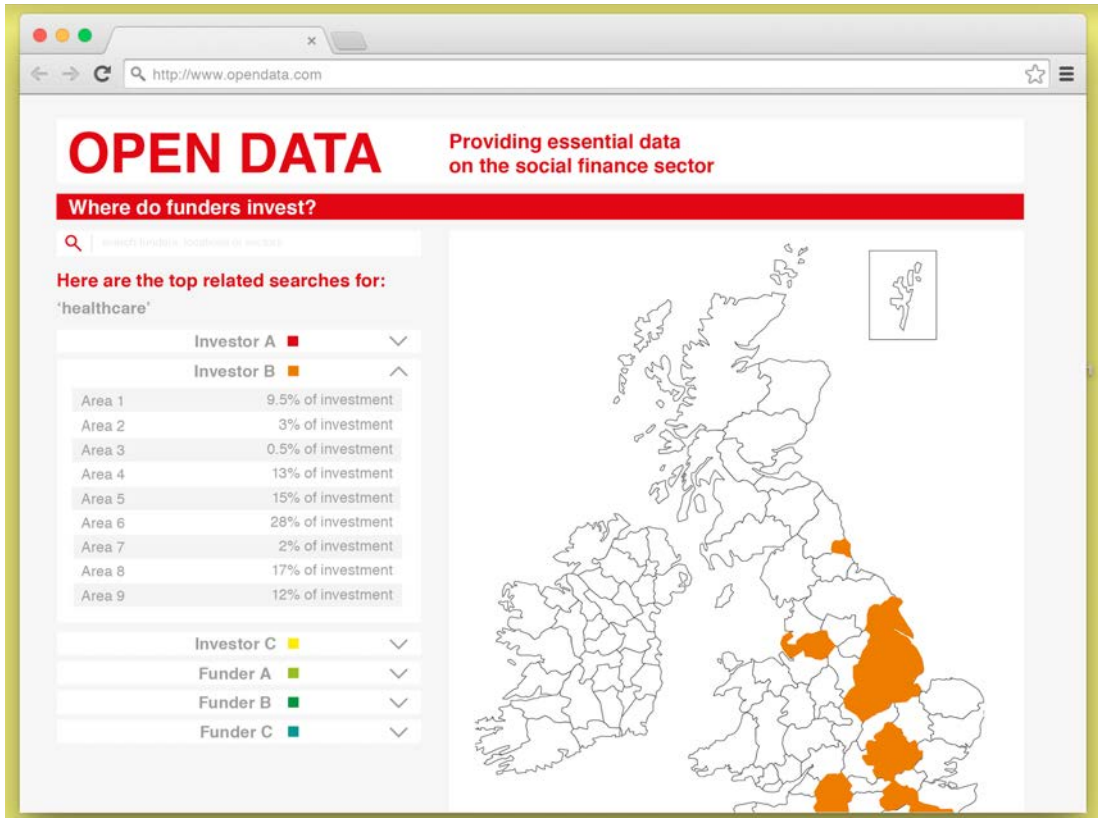
In seeking to move towards greater market transparency an implicit assumption is often that the market should converge on a single set of measures against which it can be held to account. However, a natural convergence and agreement upon one set of measures is unlikely when funders are operating very different business models at different levels in the market. The SIFI landscape the team were prototyping within is much more like an ecosystem. We need to provide the context for transparency before market participants will feel comfortable to open up. We need to gain understanding of how different parts of this system contribute to the whole. There are challenges to this, like the lack of density especially in terms of geographic breakdown of the market highlighted by the Peer Panel work.

Reframing the approach to creating transparency

If we are to move towards greater transparency and openness funders will need to know where they locate themselves in terms of the impact they are seeking to create, and how this contributes to the field as a whole. This provides an essential context for comparison for the data that is shared. Just as consistency may be an unrealistic objective for the market so too is the notion that funders are all working towards the same goals. In fact they will be contributing to an overall ecosystem but at different points and in different ways.

But whilst there are barriers to opening up data on the market from SIFIs we must ask ourselves 'Is this a SIFI marketplace or a social investment market?' and the drivers from ventures for greater data transparency are very clear. In the venture event participants were clear on some of the types of data they felt they needed to use the market effectively and showed a sophisticated understanding around the potential context funders were in. Practically speaking the drive for greater transparency will not come from within the SIFI market and ventures lack the homogeneity or levers of influence to force publication. Cabinet Office, or another appropriate body, may need to play a more active role in ensuring that key data is opened up in the social investment market.

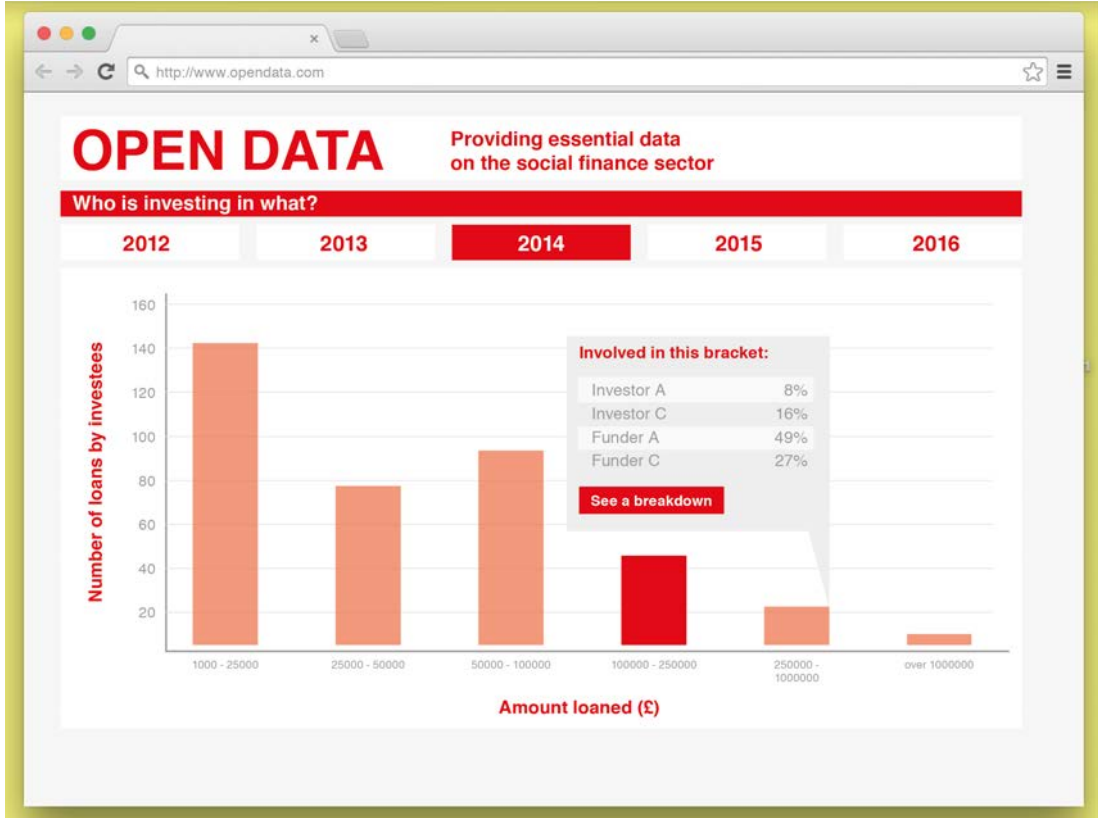
However, there are core elements of open data which cannot wait for the ecosystem to be mapped out and matured. Key data points need to be made transparent based on venture need and ventures need to be trusted to interpret the information. This data underlies the effectiveness of many solutions for improving the field.



The top data which ventures felt they needed to make informed decisions on which funders to engage with were:

- Range of funding available (including minimum, average and maximum awards)
- Geographic spread of awards
- Number of applicants successful / unsuccessful
- Issues funded
- Overhead Costs

These two diagrams illustrate how these could be visualised in a digital solution hosted by the Government Digital Service or another neutral party.



It is worth noting that all ventures we spoke to would use this data as part of the basis for a decision rather than the sole basis. Funding relationships were seen as fundamentally human rather than rational and most would seek to find out more about a funder through peers or through a direct conversation.

4 - Prototyping work to develop solutions needs to take account of current market dynamics

Location of solutions

The team found that there was no clear location for some of this innovative activity to take place. The prototyping partners (teams of organisations) were reluctant to commit themselves to being the face of a concept whilst it was in development. There is a question of how to foster a sense of shared responsibility and collaborative design on key products or platforms for the field.

A common complaint from teams was that existing and nascent solutions do not meet the needs of SIFIs and ventures. However when presented with opportunities to develop alternatives, they were reluctant to 'tread on the toes' of those solution owners. There are a number of solution gatekeepers, and it is obviously sensitive for a SIFI

to take on the position of driving a new solution amongst the complex relationships in the field.

