EUROPEAN VENTURE PHILANTHROPY ASSOCIATION

A PRACTICAL GUIDE TO ADDING VALUE THROUGH NON-FINANCIAL SUPPORT

EUROPEAN VENTURE PHILANTHROPY ASSOCIATION | DECEMBER 2015

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A PRACTICAL GUIDE TO ADDING VALUE THROUGH NON-FINANCIAL SUPPORT

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PRISCILLA BOIARDI AND LISA HEHENBERGER | DECEMBER 2015

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Foreword

Financial support is vitally important to social entrepreneurs, as it allows them the breathing space to nurture their ideas and to grow them to scale. But is financial support sufficient or should there be an equal focus on other types of backing?

In this publication – A Practical Guide to Adding Value through Non-financial Support – EVPA is touching upon a crucial point of the VP/SI approach: the provision of non-financial support that aims to improve the financial sustainability, organisational resilience and – ultimately – societal impact of social purpose organisations (SPOs).

As practitioners, EVPA members experience hands-on the importance of non-financial support for the development of their investee organisations. We invest in non-financial support because we can see that it works! But despite all the resources we invest in providing non-financial support we are – as many other practitioners – still struggling to clearly and precisely assess the cost and the value of the support we offer.

This report provides practitioners with practical advice and tools to plan the provision of non-financial support, track its delivery and calculate its cost and value.

We believe that the five-step approach and the tools proposed in the report will guide practitioners towards providing better non-financial support to help increase the transparency in the sector, and ultimately help the sector show the real added value of the venture philanthropy approach. We recommend all actors in the societal impact eco-system to embrace the learnings from this report so that we can work together to deliver more and better societal impact!

For EVPA this guide is an important step towards a better understanding of the added value of the venture philanthropy approach, so we hope that this guide will not only help you improve your practice as a VPO, but also start a constructive debate in the sector and beyond on the role of VP/SI in the societal impact ecosystem.

Pieter Oostlander
Chairman, EVPA

FOREWORD

Expert Group Composition

EVPA would like to thank the following members of the Expert Group for their contribution to the development of this manual.

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Krisztina Tora and Anne Kathrin Merkle	*UnLtd and GSEN*
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Acknowledgements

We are grateful to Tom Fox from UnLtd, Tom Rippin from On Purpose, Annie Roberts from Open Capital, Jon Shepard from EY Enterprise Growth Services and all the anonymous investees who participated in this research for sharing with us their experience and views on the topic of non-financial support.

Executive Summary

EXECUTIVE SUMMARY

This guide is targeted specifically at venture philanthropy (VP) and social investment (SI) practitioners, and more broadly at other social sector funders such as foundations, grant-making organisations and impact investors who may benefit from understanding the value of the highly engaged approach of venture philanthropy. We use the term venture philanthropy organisations ("VPOs") or "investors" to refer to such social sector funders.

Venture Philanthropy works to build stronger social purpose organisations (SPOs) by providing both tailored financing (using the whole spectrum of financing instruments, from grants to debt, equity and hybrid financing) and non-financial support.

This manual focuses specifically on non-financial support, which we define as the support services VPOs offer to investees (SPOs) to increase their societal impact, organisational resilience and financial sustainability, i.e. the three core areas of development of the SPO.

Social impact	The social change on the target population resulting from an SPO's actions.
Financial sustainability	The assessment that an SPO will have sufficient resources to continue pursuing its social mission, whether they come from other funders or from own revenue-generating activities.
Organisational resilience	The assessment of the degree of maturity of an SPO, in terms of the degree of development of the management team and organisation (governance, fund-raising capacity etc.).

Figure 1:
The three areas of development of the SPO

(Source: EVPA)

The motivation of the research came from the realisation that no best practice exists for the provision, measurement and management of non-financial support in VP/SI. The objective was therefore to provide practical guidance to VPOs on non-financial support, to make them more effective in their work, eventually providing greater value to their investees at a quantified cost. We believe that such guidelines would also be useful for the investors in VP/SI to realise why "management fees" are relatively high, and to SPOs to understand the reasoning and the cost behind the non-financial support and how it can add value to their work.

In order to help VPOs tackle the challenges of planning, delivering and valuing non-financial support, EVPA has developed – together with a group of experts on the topic – this practical guide to managing non-financial support (NFS). Thanks to the contribution of the expert group composed of VP/SI practitioners, representatives of SPOs, academics and consultants, we developed a five-step model for managing non-financial support, presented in Figure 2.

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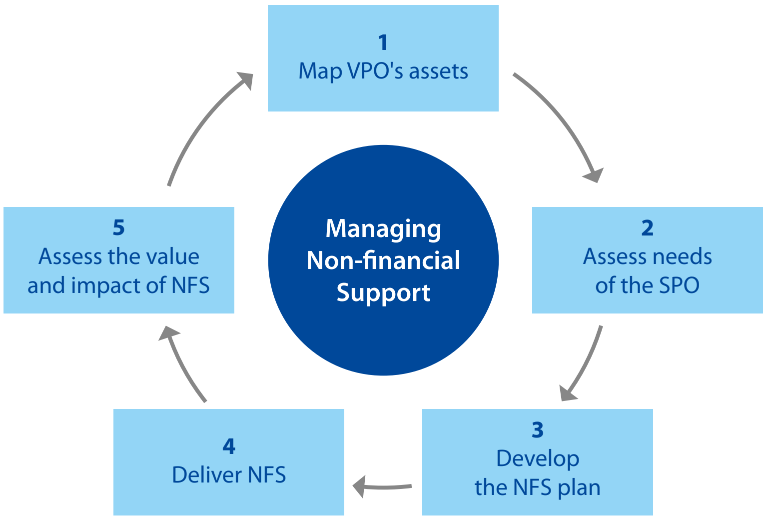

Figure 2:
The non-financial support process

(Source: EVPA)

The non-financial support process is a schematic way to look at how the VPO and the SPO can work together to develop and implement a plan to deliver non-financial support. Each step provides concrete recommendations and guidelines as well as **practical tools** designed to facilitate the work of the VPO.