One option might be to create a vehicle through which innovation can be demonstrated - a fund in which data must be open, due diligence best practice demonstrated etc, an initiative in which the navigation and support provided to ventures happens in a very different way - so that the innovations developed "belong" to the field and can then be adopted by intermediaries. The neutrality of this will be important to get around the political nature of the SIFI field and in ensuring that solutions are trusted by ventures.

Ownership of solutions

Innovation is not going to come from the SIFIs alone even with support. They are open to and agree with the need for innovation in these areas but in many cases can't see how it could look and feel. They are more likely to buy into a prototyping process at a stage when solutions have been visualised and tested.

Whilst the intermediaries are bought in to the desire to improve the journey for ventures, tying improvements to returns for their own organisations was not easy. For instance, transparency of data might generate better quality of leads but that would be difficult to quantify in real terms. Stronger incentive structures may be needed in the market, in particular to encourage opening up of key data.

Taking the lead in changing practice presents a risk for SIFI managers in terms of their peers in the field and their own boards - but also a leadership challenge they are interested in taking on. Combining a structured leadership development opportunity with the practical innovation activity required to shift the field could be a valuable way of unlocking capacity

and working through the challenges and risks - especially if a cohort of emerging social investment leaders were collaborating in the context of a more neutral vehicle to demonstrate innovation.

Feedback at first co-design session

Overall 06 Loss to Benefit

"We need success metrics that focus on survival and driving our core model."

Quick Description
 Funders investigate how the due diligence process could be improved to maximise value to ventures businesses.

Challenges Addressed
 Middle stage gap.
 Risk return and social impact.

Open Questions to Answer
 "How can we maximise the profitability and social impact of ventures whilst they are going through the due diligence process?"

Value for Funders
 The profitability and social impact of ventures (i.e. their investable value) does not go on hold during the due diligence process.
 Provides a learner process for getting organisation across the line and succeeding.

Requires feedback from a group of Ventures	Yes
Requires collaboration from other Funders	Yes
Potential Impact of Project	Large Scale/Systemic
Open Project (a concept that could	Yes

Handwritten Feedback Notes:

- BL needs to improve its own application processes + keep going to wherever it is or can work
- Big Potential & ICRF have done this
- Reduce time in DD to lessen impact
- BREADTH OF RISK/RETURNS NOT 3 SEPARATE ISSUES IMP RISK. RETURN. ACT
- IS THE INVESTOR EXTRACTING RIGHT INFO/ LEARNING RELEVANT POINTS?
- IMPROVE VENTURES UNDERSTANDING OF D.D. INVESTOR CONCERNS
- challenge what is

Prototyping Process

Based on the Cabinet Office brief the project tested a distinctive approach to building improvement in the field by seeking to prototype with SIFIs themselves.

This aimed to give SIFIs ownership over the solutions they developed so that they would be more likely to implement them. The assumption on motivation was that in making improvements for ventures, the SIFIs would also stand to benefit.

Experience of the Project

There were some barriers to taking a prototyping approach, outlined in section 4 which provides useful learning for taking innovation forward in the field. Some teams made it to live prototyping; some didn't. However because the preparatory work for prototyping did focus on getting to tangible action - rather than abstract discussion - it had the benefit of:

- Surfacing implicit assumptions quickly
- Probing the culture of funders
- Revealing how they respond to risk and uncertainty; patterns of working, agility
- Generating a better understanding of motivations and sensitivities for SIFIs
- Providing insights into the politics around taking action and owning innovations or improvements; where they see they have

permission to act

- Revealing underlying barriers in business operations

As the prototype activities taken on started with broad insights and funders' motivations, it quickly became apparent that there was work to do to get underneath the skin of surface-level assumptions about where the opportunity for improvement and innovation lay.

Each team did significant work to reframe and define the actual problem or opportunity within each area, and this has been one of the main values of the work to date. If the team were setting teams off on the next round of prototyping now, it would be on redefined concepts with redefined objectives as a result of these insights, and each of the detailed prototype sections below lays out where the opportunity for each now lies.

THEME	INITIAL CONCEPTS	REFRAMED CONCEPTS
From trying to help ventures, to enabling ventures to make their own decisions		
Building empathy and understanding	Platform to match ventures to funding opportunities	Basic information to enable ventures to adapt themselves to funding opportunities
	Trip Advisor for funders	
	SIFIs own and drive solutions to improve the market	Peer-to-Peer networks to enable ventures to share information on a trusted basis.
		Solutions are held and driven by a neutral party or ventures themselves.
From standardisation to communicating to ventures what to expect		
Improving consistency	Shared Application Process	Signposting market segmentation*
	Standardised Due Diligence	
		Information on the application processes enables ventures to make informed decisions on whether to apply
From a unifying goal and data for the field voluntarily shared to an ecosystem understanding of impact and basic data required for accountability		
Improving Transparency	Shared performance indicators used to compare SIFIs and measure the impact of the field.	Ecosystem understanding of impact to provide context for sharing of data.
	SIFIs voluntarily share basic information with ventures.	
		SIFIs required to share basic information which is published by Cabinet Office or a neutral party.*

STAGE OF PROCESS	TITLE	DESCRIPTION
Awareness	Rethinking Outreach	Assessing new options for how to reach out to ventures (particularly 'not-a-social-enterprise's) in the places they are rather than asking them to come to you.
	Early face to face contact	Funders test manageable ways for ventures to meet/be in contact with investors directly early on in order to better understand their criteria and potential for a good match.
	Online course on different financing options	Testing demand and content for an online, collaboratively-built resource illustrating different financing options. Investors and ventures explain why they chose the options they chose.
	Investor TV	Broadcast interviews/discussions with investors that build better mutual understanding between ventures and investors.
Application Process	User-Proof Application Process + Materials	Ventures assess funders' materials from their perspective and provide feedback.
	Shared Application	Funders work together to look at how they could assess ventures on the basis of information collected by each other.
	Feedback Loop	Finding ways to open the funding process to and integrate ongoing feedback from ventures.
	Alumni to Applicant mentoring	Alumni ventures who have successfully moved through the funding process support other ventures to shape their applications.
	Co-creating success measures	Workshop format that efficiently generates agreed social impact measures between ventures and investors, potentially building a shared measures wiki.
	Loss to Benefit	Funders investigate how the due diligence process could be improved to maximise value to ventures' businesses.
	Peer Review	Including venture representatives in selection and interview panels.

CHALLENGE ADDRESSED	REALISING VALUE
<ul style="list-style-type: none"> - Language barriers - Understanding funding routes up front 	Medium term
<ul style="list-style-type: none"> - Opacity of funding criteria/decisions - Wasted time on applications 	Quick win
<ul style="list-style-type: none"> - Wasted time on applications - Language barriers - Understanding funding routes up front - Risk return and social impact 	Quick win
<ul style="list-style-type: none"> - Opacity of funding criteria/decisions - Wasted time on applications - Language barriers - Understanding funding routes up front - Risk return and social impact 	Medium term
<ul style="list-style-type: none"> - Wasted time on applications - Language barriers 	Quick win
<ul style="list-style-type: none"> - Wasted time on applications 	Quick win
<ul style="list-style-type: none"> - Wasted time on applications - Language barriers 	Medium term
<ul style="list-style-type: none"> - Lack of skills crossover - Wasted time on applications 	Medium term
<ul style="list-style-type: none"> - Lack of skills crossover - Risk return and social impact 	Medium term
<ul style="list-style-type: none"> - Middle stage gap - Risk return and social impact 	Systemic Impact
<ul style="list-style-type: none"> - Lack of skills crossover - Risk return and social impact 	Medium term

Quick win: value can be realised quickly - could be high or low impact
Medium term: impact realised in near/medium term
Systemic impact: longer term gain across the pipeline

**Prototyping
Activity
Menu
(continued)**

STAGE OF PROCESS	TITLE	DESCRIPTION
Overall	Open Data	Funders work to establish what data they could share to benefit ventures and the social investment field.
	Generating Flow	Linking those operating at the later stages and early stages of the social investment pipeline to better shape the flow, the early decisions ventures make and later stage criteria.
	Build the Dictionary	Funders collaborate to define key terms that have multiple interpretations like 'social' & 'business'.
	Immersion days	Identifying meaningful ways in which funders can gain insight into the everyday life of ventures and vice versa.

CHALLENGE ADDRESSED	REALISING VALUE
<ul style="list-style-type: none"> - Opacity of funding criteria/decisions - Wasted time on applications 	Quick win
<ul style="list-style-type: none"> - Middle stage gap - Understanding funding routes up front - Risk return and social impact 	Systemic
<ul style="list-style-type: none"> - Opacity of funding criteria/decisions - Language barriers 	Quick win
<ul style="list-style-type: none"> - Lack of skills crossover - Risk return and social impact 	Medium term

Quick win: value can be realised quickly - could be high or low impact

Medium term: impact realised in near/medium term

Systemic impact: longer term gain across the pipeline

Insights on the Prototyping Process

Maintaining a Neutral Position

One of the strongest elements to a design process is the ability to hold two conflicting agendas in tension, and instead of that leading to compromise, it leading to invention of a third and much better way. Here the tensions were around funder/venture/intermediary agendas.

The approach of working with SIFIs to prototype solutions for the field was designed to give them ownership over the solutions so that they would be more likely to implement them. However, by working in this way the team largely lost the ability during the prototyping process, to hold two

conflicting agendas in tension, instead it became a job of keeping SIFIs open to venture needs. Only in writing this report have the team been able to stand back again and play that neutral role.

Going forward, if the user is to be truly at the heart of the design process in terms of shaping solutions, the legwork of designing, prototyping and testing solutions needs to be done by a neutral party. Many of the SIFIs we worked with would have welcomed this, taking on the prototyping was not a natural process for them.

Ensuring the right level of buy-in and time commitment

Successful prototyping requires a good lead-time and space for more intensive working patterns. When the project commenced a group of SIFIs had already been signed up to be part of the project but their expectations around what this involved were not clear until we had carried out the workshop, some had expected the workshop to be the total of their involvement. The ask around their involvement had not been clear enough.

In reality the workshop was some of the most intensive time the team had with SIFIs. This meant that that the level of commitment truly required to drive forward live prototyping within the timescales set out was not in place.

In some cases the teams engagement was with senior people at SIFIs and whilst it was good to have this level of buy-in, more time was needed to establish relationships with people in their organisations that had time to commit. This problem was compounded by other overlapping initiatives that materialised during the time the work was tendered for, and then started, such as the Social Invest Fest Hackathon which meant that some active members of SIFIs were then over committed and unable to participate.

Meeting the Conditions for Successful Prototyping

Usually when carrying out a prototyping process the following conditions would be in place. Working with the SIFIs as a group these were not all present.

- The ability to release time for intensive, focused activity (many working patterns are based around short meetings which is not conducive to working through, building and trying out prototypes)
- Agencies lack the time to commit to prototyping ideas before implementation, the team would recommend a 3-6 month warm up period to find out where prototypes may fit before asking teams to come on board. Having more progressed prototypes in particular visualisations will be important for this field.
- A context for prototyping - shared location, group of people
- SIFIs are not actually a homogenous group and as a result the team spent a lot of time aligning interests within our groups. In addition, those teams worked with were also not co-located so team meetings were sometimes snatched before someone had to catch a train or over Skype making visualising work in progress difficult. Inevitably without people in the same space things were lost in translation.

- A culture of resourcefulness, experimentation and managed risk-taking along with the agility to respond to changing needs in context.

- The sector is closed to taking the risk to put themselves at the centre of a new idea, the idea of showcasing something 'unfinished' is daunting and we were often seen as 'the capacity to prototype', not facilitators. In one case it was assumed that we would fund or run a prototype at the end of the project. There was also a caution around hands on work like conducting interviews with their own contacts in favour of surveys which were seen as less onerous. The understanding of prototyping is low and the skill set for it is not really in place in the sector.

It is the teams conclusion that prototyping work around solutions for the social investment market need to be located within a neutral setting. SIFI involvement is important but needs to have a clear mandate and set of expectations attached to it. Based on experience the team believe that this involvement will be most beneficial in inputting to the prototyping process rather than driving it and that SIFIs are more likely to implement a solution that has gone through prototyping.

The Prototypes

1. Finance Central



2. Peer Panel

PEER

3. Undue Diligence



4. Open Data





The original concept and intention

The concept was for an interface that simplifies what Social investment is in the UK and how it can be accessed.

The intention was to support ventures to find out what they didn't know they needed and support them to become investment ready. Whilst the original concept acknowledged that many of the following features listed do exist online, there is no simplified user interface to unpicking the Social investment Landscape, educating the sector about the marketplace and creating a succinct digital offer around preparation for investment.

What we did

The team worked to outline the key features that Finance Central would seek to provide and the problem that it would be addressing for ventures and for SIFIs.

Problem statements were translated into features or 'ideas' to create a framework for building a basic mock up prototype. These features are listed in the following pages:

1. Basic Level | Educating the market

The example of 'customers understand their bank, bank understands their customers' was given and contrasted to how this is different in the social investment landscape. There was a perception that people don't understand what Social investment is.

In response to this issue we outlined the following features:

- A place to find out how Social investment works
- The key stages to social investment
- Who the key players are and what are their product portfolios?

2. Supplier view | What we fund and how can support

We discussed the issue that ventures don't know who the core market players are within the social investment landscape.

In response to this issue we outlined the following features:

- What do they and don't they fund (visual)
- Geographical funding visual
- Link to their website
- Ability to embed widget (visual) from Finance Central onto their website
- How we can support (packages of support)

Major players are quite small, around 25 organisations who fund, not difficult to create a space on the platform that enables them to discuss motives for finance and range of products they provide. It was noted however, the moment you make a directory it can go out of date so sustainability is an issue. Big Potential do have listings of intermediaries and funders, however it was noted this was difficult to use and a better explanation of the support service and relationship intermediaries could form with ventures would be appreciated.

Finance
Central
Mockup



The image shows a web browser window displaying the Finance Central website. The page has a red header with the Finance Central logo and a 'Login' button. Below the header, there are navigation links: 'HOW SOCIAL FINANCE WORKS | YOUR DIAGNOSIS | FIND INVESTMENT | YOUR PROFILE'. The main content area features a large headline: 'THE TOOLS AND KNOWLEDGE TO SUPPORT YOU ON THE SOCIAL FINANCE JOURNEY'. Below this, there are two columns of text. The left column contains a quote: 'Finance Central helped me understand social finance wasn't risky and could help me have more impact locally' attributed to a 'SOCIAL ENTERPRISE OWNER'. The right column contains a bolded question: 'Thinking of growing your social enterprise? Want to have a bigger impact and become sustainable?'. Below the quote is the text 'An initiative by Cabinet Office'. A large button labeled 'FIND YOUR SUPPORT' is positioned to the right of the quote. Below the main content area is a video player with a teal border. The video title is '20 MINUTE WATCH: WHAT IS SOCIAL FINANCE' and the subtitle is 'Social Enterprise and Funders explain the basics'. The video shows a man in a blue hoodie presenting to a group of people seated in a room. Below the video player, there are two columns of text. The left column is titled 'What is Social Finance?' and contains two questions: 'Is it too risky for me? I'm scared my house will be at risk.' and 'My board is reluctant to do so, but management says yes'. The right column is titled 'What do I need to prepare?' and contains two questions: 'Do small agencies receive social investment?' and 'Would it not be easier to get a grant and less risky?'. At the bottom right of the page is the Cabinet Office logo.

Finance Central

HOW SOCIAL FINANCE WORKS | YOUR DIAGNOSIS | FIND INVESTMENT | YOUR PROFILE

THE TOOLS AND KNOWLEDGE TO SUPPORT YOU ON THE SOCIAL FINANCE JOURNEY

"Finance Central helped me understand social finance wasn't risky and could help me have more impact locally"

- SOCIAL ENTERPRISE OWNER

An initiative by Cabinet Office

FIND YOUR SUPPORT

20 MINUTE WATCH

WHAT IS SOCIAL FINANCE
Social Enterprise and Funders explain the basics

What is Social Finance?

Is it too risky for me? I'm scared my house will be at risk.

My board is reluctant to do so, but management says yes

What do I need to prepare?

Do small agencies receive social investment?

Would it not be easier to get a grant and less risky?

Cabinet Office

3. Customer view | Finding matches

We discussed the issue around ventures not having a full understanding of what is available in the social investment landscape.

- Finance can be 'difficult to understand' so it needs to be in laymen terms

In response to this issue we outlined the following features:

- Develop an aggregator based on venture make up. This would include details like: Company structure, sector, what they are looking for

- Make suggestions of other packages available (not only funding related, i.e. legal)

- Find current programmes/ investment funds/incubators that match their needs

- Educating users on general terms (i.e social impact bond, working capital)

- Ask users to input basic information allowing intermediaries to understand what you might need/be eligible for

- Identify current needs by using a basic diagnostic tool

- This would function like a match.com for funders and investors and organisations. Funding central seeks to do something similar but was described as not intuitively designed or easy to use.

In addition to this, an overview of where a venture/SSO was at as a simple diagnostic tool would be ideal to navigate Finance Central and to other platforms. Again, this exists within Big Potential but for many the 45 minute diagnostic tools is too in-depth for early stage interest and education.

4. Chaotic marketplace | Finding what you didn't know you need

We discussed that ventures don't always know exactly what they are looking for or how to find it.