Step 1 – Map VPO's assets: The VPO should first consider the possible forms of non-financial support available to help the SPO advance on the three core areas of development (i.e. social impact, financial sustainability and organisational resilience) using the non-financial support mapping tool. Based on the VPO's own impact objectives and Theory of Change, i.e. the social change it wants to achieve through its investment strategy, the VPO can use the mapping tool to choose which types of non-financial support are **core** to implementing its strategy. The VPO then maps its assets, to assess who will provide the core and non-core support, using the asset mapping tool, a visual representation of the internal and external human resources the VPO will need to deliver non-financial support. The guide recommends that the **core** support is provided by the VPO's internal team, and only in case the issue is very technical and outside of the competences of the internal team or if the team is too small and does not have enough time available by paid or low-bono consultants. The **non-core** support can be externalised to pro-bono or low-bono supporters or to paid consultants, who provide specific ad-hoc advice on technical challenges. The resources mapped have to be financed, so the VPO first makes an estimate of how much the provision of non-financial support will cost, and also what the monetised cost would be (considering pro-bono and low-bono consultants are engaged), using the monetisation tool, and then defines how to finance these costs. This internal assessment activity should take place periodically, informed by the experience gained through previous and ongoing non-financial support processes.

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Step 2 – Assess needs of the SPO: Once the VPO has clearly defined its objectives, what it can offer and has mapped its resources, it proceeds to mapping the needs of a specific SPO to invest in, along the three core areas of development (i.e. social impact, financial sustainability and organisational resilience). First the VPO performs a "light" assessment to check whether the needs of the SPO broadly match what the VPO can offer. If there is an initial match, the guide recommends that the VPO and the SPO work together to perform an in-depth needs' assessment, using the needs' assessment tool. This exercise allows the VPO to identify the status of development of the SPO in the three core areas of development, informed by the SPO's self-assessment of its areas of improvement, and where support would be most valuable.

Step 3 – Develop the NFS plan: With a clearer view of the needs of the SPO, in Step 3, the VPO and the SPO should co-develop a detailed non-financial support plan. For each development area that has been agreed as priority to tackle, the guide recommends that the non-financial support plan includes the baseline, goal, milestones, and target outcomes for the SPO. The plan should also include the details of the support the VPO will provide to the SPO to achieve the planned milestones, and the concrete deliverables, e.g. an impact measurement system developed. Both SPO and VPO should formally engage in fulfilling their part of the non-financial support plan, and to flag potential issues or problems as they arise, allowing the plan to be flexible. It is good practice to present the non-financial support plan as a part of the documents signed in the deal structuring phase, so that it represents a "charter of engagement", which can be used by both parties as a pressure point towards the other to ask for delivery of results or of support.

Step 4 – Deliver NFS: Once the non-financial support plan has been formalised, Step 4, the non-financial support delivery phase, starts. The VPO delivers non-financial support through a variety of delivery modes, including through one-on-one coaching, group trainings and offering access to networks. Each delivery mode has its pros and cons, which need to be weighted before taking a decision on how each type of non-financial support is to be delivered. The development of the SPO is monitored using the non-financial support plan as a dashboard and corrective actions are implemented, if need be. The non-financial support plan shall also highlight when it is time for ending the relationship between the VPO and SPO. The VPO and the SPO need to clarify upfront how heavily the VPO will be engaged with the SPO and set the targets that will determine if exit readiness has been achieved[1]. Non-financial support will be delivered until the desired impact is seen, or until the VPO realises it cannot add any more value to the SPO.

Step 5 – Assess the value and impact of NFS: In Step 5, the VPO assesses the value and the impact of the non-financial support. To understand the value of the non-financial support it provides, the guide recommends that the VPO measures how the investee perceives the value of the non-financial support it has been provided with, periodically, or at least at the

1 **Boiardi, P., and Hehenberger, L.** (2014). "*A Practical Guide to Planning and Executing an Impactful Exit*". EVPA.

EXECUTIVE SUMMARY

end of the investment period. Ideally, this assessment is made through a survey conducted by an external, independent third party. We also recommend that the VPO makes an assessment of how well the SPO has reached the objectives defined at the beginning of the investment – although it is difficult to assign the attribution of the VPO's support to those achievements (or lack thereof). To facilitate the task of the VPO, the guide offers the non-financial support assessment tool. The tool brings together the various data points captured in the other steps, and allows the VPO to match (i) the non-financial support it provided with (ii) the cost of providing it, (iii) the perception of the VPO as to the value received in relation to the cost and (iv) the "objective" measures of improvement of the SPO in the three areas of social impact, financial sustainability and organisational resilience. The learnings of the final impact assessment will inform the future non-financial support cycles, as they generate lessons learned as to what type of support investees value most. With sufficient data, the VPO should be able to discern patterns showing what types of non-financial support offered, as well as by whom and how, are generating the best outcomes for SPOs' development.

Each step of the non-financial support process generates **learnings** for the VPO that can be used to realign the goals of the SPO and the work of the VPO with the SPO. It is important that a **feedback** loop is embedded not only after each step of the non-financial support process, but also after the final evaluation that takes place in Step 5.

For each step in the process, one should consider how this relates to the everyday work of funding and building stronger social purpose organisations. That is why Managing Non-financial Support is at the core of the non-financial support process. **Managing non-financial** support occurs continuously and is facilitated by integrating non-financial support into the investment management process, as shown in table 1.

The tools proposed in this report build on each other to give the VPO a comprehensive **toolkit** that can be used by VPOs to plan, deliver and manage the provision of non-financial support, as shown in figure 3.

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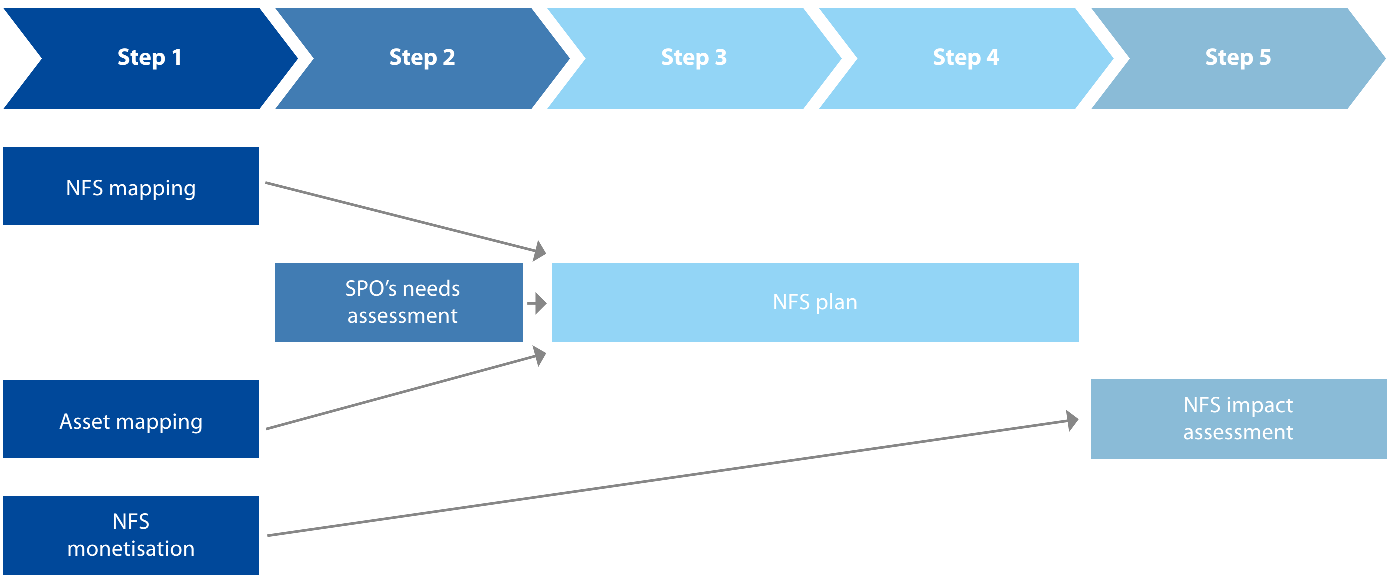
Table 1: Managing non-financial support in the investment process *(Source: EVPA)*