In response to this issue we outlined the following features:

- There is a need to increase access for trusted brokerage - (i.e. an independent social broker provides more opportunity to search out and support ventures to be investor ready for their clients)

- Find intermediaries to help support and give them some advice allowing people to move into this space

- Develop a rating system based on support (recognise this poses larger questions but a function that could be useful for ventures)

Finance Central Mockup

The screenshot shows a web browser window displaying the Finance Central website. The page has a red header with the Finance Central logo and navigation links: "HOW SOCIAL FINANCE WORKS | YOUR DIAGNOSIS | FIND INVESTMENT | YOUR PROFILE". The user is logged in as "Hello Equal Share" with a "Logout" link. The main heading is "FIND YOUR INTERMEDIARY". Below this are two dropdown menus: "INTERMEDIARY" and "NORTH ENGLAND". The profile details are as follows:

NAME	TURNOVER
Equal Share Ltd	£1.2 million
DIRECTOR/MGMT LINKED INS	AMIBTION?
linkedin.com/garywick +	RAISE UP TO £500K ▼
MISSION	BACKGROUND
Equal share provides meals for in the north of England to families who can't afford to make stable meals and teaches them how to cook on a budget. It is our mission to ensure that everyone has a good meal at least once a day full of the right stuff.	We were spun out of a council when addressing needs within our own community. To date we have provided over 500,000 meals and continue to deliver contracts for councils in the North of England.

Below the profile details, there are three statistics: 23 Profile views, 6 Information requests, and 3 Active Enquiries. A message states: "We've got 3 intermediaries who are interested in talking to you". Three intermediary cards are shown, each with a logo and a "Message" button:

- BIG ISSUE INVEST** (with subtext: An Issue Entrepreneur For Social Development)
- ClearlySo**
- threadneedle investments**

The footer includes the Cabinet Office logo.

Learnings

As the prototype did not progress past initial discussions this is a summary of the key issues which came up when considering the features Finance Central could have.

“I just think Social Investment is risky, what about my house?”
SSO, Cumbria

There was a perception that Voluntary community and social enterprise (VCSEs) don't know what they don't know and are confused about the term “Social investment”. Does it mean grants for good? Free money? Loan? These were just some of the questions that came out of the research. There was also consistent mention and fear of Social investment in relation to it being:

- Too risky to take on
- It would contradict the social aims of the organisation

User groups for Finance Central wouldn't just include SSOs or Ventures, as trustees were also highlighted as needing education, with some being a huge barrier to management boards taking on Social investment. There needs to

be more trusted spaces for SSOs/ Ventures to meet intermediaries who can support them with this kind of challenging process.

Social investment organisations who have been operating for a long time talked about the emergent market needing more monitoring, directed by a body like the Cabinet Office to ensure that intermediaries and funders act responsibly. This experience and successful investment (as well as background governance) should be included within Finance Central when recommending options. They also highlighted that investment ready grants need to show what intermediaries can do for agencies and what kinds of governance, organisational structure, legals etc need to be put in place. In particular, the basics mentioned included preparing for the future and writing strategic objectives for a 5-10 year time frame. Many smaller Social Enterprise who could benefit from Social investment hadn't considered basic business planning fundamentals. Finance Central could provide tools that can be used across the whole sector and embedded into all websites (from loan calculators to diagnostic tools).

Observations and Insights

Through testing a lo-fi mock up of Finance Central the team were able to gain first impressions and get initial feedback on the usefulness and direction of the concept. The mature end of the Social investment market place would be concerned about being compared with smaller, newer and, in their words, “less robust”

or “trustworthy” intermediaries. There is a feeling that “this already exists”, particularly through the Big Potential Platform. However, the team feel that there is a missing interface that breaks down the field of Social investment actually is, through a simple, well-designed platform that is relevant for all stages and types of venture.

What should happen now

There needs to be a neutral platform like Finance Central that can be used by all, and this needs to be lead by a respected, neutral body. A user-testing and alpha prototype stage should be arranged to test the concept and an evaluation

framework put in place to see if 'new' or increased connections are made to move Social Enterprise along the pipeline towards Social Investment.

The screenshot shows a web browser displaying a social finance diagnosis tool. The page has a teal header with the 'Finance Central' logo and a 'Login' button. Below the header, a navigation bar lists: 'HOW SOCIAL FINANCE WORKS | YOUR DIAGNOSIS | FIND INVESTMENT | YOUR PROFILE'. The main content area features the heading 'WHERE ARE YOU ON THE JOURNEY?' followed by the text: 'This is a quick social finance diagnosis tool so we can signpost you to the relevant place, service or information.' Below this, it states 'This will take 3 minutes'. A progress bar with five steps is shown, with the first step completed. The steps are: 1. 'I know what Social Investment is', 2. 'I don't think it's a risk, it's to grow our social aims', 3. 'We know where we will be in 3 years', 4. 'We have a concrete business plan', and 5. 'We have outlined our customer base'. A 'LINK BACK TO START' button is located below the progress bar. The bottom section is titled 'YOUR DIAGNOSIS' and contains several links to resources: 'Find out about investment readiness programme' (with Social Finance logo), 'Advice on the right finance to take' (with Big Issue Invest logo), 'Seek advice from Triodos on their social finance programme' (with Triodos@Bank logo), and 'Find out about investment readiness programme' (with Social Finance logo). A large teal box on the right contains the text: 'You get Social Finance but we'll need to get you prepared for finding the right investor and ready to take the investment on.' and 'You need to work with an intermediary to prepare you for investors. Having a robust business plan is important for receiving investment'. Below this box is the text 'Find an intermediary local to you'. The footer of the page includes the Cabinet Office logo.

PEER

The original concept and intention

To explore and test the potential for a panel of venture and funder representatives to play a role both in helping ventures navigate the finance landscape and application process, and funders navigate the financing process. The panel could support potential applicants at pre-, during and post-application stages. The main differentiator, compared to other programmes, is that the approach and support should be driven by ventures themselves.

How was it reframed

Initially the team tested out Peer Panel against the following questions:

- Who is it for and what should its core offer be? - Many potential uses or applications could be explored.
- What is the smallest set of things that will add real value - and does that mean narrowing who it is for? (thinking of peer support as the 'technology' we have, what's the most valuable application and to which target market?)
- What is the most useful role such a panel can play in terms of improving the overall field?
- What does the minimal viable service look like?
- Which (if any) elements could be standardised and which must remain bespoke/personal?
- What would be the best way for the panel to operate (online, face-to-face, as a group, as a distributed network)
- Which funders are involved / might the panel link to?
- What outcomes for the sector could we expect and how could those be demonstrated?

- What is the ideal constitution (sector, locality) of the panel and what might potential recruiting routes be?
- What does the proposition to ventures/funders to make use of the panel look like and how/where would they become aware of it?
- What is the best route to funding this - from money currently spent on investment readiness process?
- How could this support governance needs for funders?

However, once the team moved from concept in to prototyping it became clear that Peer Panel had three different potential elements and conflating them was unhelpful. The name Peer Panel was also misleading.

Peer Panel was reframed to have three different functions:

- Sector/ theme specific - A 'panel' made up of people who hold intelligence about local or sector context
- User testers - a group of venture 'user testers' who are at the heart of what a service can offer and used by SIFIs to develop new products and services for the field
- Peer groups and networks - Informal support networks that enable better information and knowledge to flow across the field and for the right information and advice to reach the right people at the right time.

The Prototypes

In Cumbria the team simulated a Peer Panel

- Invited a number of venture and funder representatives to take part in a simulation of the Peer Panel
- Invited a group of people / organisations who were interested to learn more about different social investment options they have
- Invited a group of funders who are looking to better navigate the financing process
- Recruited a "peer panel" group that included funders and other ventures who'd been through funding/investment.

In Gateshead the team tested demand for Peer Panel

- They set up a "stand" with our branding at the Big Potential event to test out the concept of Peer Panel
- They asked if there was demand for something beyond Big Potential events?
- They asked what the focus / need is for something else beyond?
- They had a sign-up for people who would want to either be in a Peer Panel or to meet with/be at a meet-up with the Peer Panel

We identified the potential value from Peer Panel as:

Value to the field:

- Dispersing power - knowledge is held amongst the many rather than the few
- Density of field and connectivity of field is accelerated
- Has greater reach
- Is able to attract different audiences
- Products and services have been user tested and therefore more fit for purpose

Value to individual ventures is:

- Feeling like a valued part of the puzzle
- They have better products and services provided for them
- They feel better able to make choices that are right for them and save time, resource etc

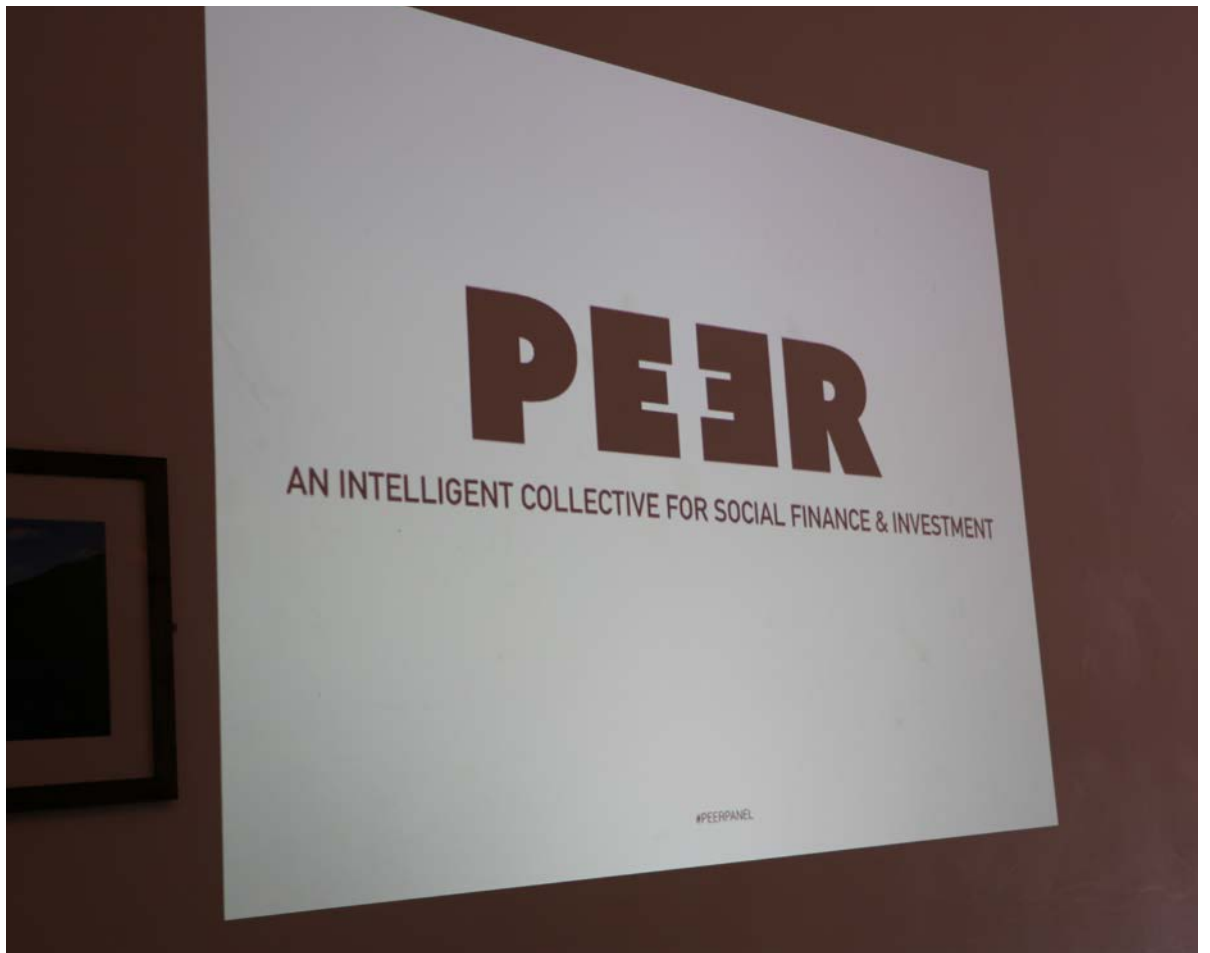
Value to SIFIs:

- Knowledge of specific sectors is really useful and can assist with due diligence and idea development so that offers are more fit for purpose.
- There are more feedback loops set up for them.
- The team then tested the concept of Peer Panel to find out how it could be of most use to ventures in two workshops in Cumbria and Newcastle.

Peer
Panel
Cumbria



Peer
Panel
Cumbria



Learnings / Insights and observations

Intelligence was easily conflated with “support”. It was clear how much support is still lacking or mismatched in the field and a reminder of how for support to work, there needs to be much better segmentation of “users” and clarity of each users characteristics and needs.

The Peer Panel simulation in Cumbria resurfaced a range of venture needs that had been identified in the original Design Council report

- Language barriers
- Lack of understanding of and mistrust of repayable finance
- Social investment needs to think outside the ‘London bubble’

But what was striking was the genuinely low level of knowledge amongst some participants around social investment highlighting that the sector needs to ensure that materials for improving understanding and helping people navigate the market should start from a low base of assumed knowledge. The team intentionally did Peer Panel simulations up in the North of England, because social investment in the UK is sometimes characterised as London centric.

At the Cumbrian event the funders at Peer Panel pointed to many of the platforms out there, including Big Potential and the social sector attendees wrote down many links they had not heard of. However funders discussed how it took about 45 minutes to go through the Big Potential diagnostic and

acknowledged there was a missing ‘first stage’ to supporting these social sector organisations to understand what it is in the first place. A few quotes from that evening:

“Not everyone needs social investment, we should stop grouping everyone together.”

“ Big Potential is for a niche stage that most people are not at.”

“ CVS’s (i.e Cumbria) are really micro charities who have low capabilities around innovation. That whole group are not going to find Big Potential useful.”

It quickly became apparent that the prototypes as initially conceived required there to be enough stakeholders in enough similar situations to work well. Peer Panel needed a local density of experienced ventures to create a robust network of intelligence, and to create a local identity for the social investment field in certain regions to avoid the pitfalls of a ‘London-centric’ perspective.

Another opportunity is in better use of spaces and linking up with other community meet ups, for example the peer support across community pubs nationwide has been heavily used – even to the point of over demand.



What should happen next

Peer groups and networks - Informal support networks that enable better information and knowledge to flow across the field and for the right information and advice to reach the right people at the right time. This work should focus on encouraging connectivity between ventures and for groupings to emerge that can make their 'information needs' known so that these can be addressed. There is also real value in peers supporting each other across a broad range of areas, and learning from each others stories, and in relation to social investment, in identifying funding opportunities and learning from each other around how to apply. 100 % of people attending the Big Potential event who took part in our survey said that they wanted to attend informal meetups about social investment. This could link with Power To Change's work who stated recently " Over the last few months we have been actively speaking to community businesses about the types of support that they would like Power to Change to provide. What community businesses have told us is that they would like more peer support. In response to this we are

currently developing a number of initiatives, including establishing a Community Business Network, to help community businesses to connect and share inspiration, resilience, knowledge and learning."

Sector/ theme specific - A 'panel' made up of people who hold intelligence about local or sector context. The prototyping process uncovered a real need for basic information on the social investment sector to be provided in a format that people could engage with. This needs to fit the context within which ventures find themselves which might be local or sector based rather than being centred on social investment itself.

User testers - a group of venture 'user testers' who are used by SIFIs and other stakeholders to develop new products and services for the field. Participants in the prototypes felt more comfortable to be involved in user testing than in being part of a Peer Panel that could mean their networks and peer insights became formalised.

UNDUE DILIGENCE

The original concept and intention

This prototype was a process of user-research rather than a concept to refine and test. The underlying rationale was to ensure that ventures' profits and social impact aren't adversely affected by going through the process of seeking finance.

The intention was to design and undertake a piece of user research to generate insights on what a proportionate approach to due diligence would look like for the social investment field and to identify areas where due diligence was not serving a useful purpose in the investment process and was therefore 'undue'. The design of the methodology took place but the research was not taken forward.

How was it reframed

At the start of the prototyping process the team were aiming to map the existing due diligence with a view to minimizing the processes that ventures have to go through. This was reshaped to be about informing ventures about the nature of the processes they might go through in order to enable them

to have realistic expectations of due diligence, and to make informed decisions about whether to seek funding from a particular investor.

What the team did

Participants identified the following aims for exploring what constituted undue diligence.

- To surface information or processes that form part of the due diligence process but which are not serving a useful function or providing value in the investment process.
- To raise the issue and to promote greater understanding of the problem of undue diligence.
- To communicate the value of change to funders and to achieve a shift in attitude on how to undertake due diligence.

Looking at the dynamics of how change might occur in the sector it was recognised that a shift might be achieved through broad collaboration across funders and investors or by working with a smaller number of actors as market leaders who could act as a vanguard group.

The team then considered how the research needed to be designed to generate the right insights and made the following decisions.

- To interview around 10 funders and 10 ventures: for ventures seeking a range of those who had been funded, those who had missed out and those about to seek investment (in order to gauge their expectations of the process).
- To focus on deal size of between £150k and £750k.

- Interviews would focus on identifying the range of information that had been sought and the understanding from both a funder and venture perspective, on why this information was required.

The team discussed how the due diligence process affected both ventures and funders costs i.e. the costs of participating in or running the process of due diligence. Currently the time and associated costs of running due diligence processes is not measured in the sector for either side. There are initiatives to support ventures to become investment ready and some limited payments for making proposals, however, these schemes are often provided by a different funder to the one from whom the large investment is sought. It was felt that there needed to be clearer incentives to reduce unnecessary due diligence, for instance considering how the amount spent on due diligence by funders impacts the amount that can be invested in the venture, and potentially the returns generated.

After the initial design process the interviews were not conducted due to constraints on the prototyping team. Ongoing work concentrated on exploring how the research could be best taken forward in the sector and how it could be linked to the conversations around data sharing in the sector as essentially, the information gathered as part of due diligence is another set of data.

Learnings

Framing the interview template was done carefully to be about capturing value and impact rather than approaching the issue from the perspective that some due diligence is unnecessary. Both initial prototyping team members also recognised that it was a long and difficult task to achieve a sector wide rethink of due diligence and that only more forward thinking players would be open to change initially.