	Investment Strategy	Investment Process: Deal Screening	Due diligence	Deal Structuring	Investment Management	Exit
What?	Map NFS and derive core/non-core NFS depending on the investment strategy of the VPO Map assets Assess cost of delivering non-financial support	Perform SPO's "light" needs' assessment to assess whether investment opportunity fits with VPO's NFS offer	In-depth needs' assessment performed by both VPO and SPOs to assess whether investment opportunity matches the offer	Matching the needs' assessments of SPO made by VPO and self-assessed by SPO to develop the NFS plan, which should be formalised and included in a charter of engagement between the VPO and the SPO	Deliver NFS in different ways depending on the needs of the SPO Monitor achievement of the goals and delivery using the NFS plan as a dashboard Revise if significant changes are made in business model and delivery model	Assess the value and performance of non-financial support (performance of the VPO) to assess efficiency and effectiveness
Tools	NFS mapping Asset mapping NFS monetisation tool	Needs' assessment tool ("light" version)	Needs' assessment tool	Non-financial support plan	Non-financial support plan (used as dashboard to monitor the delivery of NFS) SPO's perception surveys	Non-financial support impact assessment

Figure 3: The tools to roll out the non-financial support process *(Source: EVPA)*



Introduction and Overview

INTRODUCTION AND OVERVIEW

The objective of this report is to provide practical guidance to venture philanthropy and social impact investment organisations (VPOs) and other funders, interested in how to best support social purpose organisations in achieving their objectives of becoming more financially sustainable, more organisationally resilient, and ultimately having more social impact. The report maps the different types of non-financial support that VPOs provide, relates those services to the non-financial support strategy of the VPO, outlines how VPOs organise the non-financial support internally, guides the VPO in the assessment of the SPO's needs, assesses methods of defining the value of the non-financial support to the investees, and finally addresses how the VPO assesses the value of non-financial support versus the cost at the time of exit.

This report is directed to both traditional philanthropic organisations, interested in understanding how the highly engaged approach of venture philanthropy (VP) works and to advanced VP practitioners, interested in benchmarking their practice against the one of the more advanced funders. The target audience is the funder, although the conclusions are also relevant to the recipient organisations.

Disclaimer for foundations: this guide is useful for you, too.

When working with their beneficiaries, foundations offer a lot more support than the grants they make. This support comes in many forms, be it through external contacts (creation of new connections, inclusion in networks, exposure for projects…), ad-hoc activities (invitation to events, professional development activities for grantees…) or thanks to the help of the foundation staff themselves in their daily work (when they help co-designing a strategic plan or Theory of Change for a project, strengthening its finances, implementing a sound M&E system…). A foundation giving a grant to an NGO is fundamentally a VPO investing in an SPO, or investee.

This guide is meant to:

- Help readers reflect on the importance of duly recognising these activities (especially if provided from staff working within the organisation)
- Offer proven tools to measure, evaluate and monetise this work
- Stimulate readers to better communicate to their beneficiaries the advantage that this support gives "beyond-the-grant"[2].

The Glossary at the end of the report is meant to shed some light on the terminology currently used by VP, to help foundations and other non-VP funders.

2 Interesting work in this domain for foundation has been developed by Grantmakers for Effective Organisations (http://www.geofunders.org/smarter-grantmaking/nonprofit-resilience). Grantmakers for Effective Organisations unites more than 500 foundations that collaborate to improve practices of foundations in areas like strengthening relationships with grantees, evaluating what is and is not working, and building resilience.

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Background

What is VP/SI?[3]

VP is a high engagement and long term approach to generating societal impact through three core practices:

- **Tailored financing**: Using a range of financing mechanisms (including grants, debt, equity hybrid financing) tailored to needs of organisation supported.
- **Organisational Support:** Added value support services that VPOs offer to investees (SPOs) to strengthen the SPO's organisational resilience and financial sustainability by developing skills or improving structures and processes.
- **Impact measurement and management**: Measuring and managing the process of creating social impact in order to maximise and optimise it.

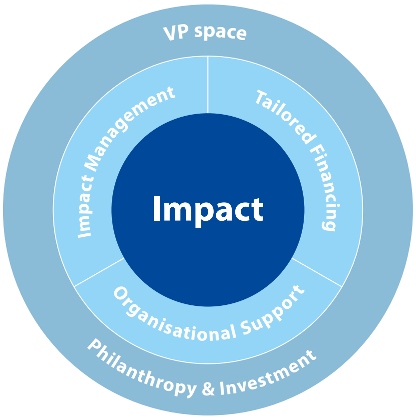

Figure 4:
Key Characteristics of Venture Philanthropy

(Source: EVPA)

Taking into account the three characteristics above, it is possible to define the actors who are inside or who are outside of the Venture Philanthropy tent in Europe. Meeting these categories is the most relevant aspect to be considered a VP practitioner, even more important than the financing instruments used or the type of organisations supported[3].

Venture philanthropy works to build stronger investee organisations by providing them with both financial and non-financial support (including organisational support and impact management) in order to increase their societal impact. EVPA purposely uses the word "societal" because the impact may be social, environmental, medical or cultural. The venture philanthropy approach includes the use of the entire spectrum of financing instruments (grants, equity, debt, etc.), and pays particular attention to the ultimate objective of achieving societal impact. The investee organisations may be charities, social enterprises or socially driven commercial businesses, with the precise organisational form subject to country-specific legal and cultural norms.

3 **Buckland L., Hehenberger L., Hay M.** (2013) "*The Growth of European Venture Philanthropy*", Stanford Social Innovation Review.

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The Venture Philanthropy / Social Investment organisation (VPO) acts as a vehicle, channelling funding from investors and co-investors and providing non-financial support to various investee organisations. The non-financial support is provided by the VP/SI organisation itself, but also by external organisations and individuals. The investee organisations in turn develop multiple projects that may be focused on particular sectors such as healthcare, education, environment, culture, medical research, etc. The ultimate beneficiaries are usually groups in the society that are somehow disadvantaged, such as disabled, women, children, etc. The societal impact ultimately needs to be measured by assessing how the lives of the beneficiaries are improved thanks to the actions of the investee organisations, and, going one step further, assessing the contribution of the VPO to that improvement. The VPO generates social impact by building stronger investee organisations that can better help their target beneficiaries and achieve greater efficiency and scale with their operations. Investors in VP/SI are usually focused on the social return of their investment, rather than on the financial return.

VPOs and social investors invest in SPOs to help them become sustainable, scale or restructure, and bring them to a point where another investor takes over or they can continue on their own. In the end what really matters for the VPO is to achieve sustainable social impact that is maintained and scaled beyond the investment period and to make sure the resources the VPO has available are used in the best possible way. This is possible only if the SPO is given the necessary capabilities to achieve societal impact through the provision of non-financial support.

Why conduct research on non-financial support?

Non-financial support is a crucial part of VP/SI. According to the 4th EVPA Industry Survey[4], the majority of VPOs supports investees with a variety of non-financial services, ranging from consulting to coaching and access to networks, as shown in Figure 5.

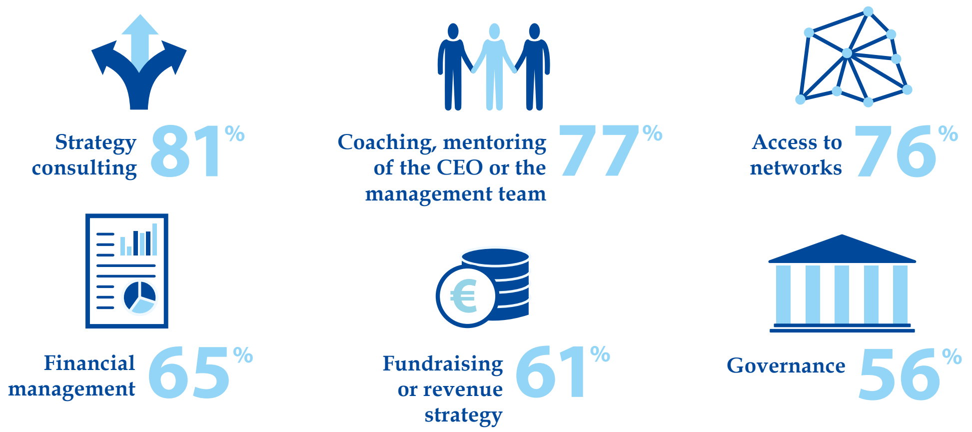

Figure 5:
Percentage of VPOs offering different types of non-financial support

(n=94)
Multiple choice

(Source: EVPA Industry Survey 2013/2014)

4 **Hehenberger, L., Boiardi, P. and Gianoncelli, A.** (2014). "*European Venture Philanthropy and Social Investment 2013/2014 – The EVPA Survey*". EVPA.

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EVPA's research on this topic is motivated by both the importance of non-financial support and the lack of a comprehensive study on the topic in the VP/SI domain, highlighting best practices and supporting VPOs in measuring the cost and showing the value of the non-financial support they provide to SPOs.

In fact, according to the 4th EVPA Industry Survey, the majority of SPOs that are asked to evaluate the non-financial support received from the VPO consider it at least as important as the financial support received, as shown in Figure 6[5].

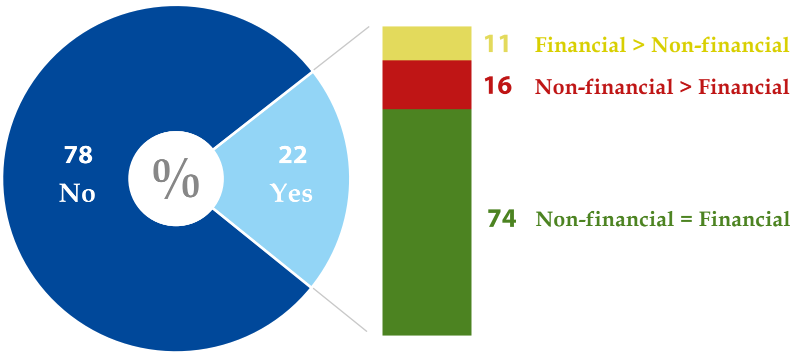

Figure 6:
Percentage of VPOs measuring the investees' perception of the value of non-financial support and perceived value

(n=93)

(Source: EVPA Industry Survey 2013/2014)

However, the same study shows that only a minority of VPOs measures the *value* investees place on the non-financial support received. As pointed out by a recent article in Alliance Magazine "[…] *funders cannot demonstrate credible evidence of what the people they aim to serve actually think about their work*"[6].

The few existing studies assessing the value of non-financial support all report SPOs considering non-financial services as having a positive impact.

- **Inspiring Scotland** published an independent research study[7] showing that 78% of its investees believe that the added value created by non-financial services outweighed the cost of those services.
- The **One Foundation** commissioned independent feedback from their grantees through a quantitative survey[8], carried out by the Center for Effective Philanthropy (CEP) every second year, which clearly showed that grantees place a high value on the non-financial support provided.

5 Idem.

6 **Bonbright, D., Christopherson, E., and Ndiame, F.** (2015). "*Feedback as democracy in social change practice*". Alliance Magazine, 20 (2), p. 26.

7 **Isserman, N.** (2013). "*The Practices, Impact and Implications of Inspiring Scotland's First Five Years – An independent research report on an innovative third sector financing model*". University of Cambridge. Gates Cambridge.

8 **The One Foundation** (2014). "*One 10 – 2004-2013 Impact Report*", p.13.

- **CAF Venturesome** participated in Keystone's benchmarking study on investees perceptions[9], which provided valuable information about how investees perceive non-financial support provided by the VPO and indicated that the key value-added services were access to markets, financial analysis and reporting, and access to further investment.
- **Shell Foundation** published a report in 2010[10] on scaling, where it claimed that the early adoption of efficient systems and procedures (e.g. IT, management information systems, HR, communications) that automate and reduce the cost of day-to-day operations significantly enhanced the potential for scale of the SPOs it financed.