An issue for the prototyping team was contacting people in the sector for yet more research and using their time when there are so many other demands on it despite the potential efficiency benefits of the work. There is a tendency to use survey tools instead of structured interviews to counter this issue. The research needed to be adapted to avoid sensitivity around duplicating other research and initiatives. However, ultimately short structures interviews may actually be less onerous for the sector than the efforts of gatekeeping in this way in particular as survey tools can only get so far in terms of generating insight without follow up questioning.

There had been ongoing discussion in the field around creating standardised questions for due diligence which had not succeeded to date. There was a perception that key areas where information would be gathered was obvious and that it was areas where investors diverged which might be of interest.

Based on the Big Society Capital report 'Oranges and Lemons' on how social impact is measured the team realised that it might not just be the information collected which is relevant, but 'how' it is collected. Testing this with ventures the team found that information on 'how' due diligence processes work is potentially very valuable to ventures in making their decisions on which funders to apply to. From a funder perspective, a motivation for this work may be the opportunity for peer to peer learning.

This team was the only one to work with the 'angel investment' aspect of the social investment market. This context presents particular challenges as amongst angels approaches to due diligence are very personal and therefore not easily amenable to structural solutions at a sector level.

UnDue Diligence Tables

	Funder A	Funder B	Funder C
Business Plan			
Paper Review	✓	✓	⊗
Discussion	⊗	⊗	✓
Offer Support	✗	✓	✓
Financial Projections			
Paper Review	✗	✓	✓
Discussion	✓	✗	✗
Independent Audit	✓	✓	✓
Offer Support	⊗	✗	✓
Team			
Paper Review	✓	✓	✗
Interviews	✗	✗	✓
Site Visits	✓	✓	✓
References	✓	⊗	⊗
Social Impact			
Scored	✓	✓	⊗
Discussion	✗	✓	✓
Offers Support	⊗	⊗	✓
Sector Analysis			
Scored	✓	✓	✓
Discussion	✗	✓	✓
Offers Support	✓	✓	✓
Competitor Analysis			
Scored	⊗	⊗	✓
Discussion	✓	✓	✓
Offers Support	✓	✓	✓
Customer Insight			
Scored	✗	✓	✗
Discussion	✓	✓	✗
Offers Support	⊗	✗	✗

What should happen next

Information on 'how' funders and investors carry out due diligence and funding assessments was found to be potentially useful for ventures in making informed decision on whether to seek that investment in the first place. Participants at the venture event responded well to the basic prototype of how this might work.

The next step should be to explore the feasibility of gathering this information and ensuring that it is comparing like with like. This process may actually have the added benefit of getting funders to reflect on whether all aspects of their process and the information collected are in fact necessary linking back to the original basis for the work in this area.



The original concept and intention

The original focus was to create a shared application across funders in response to the following issues:

- How can we reduce wasted time on applications?
- How can we reduce the opacity of funding criteria/decisions?
- The intention was for team members to look together at how they could assess applications on the basis of information collected by each other and use this to create a shared profile or application that could be used across many funders, with the possibility of generating open data from this activity.
- Although there was interest in creating a profile for ventures that could be shared and could grow with their businesses; the team quickly honed in more on the potential for data sharing between SIFIs. In particular the insight was

that that successful data collection would depend on the motivation of intermediaries to participate. Their focus of activity shifted to the following objectives:

- Uncover where the value for SIFIs is in the ongoing sharing of data - what might be of such value to them (particularly in terms of learning for themselves) that it is genuinely worth them putting in the effort to collect and share data.
- Uncover what data ventures believe (if it was made easily visible) would make a genuine difference to their experience and choices.

Though relevant throughout the sector, the team decided to focus on ventures seeking investment around the £150k mark and considered a number of initiatives such as the Growth Fund that might provide a live opportunity to test out the beginnings of a shared approach.

How that was reframed through the process

A clear shift in frame took place from sharing data on the venture as part of an improved application process, to sharing data relevant to the venture experience held by SIFIs. In terms of venture needs addressed it was predicted that better data sharing between SIFIs would lead to improved offers and quality of support.

In addition, some of the data would be valuable in enabling ventures to make informed choices about which SIFIs to approach. The work revealed two main scenarios for opening data:

Open Data Publishing - The potential for publishing basic aggregated data from investors and intermediaries.

Benchmarking and Learning - The potential for establishing a means of benchmarking between intermediaries, either anonymously, within a confidential setting or on a fully open basis.

The team explored the potential for establishing data standards and top line performance indicators for the field.

What we did

- Worked through a number of data collection, ownership and sharing scenarios
- Looked for similarities in existing data sharing platforms
- Identified types of data of potential interest to VCSEs and SIFIs
- Interviewed providers of existing data sharing platforms and initiatives
- Tested out the scenarios in dialogue with a small number of SIFI organisations and sector bodies
- Created paper prototypes of possible data combinations and visualisations
- Tested these data visualisations with ventures (forthcoming)

Note: we did not delve into technical feasibility around data gathering at this stage.

Learnings

What Intermediaries are motivated by:

Open Data Publishing

Intermediaries are motivated by the following potential benefits of open data:

- Reducing the number of inappropriate applications - by making it transparent what types of application SIFIs are not likely to fund. However this comes with the big caveat that all SIFIs want to reserve the ability to accept 'outlying' applications. A way to reconcile this might be to publish historical data combined with an indication of whether SIFIs are willing to flex their criteria. Then VCSEs can determine the risk of applying as outliers for themselves.
- Better lead generation for SIFIs - as VCSEs would be able to see that a funder is suitable for them. This too carries the caveat that SIFIs fear they may be filtered out by VCSEs who take data out of context. For instance a 'slower' decision making process might be viewed negatively when in fact it represents a funder who supports ventures with their application.
- Enabling better coordination across the field - as SIFIs themselves would be able to see who is funding what, and where the gaps are. This might stop grant money being used when social investment would be more appropriate. It might enable collaboration on deals outside current limits or to create more blended finance deals.

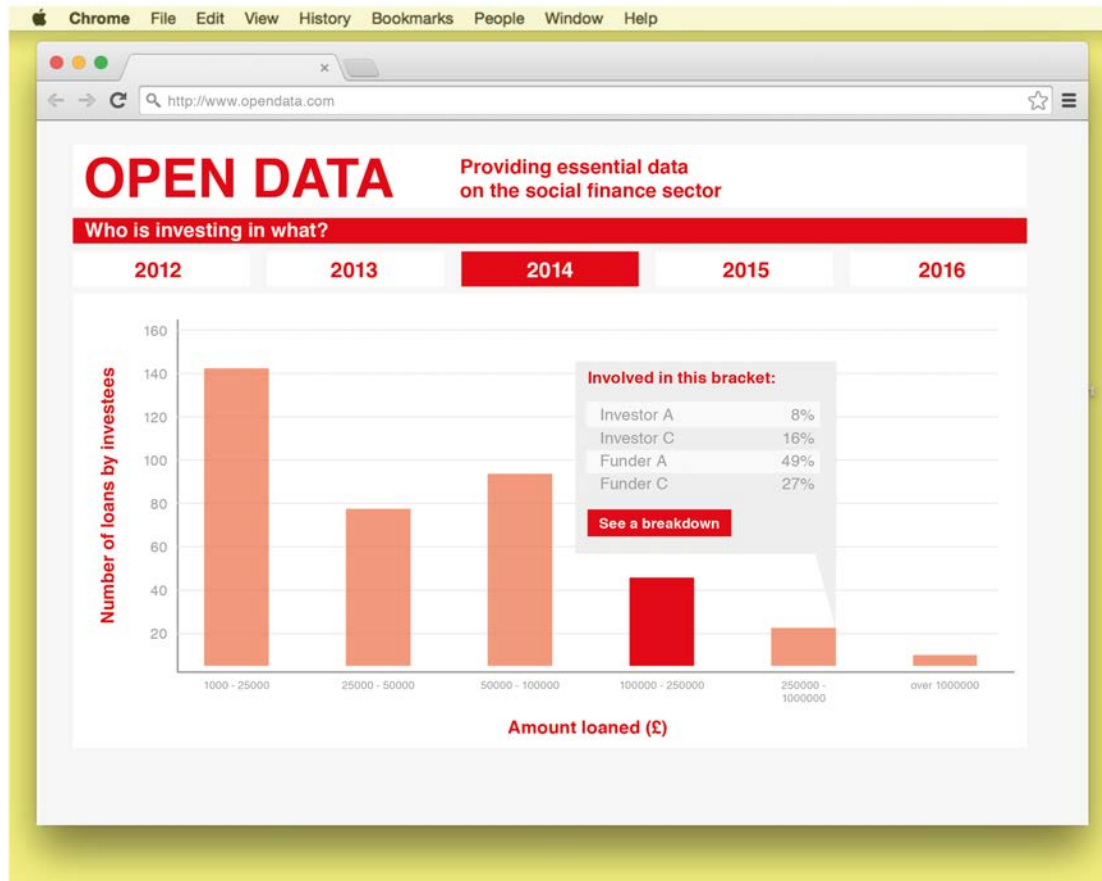
- Improving the market - thereby improving the experience of the field for VCSEs overall. Here SIFIs can see real benefit for the sector as a whole. The degree to which individual organisations might gain however depends on whether a SIFI is already a market leader sharing best practice or a market entrant looking to learn.