Although very relevant, non-financial support valuation studies involve only a minority of VPOs and SPOs and the majority of investors still does not measure the value of the non-financial support it provides to its investees. Evidence from work of Noah Isserman shows that despite the high reported value of the services that SPO receive, nearly all the SPOs that participated to Noah's study indicated that they would not have sought or retained such services on their own. Interviews and survey responses revealed a series of five barriers that keep many non-profits from accessing such services on their own:

1. Awareness that the service is available
2. Awareness that the service is available in the area of the non-profit
3. Ability to access the service provider
4. Ability to pay for services
5. Willingness to pay for services

Furthermore, few VPOs have a clear idea of the *costs* they incur when providing non-financial support. Results of EVPA's 2013/2014 Industry Survey[11] show that 33% of respondents never measure the cost of the non-financial support, 19% only measure it rarely and as few as 11% measure it always, as shown in Figure 7.

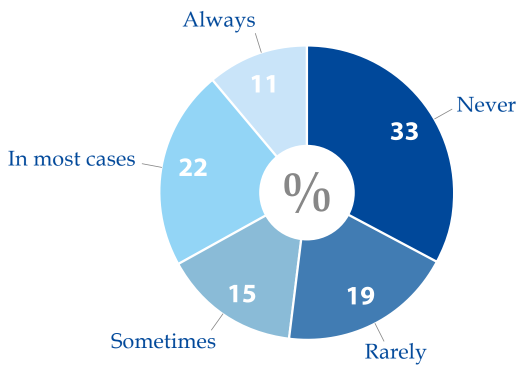

Figure 7:
Proportion of VPOs that measure the value of non-financial support

(n=93)

(Source: EVPA Industry Survey 2013/2014)

9 **Keystone Accountability** (2013). "*What Investees Think*" Keystone Performance Surveys – Impact Investment. Keystone Accountability.

10 **Shell Foundation** (2010). "*Enterprise Solutions to Scale*". Shell Foundation.

11 **Hehenberger, L., Boiardi, P.** and **Gianoncelli, A.** (2014). "*European Venture Philanthropy and Social Investment 2013/2014 – The EVPA Survey*". EVPA.

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In fact, when asking the VPOs how much they spent on non-financial support, they reported having spent as little as 6.5% of total spend on non-financial support in FY 2013.

	Aggregate (all respondents)				Average (per VPO)			
	2010	2011	2012	2013	2010	2011	2012	2013
Financial Spend / Total Spend	83%	90%	95%	93.5%	77%	84%	93%	91%
Non-financial Spend / Total Spend	17%	10%	5%	6.5%	23%	16%	7%	9%

Figure 8:
Aggregate annual spend on VP/SI (€)

(Financial support, n=86 Non-financial support, n=62.)

(Source: EVPA Industry Survey 2013/2014)

However, measurements of the cost of non-financial support show that the expenditures VPOs make on providing non-financial support can even exceed the amount of the financial support provided, as shown in the example of Impetus-PEF below.

In 2013 **Impetus-PEF** had an income of £15.5 million, mostly coming from foundation grants (£5.5 million) and companies and individuals (£4.5 million). In terms of expenditures, strategic grant funding was the largest spending item, consisting of 35% of the total spend. Impetus-PEF also spent 30% of its resources on **the investment team giving support to the portfolio organisations** and another 30% on pro-bono services.

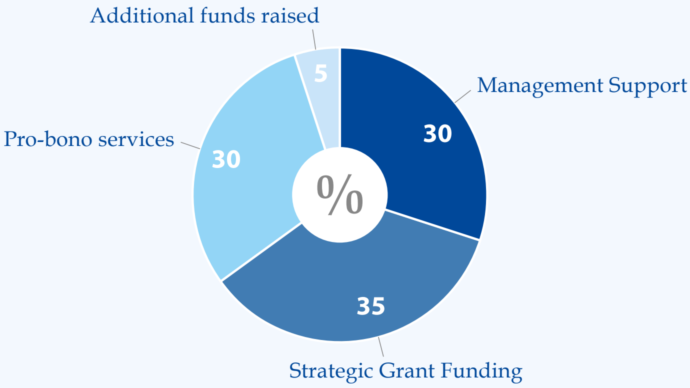

Figure 9:
Value delivered by Impetus-PEF to its portfolio in 2013

(Source: Impetus-PEF)

The two charts presented above combined with the example of Impetus-PEF indicate that VPOs are not properly quantifying the cost of the non-financial support.

This lack of information means that individual VPOs actually do not know if the value produced through the non-financial support is worth the investment made – the latter is also not quantified – and ultimately that the sector-level data is insignificant. Hence, we cannot draw conclusions about which type of non-financial support works best in which situation, the "management fees" in social impact investing are probably greatly underestimated and, more broadly, we cannot claim with certainty that non-financial support is effective in generating social impact.

INTRODUCTION AND OVERVIEW

However, we remain convinced that providing non-financial support is crucial for the development of **sustainable SPOs** and for the **growth of the social impact investing market** and is a central aspect of the venture philanthropy approach. As argued in a recent report published by Impetus-PEF, before the social impact can be measured the social outcomes need to be reliably produced[12]. Thus, it is important that SPOs are strengthened through non-financial support to become both **impact ready** (i.e. capable of replicating the social outcomes for a defined population) and **investment ready** (i.e. capable to have a sustainable organisational growth). Only if SPOs achieve both impact readiness and investment readiness can the market of social outcomes be successfully built.

The studies on value perception of non-financial support and numerous anecdotal accounts of the importance and value of non-financial support led us to the assumption that the problem is not the lack of non-financial support, but *a lack of understanding of*:

- what non-financial support incorporates,
- how non-financial support is delivered to the investee,
- how the cost and value of non-financial support are measured and
- where and how VPOs add maximum value.

This publication aims to fill this knowledge gap by defining more precisely what non-financial support is, proposing a non-financial support process and developing a collection of practical tools to help VPOs go through the non-financial support process.

Methodology

This report is the result of one year of intensive work trying to unravel VPOs' best practices in delivering non-financial support.

We started by scanning the literature on non-financial support from all available sources, and summarised our findings in a document for practitioners, presenting a theoretical model that envisaged five thematic areas. We then reached out to the EVPA network and established an expert group to solidly ground the research in practice. Our objective in terms of the collaboration with the expert group was to work on the definition of "non-financial support (NFS)", to test the validity of our theoretical model, solicit examples and cases to illustrate how non-financial support works in practice, and to create a learning environment where the participants could share practices and learn from each other through our facilitation. The 24 expert group members – listed on page 6 – include VP/SI practitioners, representatives of SPOs, academics and consultants, providing a key contribution to the development of this manual.

12 **Impetus-PEF** (2014). "*Building the Capacity for Impact – A report on the capacities needed by the social sector to deliver the aims of the social investment market*". Report prepared for the UK national advisory board to the social impact investment taskforce established under the UK's Presidency of the G8.

INTRODUCTION AND OVERVIEW

After the kick-off meeting at EVPA's premises in Brussels in March 2015, the members of the expert group were divided into working groups, reflecting the thematic areas originally envisaged.

The results of the discussions inside each working group were reported back to the wider expert group during a series of webinars, organised with the purpose of stimulating discussion among practitioners on issues related to non-financial support. During the webinars, the working groups presented the findings of the internal discussions together with case studies to illustrate how non-financial support is provided in practice.

Due to the many dimensions that play a role in shaping the non-financial support provided by the VPO, we believe that the examples presented throughout the report make a key contribution in summarising the main findings of this research project, highlighting both best practices and challenges.

We then organised a second workshop in London in September 2015 to share a draft version of this report and to test our findings with the expert group. The workshop corroborated some of our findings and made us reassess others, thereby helping us crystallise the five-step process of non-financial support and the lessons learned.

After having engaged members of the expert group to provide us with their views on non-financial support, we turned to the investees and the social entrepreneurs, whom we interviewed by means of a short questionnaire, but also leaving room for them to express their opinion about general issues around non-financial support.

The manual is structured as follows. After defining non-financial support and the non-financial support process, we explore in detail each of the five steps of the non-financial support process. Thanks to examples and case studies we distilled the best practices and lessons learned that are summarised in each chapter. As we want this report to help practitioners improve their daily practice, we developed a **collection of practical tools**, roughly one for each chapter, to help VPOs with the development and implementation of the non-financial support process.

What is non-financial support?

In order to have one unique starting point for this research, we have developed the following definition of **non-financial support:**

Definition of non-financial support (NFS)
Support services VPOs offer to investees (SPOs) to increase their societal impact, organisational resilience and financial sustainability.

INTRODUCTION AND OVERVIEW

Social Impact, financial sustainability and organisational resilience are the **three core areas of development of the SPO**[13]: the capability to achieve social impact, financial sustainability and organisational resilience, presented in the figure below. As elaborated in EVPA's report "A practical guide to planning and executing an impactful exit", the three areas of development are used by the VPO to assess when the SPO has achieved its goals and thus the VPO can exit.

Social impact	The social change on the target population resulting from an SPO's actions.
Financial sustainability	The assessment that an SPO will have sufficient resources to continue pursuing its social mission, whether they come from other funders or from own revenue-generating activities.
Organisational resilience	The assessment of the degree of maturity of an SPO, in terms of the degree of development of the management team and organisation (governance, fund-raising capacity etc.).

Figure 10: The three areas of development of the SPO

(Source: EVPA)

These three areas of development of the SPO constitute the **final goals of non-financial support**, according to multiple research reports. The three areas are complementary and thus all equally important for the long-term sustainability of the SPO. Most reports have focused on helping the investee achieve financial sustainability and organisational resilience – we first explain those briefly before diving deeper into the social impact goal.

Financial sustainability is defined as the assessment that an SPO will have the resources it needs to pursue its social mission. In their definitions, Rob John[14] and the Shell Foundation[15], for example, define non-financial support as the provision of **crucial advisory services** that **support building long-term sustainability**, i.e. sustainability that goes beyond the time span of the single investment.

Organisational resilience is the assessment of how mature the SPO is in terms of organisational development – both on the human resources side and for what concerns the technical capabilities. In order to fulfil their missions, not-for-profit organisations need to develop a wide range of managerial capabilities. For example, GEO defines **non-profit effectiveness** as the "ability of an organisation or a network to fulfil its mission through a blend of sound management, strong governance and a persistent dedication to assessing and achieving results"[16].

13 **Boiardi, P., and Hehenberger, L.** (2014). "*A Practical Guide to Planning and Executing an Impactful Exit*". EVPA.

14 **John, R.** (2007). "*Beyond the Cheque – How Venture Philanthropists Add Value*". Skoll Centre for Social Entrepreneurship.

15 **Shell Foundation** (2010). "*Enterprise Solutions to Scale*". Shell Foundation.

16 **Bolduc, K.** et al., edited **by Bartczak, L.** (2005) "*A Funder's Guide to Organizational Assessment*". GEO and Fieldstone Alliance, Washington, D.C.

INTRODUCTION AND OVERVIEW

Social impact is defined as the social change on the target population resulting from an SPO's action. Supporting the SPO to develop its social impact goes beyond providing it with impact measurement advice. Using impact measurement to assess the impact of an SPO does not necessarily mean that the impact-generating capabilities have been properly understood. According to a recent study by Impetus-PEF[17], currently more resources are invested in developing investment readiness (i.e. "financial sustainability" and "organisational resilience") than to develop impact readiness (i.e. "social impact"). In order to develop impact-readiness, the VPO needs to help the SPO develop **social-outcome producing capabilities** (i.e. the capabilities needed to produce a long-lasting sustainable social change in the target population) through the development of socially-focused business models.

The skills to develop socially-focused business models are in essence what differentiate venture philanthropy from for-profit venture capital, although the non-financial support must also offer the skills to build investable companies.

One important recommendation to keep in mind is that there might be a difference between what the SPO says it needs and what the VPO believes it really needs. Thus it is crucial for the VPO to take the time to perform a thorough assessment of both the perceived needs and the real needs of the SPO.

The non-financial support process

In order to help VPOs effectively support SPOs achieve their goals in the three core areas of development, we identified the **five-step non-financial support process** presented in Figure 11.

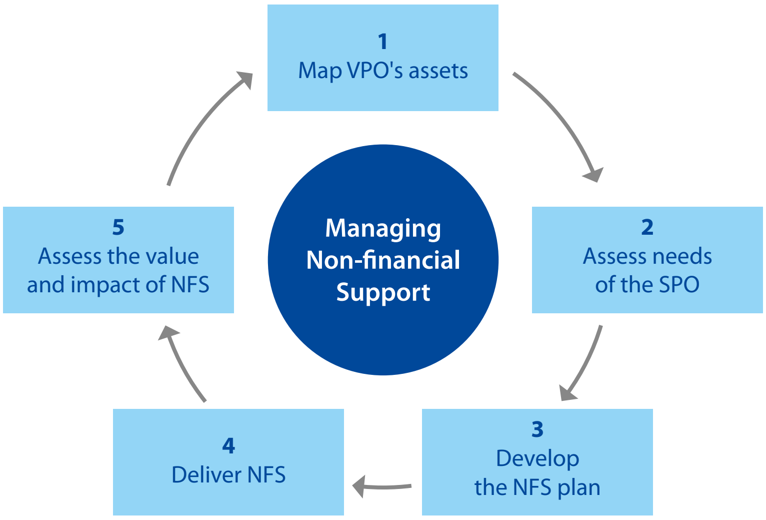

Figure 11: The non-financial support process

(Source: EVPA)

17 **Impetus-PEF** (2014). "*Building the Capacity for Impact – A report on the capacities needed by the social sector to deliver the aims of the social investment market*". Report prepared for the UK national advisory board to the social impact investment taskforce established under the UK's Presidency of the G8.