- Having a standard data collection system - this could save VCSEs time and potentially help with impact measurement in joint investments.

Benchmarking

SIFIs were interested in particular in benchmarking their services and improving transparency. However it is a very tricky area to benchmark because support is linked to the context of the funder. Some provide intensive packages of support, others concentrate mainly on financial assistance. Without standard KPIs for impact of investment across the field (e.g. venture progress), the best that could be collected would be a measure of customer satisfaction - again contextually highly variable, and rather dependent on the ventures knowing what they need.

There is interest from SIFIs in market intelligence - but a feeling that there may not be much directly relevant to their own work because the field is so sparsely populated. Conversely if there are direct competitors



there is a danger of giving others competitive advantage in one's marketplace by contributing data to generate insight around aspects such as quality of support.

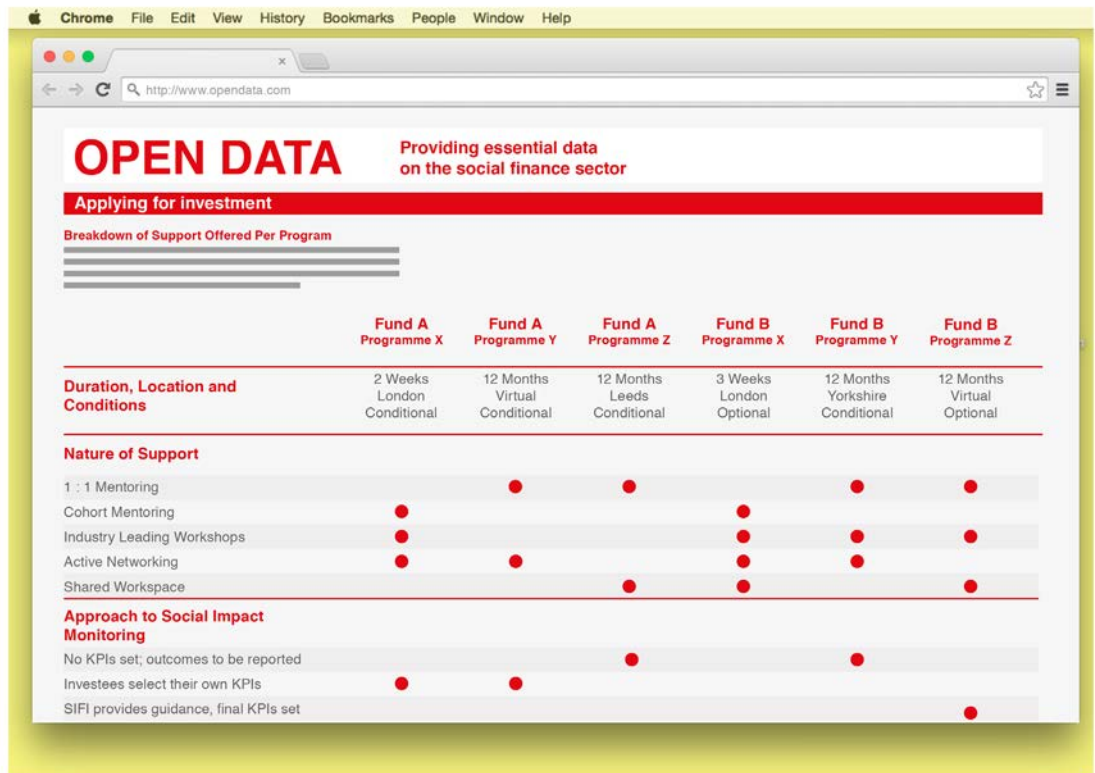
In general they want to know that other contributors are in it only for market development, not for competitive advantage.

Barriers

A big concern is the potential for open data to act as too much of a blunt filtering tool - filtering out leads that SIFIs would be willing to flex their criteria for, or invest in with other SIFIs.

A second and significant concern is that open data may be used as a performance management tool by wholesale funders. From the SIFIs' point of view the intention of opening data should be positioned and understood to be much more about insight and learning than managing performance. Of course there

are often very good reasons for certain outcomes, e.g. if an organisation is trialling a new programme it should be expected that 'performance' is lower initially. As a result, the desire is that data sharing should be independently governed.



Observations and Insights

Feasibility of data sharing

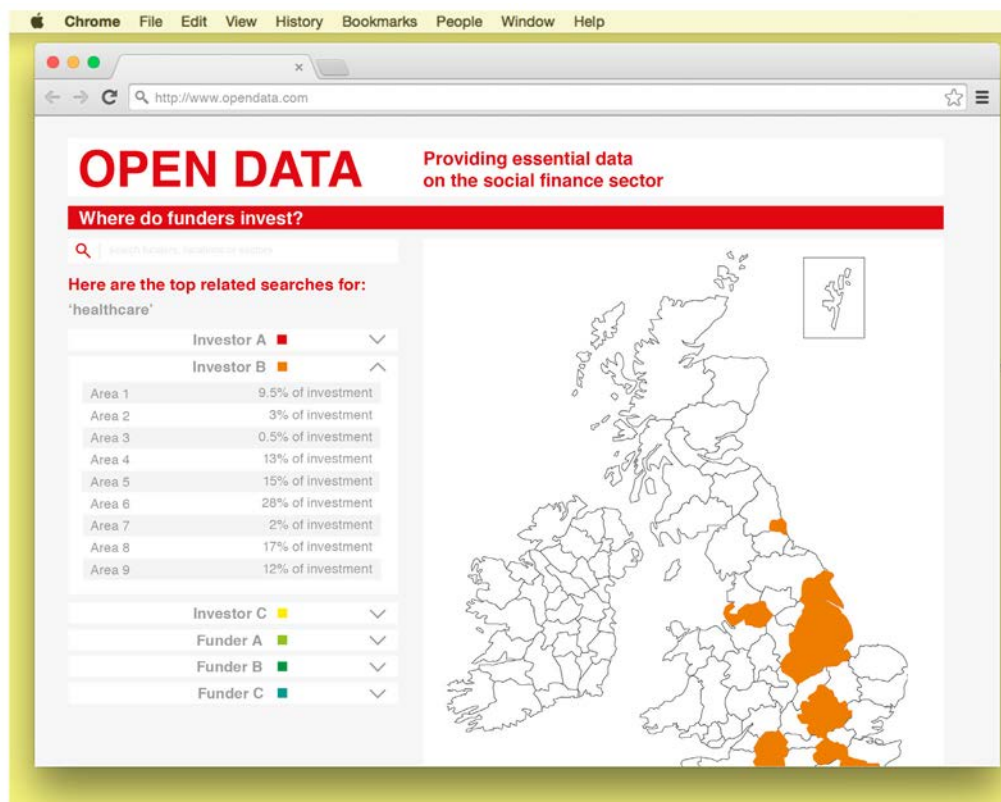
The team spent some time looking at which data would be possible/interesting to share, through which means that could happen and what the governance of such a process might be, including:

- Using a framework that looked at different types of data in terms of where might be easiest to start versus what would be most interesting to see (if it were combined).

It looked at which data SIFIs already collected or published, and how easy/difficult it would be to translate into a standard format.

- Drawing up various scenarios for sharing data between SIFIs and benchmarking results on an anonymous or open basis. Possible scenarios of ownership included:

- independent through a subscription from SIFIs or a JV owned by contributors;
- funded by an appropriate body such as a market steward, with a service to SIFIs to help them tailor their data collection;
- owned by the field in general, with an obligation to be proactive in contributing.



Observations and Insights

There was some feeling that data sharing will only happen if driven through funding requirements.

- This is a potential leadership opportunity: there needs to be a small number of SIFIs willing to step forward as the vanguard/early adopters - and, in the words of one member: 'we need to get most of us over the line' for it to work. It may well represent a risk for managers to take the lead in pushing this forward as it's a well-aired debate - so that should be acknowledged as a leadership challenge.

- In general it is difficult to imagine how the combined data might look - and therefore conversations tend towards varying interpretations. Visualisations helped to focus on

potential benefits and positive ways to mitigate risk. Consequently we would recommend putting time up front identifying potential use-cases, and creating visuals and scenarios for ways in which data could be collected, combined and presented, before engaging a wider group of potential contributors.

- Practice not performance - as mentioned in the general insights, a breakthrough was in not presenting quantitative data in isolation but finding a way of representing the approaches SIFIs use in practice, for example for their approach to applications, due diligence, impact measurement and forms of support - do they use approach A, B or C. SIFIs would be motivated to have more differentiation in approach made transparent as it helps viewers interpret the quantitative data.