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First, the VPO maps the possible services it can offer to its investees and determines what non-financial support it will provide based on its Theory of Change, how hands-on it decides the support to be and **maps its assets**, i.e. the internal resources at hand (which include the staff, board members and other close collaborators) and the external supporters (which includes pro-bono, low-bono and paid consultants) the VPO can mobilise to provide the non-financial support. At this point, the VPO also estimates and monetises the cost of the non-financial support it has decided to provide and allocates the resources needed for providing non-financial support.

Once the non-financial support assets are mapped, the VPO assesses the **needs of the SPOs** it decides to invest in. The needs' assessment is done in two phases. First the VPO performs a "light" needs' assessment to check if **there is a match** between its overall investment strategy and the needs of the SPO. Then, if a match is found, the VPO and the SPO perform an **in-depth needs' assessment**, by means of a needs' assessment tool, to identify the specific needs across the three core areas of development.

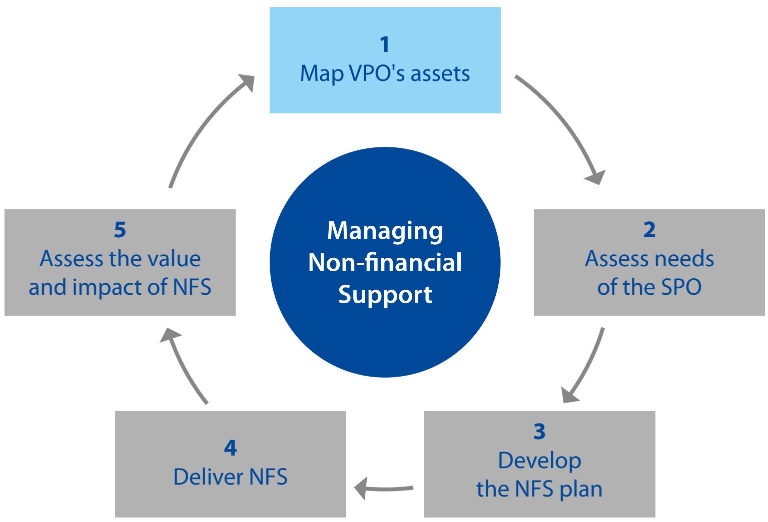
The needs' assessment of the SPO performed by the VPO and the self-assessment of the SPO are then **matched**, through the design of **the non-financial support plan**. The plan sets the development objectives for the SPO across the three capability areas (social impact, financial sustainability and organisational resilience) and allocates the resources needed to achieve such objectives.

During the roll-out of the non-financial support plan, the **VPO delivers non-financial support** and **periodically monitors** the achievement of the goals by the SPO, using the development plan as a dashboard to monitor the SPO's progress.

Finally, the VPO needs to **assess the value** the investee places on the non-financial support provided. The value for the SPO also needs to be assessed **against the cost** sustained by the VPO to provide non-financial support, checking that the SPO has reached the goals and the milestones set in the non-financial support plan.

Step 1: Mapping the assets of the VPO

STEP 1: MAPPING THE ASSETS OF THE VPO



In the first step of the non-financial support process the **VPO:**

1. *Maps the potential forms of non-financial support.* The mapping should help the VPO reflect on all available support services it can offer to help the SPO develop on the three core capabilities (i.e. social impact, financial sustainability and organisational resilience).
2. *Chooses among these services the most relevant (core) ones* – based on its impact objectives and on its Theory of Change.
3. *Maps its assets* – i.e. the internal and external resources the VPO can tap into to deliver non-financial support.
4. *Matches the assets with the core and non-core services.*
5. *Monetises the cost of non-financial support* – by assessing how much each resource would cost.
6. *Looks into different ways to finance the different assets.*

A mapping of non-financial support

Different studies look into the services VPOs offer to their investees focusing on different capacity-building efforts of VPOs, and only few try to give a general mapping. In order to fill this gap, we propose **a mapping of the non-financial support provided by VPOs based on the three core areas of development of the SPO,** as presented in Figure 12.