Observations and Insights continued

- There is a certain amount of data already in the public domain that would be possible to start with. Historical data is less sensitive. However one piece of real time data that would be valuable to VCSEs would be to see at a glance the number of funds currently open for application.

- It seems that the data would become much more interesting to audiences if it should cross sectors - the Funding Central site by NCVO, mainstream banks, other CFI lenders. Public service contracts were a driver both for VCSEs to engage with social investment (see Peer Panel insights) but also for SIFIs offering tools (e.g. impact reporting tools) for local authorities and commissioners. Data initiatives such as 360Giving have platforms designed for grant funding which are ready to be opened up for SIFI data, and are already collaborating with stakeholders who provide both grant and investment funds.

- A data reporting and storage product may make things easier for smaller intermediaries; there are a variety of systems in operation.

- Rich insights around a good process of 'getting started' in opening up data was gained in talking to representatives from other data platforms about what worked for them, and to SIFIs who had previously engaged with other data projects. In general, it worked better to start with a small group

of leading organisations and get going with something actionable to demonstrate potential. Starting with larger group consultations tended to generate more fears than possibilities, whereas fears fell away once in action. Starting small, with something that feels safer to publish, such as the information contributors already already publish on their websites, even if it is in narrative form, works well, as does aligning it with existing development agendas, e.g. impact reporting. A successful approach was to develop 'use cases' - for example identifying something new that contributors couldn't see before - or some way in which they could save money - and work backwards to establish the steps that would be needed to get there.

What should happen now

A number of data initiatives are underway which are trying to solve similar problems. Organisations could do more to get involved and support them. More work, possibly research, could be done to really understand what more data can be shared in the future, and what has been learnt from prior data initiatives to avoid potential pitfalls. For example, user led design approaches would prove particularly useful, especially at the feasibility stages of future data projects.

We would recommend that the key market players work in concert to ensure that basic public data reporting - starting with what most SIFIs already publish - is a requirement of funds going forward.

Recommendations

This work has highlighted some key shifts in thinking and practice which need to take place with respect to driving solutions to make the social investment market more venture friendly, and working more as an ecology. In particular the prototyping process has refined solutions for venture need against the context of the social investment market as a whole. Effectively this has been a balancing of venture and SIFI needs.

Next Steps for prototyping

For successful prototypes to emerge these must be driven forward independently of the field on a neutral basis but with sector involvement. To mitigate the risk of the SIFI community not implementing key ideas which emerge there may need to be a stronger role by market stewards.

1. Always start with User Research

Whilst the Design Council report last year developed a set of recommendations based on user interviews across the field that was helpful as contextual user research, the market is at a stage in its growth that requires the SIFIs to make better distinctions about who their users are. Who's accessing Social investment? Why do they choose to use it? What problem is it solving for them? Where is the demand for your services? These are questions that are unanswered or unclear and yet are critical questions that need well-researched answers in order for the field to move forward successfully. The team recommend the development of some relevant persona's defined by the SIFIs doing some user research themselves. If SIFIs are able to better articulate which segment of the market they aim to engage with it will help with creating a map of user needs that represent the whole ecosystem so that SIFIs are not trying to be everything to everyone.

2. The creation of a basic digital offer around social investment

This should be developed to enable ventures to adapt to and explore the social investment market rather than seeking to match them to a form of finance. This couldn't and shouldn't be done quickly but its alpha phase could get underway quickly. It should be driven by a set of design principles and have user testing and user-centred design at its heart. This would draw on existing information from the field e.g. Big Potential, SEUK Social Investment Explained. Digital culture can really shift the pace, openness and willingness to iterate in a field that is definitely not comfortable with that.

3. Enabling ventures to make informed decisions on funding

The team recommend work to progress the publication of funder and investor processes for assessment to enable ventures to consider whether and who they want to apply to.

4. Open data requirements for the field

In the absence of readiness for opening up data on a voluntary basis, one option is to demonstrate open data through a specific fund or initiative. Another option is to make open data a requirement for funds going forward.

5. Reach the outliers

There are many closed loops in the field in terms of information flow, as well as few feedback loops. The team were struck by the small and repetitive nature of how information about the field moves around the same players. Where are the outliers? The team recommend actively seeking to build networks of partners and stakeholders outside of the main field.

Recommendations

6. Encourage Peer connectedness to enable information flows and articulation of demand

Well branded informal meet-ups in different geographic areas in UK
- The team have already identified hosts for these in Newcastle, Yorkshire, Birmingham, Cambridge and Bristol - but they should all connect through brand. This work will help define information needs of the field and where there is an aggregate of demand that is not being met. Building this connectedness supports avenues for SIFIs to communicate better with ventures on their own terms.

7. Building system standards - an ecosystem understanding of impact.

The team recommend that there is work to progress an ecosystem level understanding of the aims and impacts of the social investment market with a view to creating context for performance data.

8. Ongoing rather than static points of venture involvement

The team recommend that an advisory group of ventures/small charity leaders is established to counterbalance the sometimes narrow nature of the SIFI field and key players within it.

9. Design and testing of solutions that were not taken to prototyping stage

This should be based on the re-framed understanding of the problems that are being addressed with regards to the context of the marketplace. To support this work the team feel that developing a set of personas for the field would help clarify different types of user.

Practical Tips

1. Always start with User Research

Create a user research brief for all the market players to fill out. Who are they serving? More market segmentation is needed and distinction between people's offers.

As well as covering contextual research (understanding what is working well and what is not working well) the Design Council report created helpful User Stories, which often follow a structure as follows:

- Title
- Actor
- Narrative
- Goal

However, the market needs to develop a set of user needs (usually these would come before user stories are developed) that are structured as follows:

- As a <type of user or persona>
- I want/need/expect <narrative about the need>
- So that <desirable outcome>
- Because <constraint>
- When <trigger or situation>

A good user need should meet the following criteria:

If you showed the need to a user, would they recognise it? Is it something they would actually say? User needs must be written in users' language.

Does the need help drive the design of your service? Will it help you organise and prioritise what you offer? User needs must be specific and relevant to your service.

Does the need describe the problem, not the solution? User needs must describe things that are important to users, not design elements or features of your service.

Having a set of user needs made available across the field will help ensure that the market grows with user needs at the centre of it. Whilst SIFI's and wider stakeholders remain unclear and unable to articulate user needs (instead of user stories) they are likely to keep creating services that they see as solutions for ventures rather than what ventures really need.

2. The creation of a basic digital offer around social investment

Bring together design and digital experts to develop a next phase of wireframes and user tests (leading examples in the UK include Exemplars, Swarm and Snook). Develop this from the user needs that are researched, as above.

3. Enabling ventures to make informed decisions on funding

This could exist on the basic digital offer platform, using some of the prototyping insights from the Undue Diligence strand of our work.

Bring visual and filmed content in to the platform - all of the information out there is heavy and text based.

4. Open data requirements for the field

The team don't believe that the market can just be left to develop without some basic standards being put in place. Like Government Digital Service has service standards and assessments (which can be done in a simple way), there are basic and common data sets that are important to ensure transparency and quality is delivered across the market.

The team feel there are useful lessons in the work to develop the 360 Giving Platform by Nesta and Indigo Trust.

5. Reach the outliers

Events, meet ups, work with different partners, work with more people outside of London, find allies in other sectors. This is all about building more diverse networks and interest around the market.

6. Encourage Peer connectedness to enable information flows and articulation of demand

Provide support (invisibly and informally) for these interested parties to get something off the ground. The team know that there is energy from at least 6 different places outside of London to do a meet up.

Set up a meet up page, send out simple kits with branded assets (posters, cards etc) to enable people to get something off the ground. This should be branded as a neutral meet up, with no recognisable people or organisations tightly associated with it.

7. Building system standards - an ecosystem understanding of impact.

- Ask SIFI's to share their assumptions about impact
- Map each of these sets of assumptions on to the ecosystem
- Host this as a collective impact approach, working with a "back bone" organisation to facilitate the process
- This requires skilled facilitation over a period of 4- 6 months
- This would work best as a well documented, transparent process (some ideas and some lessons learnt in links below)

http://www.ssireview.org/articles/entry/collective_impact

http://www.ssireview.org/blog/entry/channeling_change_making_collective_impact_work

<http://monitorinstitute.com/?c=strategy-landscape>

<http://www.hewlett.org/library/grantee-publication/lessons-learned-strategy-landscape-tool>

8. Ongoing rather than static points of venture involvement

Set up a ventures group to work with more closely, as user testers, as advisors and as “radars”. The team would suggest 10 people from across the UK, that represent different sectors. Do a public call out through gov.uk?

Meet up 4 times a year and reimburse people for their time and costs

9. Design and testing of solutions that were not taken to prototyping stage

The team think it is important to start the user research work alongside moving forward with other prototypes.

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Nesta Impact Investment
SEEM
SIB
Social investment
Big Lottery Fund
Unltd



Designing Social Investment