STEP 1: MAPPING THE ASSETS OF THE VPO

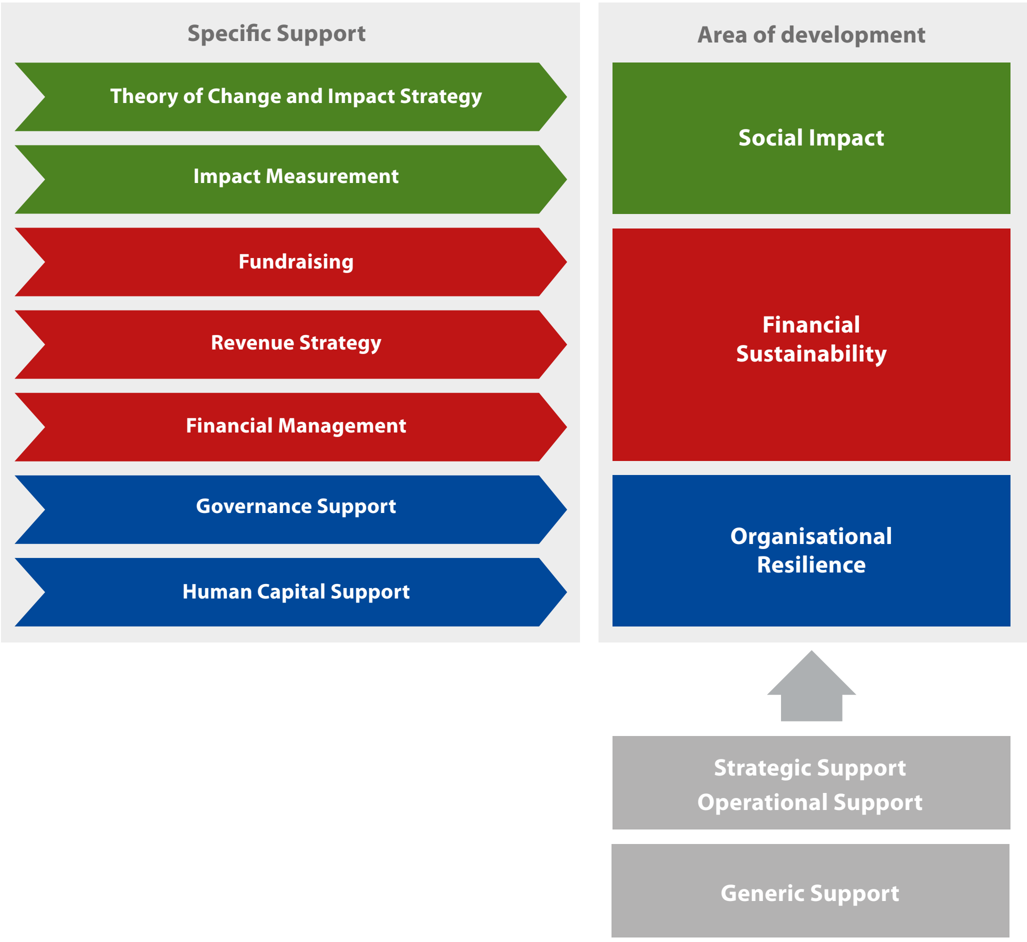


Figure 12:
Mapping of the non-financial support provided by the VPO based on the three key areas of development of the SPO

(Source: EVPA)

We divide non-financial support into two categories: **"specific"** non-financial support, which is meant to impact a specific area of development of the SPO, be it social impact, financial sustainability or organisational resilience; and **"generic"** support, which is not meant to impact directly any specific area of development, but contributes to all of the three areas of development in different ways.

In what follows we look at each area of development and provide examples of the different types of non-financial services VPOs can provide in each area of development of the SPO.

Social impact: Developing the Theory of Change and Impact Strategy and the Impact Measurement System of the SPO

The first development area for the SPO is "social impact". We define social impact as the *social change on the target population resulting from an SPO's actions*.

VPOs can give support in the area of impact in two ways. The first is to support the SPOs they finance developing on a more strategic level, helping the SPOs work on their theory

STEP 1: MAPPING THE ASSETS OF THE VPO

of change and understanding better how they are creating the impact and how they are integrating it in everything they do.

Ultimately, the non-financial support provided by the VPO should improve the SPO's capability of delivering social impact through better operations and increased financial sustainability, as more effective SPOs generate more positive impact for the final beneficiaries. However, the activities of the SPO and the non-financial support needed to support the achievement of social impact can be planned only if there is clarity about the final goal that the SPO wants to achieve. In order to do so, the SPO needs to have a clear view of what its **"impact strategy"** is. An SPO needs to invest time and efforts in evaluating and articulating its impact strategy, defining what the organisation will do and will not do, and the organisation's overall approach and priorities for action. It is important to keep in mind that the impact strategy of the SPO is the foundation of all its work, thus a new impact strategy can only be meaningful if it is then used to align the other aspects of organisational capacity.

The results of the EVPA Industry Survey, the literature review we conducted and the discussions of the expert group, all point to how crucial it is to the success of the SPO to start with defining its impact strategy or, in other words, its Theory of Change.

VPOs support SPOs developing their impact strategy by helping the SPO understand better how it is generating impact and assess how it is integrating impact considerations in all its activities. The **Theory of Change**[18] is a process which examines why the SPO is in business, for whom, and what outcomes the SPO is committed to. It then ties the analysis together with actual delivery and performance. Insights, actions and decisions from the process are captured in a plan which informs the strategy, business plan and supporting projects to improve performance and outcomes.

Impetus-The Private Equity Foundation (**Impetus-PEF**) invests in SPOs that want to improve the lives of 11–24 year olds from disadvantaged backgrounds. When an SPO enters Impetus-PEF's programme, it is provided with hands-on support to develop its Theory of Change through the **Driving Impact Workshop**[19]. The "Driving Impact" Workshop is a key work stream in the first phase of an Impetus-PEF investment.

18 The Theory of Change (ToC) is a specific type of methodology for planning, participation, and evaluation that is used in the philanthropy, not-for-profit and government sectors to promote social change. The Theory of Change defines long-term goals and then maps backward to identify necessary preconditions. The Theory of Change explains the process of change by outlining causal linkages in an initiative, i.e., its shorter-term, intermediate, and longer-term outcomes. The identified changes are mapped – as the "outcomes pathway" – showing each outcome in logical relationship to all the others, as well as chronological flow. The links between outcomes are explained by "rationales" or statements of why one outcome is thought to be a prerequisite for another (source: http://www.theoryofchange.org/what-is-theory-of-change/).

19 Source: "Impetus-PEF – introduction".

STEP 1: MAPPING THE ASSETS OF THE VPO

During the workshop the SPO team:

- **Defines** the organisation's **mission** and the type of children/young people the SPO works with (target population).
- **Gains** an in-depth **understanding** of the exact **nature** of each **service/programme** that the SPO runs and the short-term, intermediate and long-term outcomes intended and produced.
- **Examines** which elements of the SPO's programme have the greatest **impact**.
- **Identifies** whether/how the organisation is currently delivering **outcomes**, and how it can produce more and better.
- **Defines** how it will hold itself **accountable** for the outcomes to its beneficiaries.
- **Decides** what the programme should look like, and how it will be managed, such that it will deliver meaningful, lasting outcomes for intended beneficiaries.

Improvement on each of these elements may involve:

- uncovering organisational bottlenecks and blockers,
- defining the competencies needed for key jobs,
- deciding how to better target and track the young people the SPO works with.

The output of the workshop is an implementation plan or "blueprint", which details the delivery over the following three to five years.

The support helping organisations build their "theory of change" is divided into five blocks:

- *Mission:* Why we exist, what social inequalities we aim to reduce
- *Target population:* The young people we target, expressed as a set of enrolment
- *Outcomes:*
  - Long term: enduring long-term benefits to a young person
  - Intermediate: competencies to achieve by the programme's end
  - Short-term: markers of young person's progress during the programme
- *Programme design:* who does what, when, how often, for how long to achieve the outcomes
- *Performance management:* how performance is managed to ensure every young person progresses towards the outcomes.

The second way in which VPOs help SPOs develop in the area of social impact delivery is by supporting the SPO putting an **impact measurement system (IM system)** in place. The development and implementation of the impact measurement system is crucial because it helps the SPO work towards achieving its impact goals[20]. Having an impact measurement system is important for the SPO, as it helps improving the investee's performance and shows what it is achieving to leverage further funding. Collecting impact data is also

20 For more information on EVPA's work on impact measurement, see: **Hehenberger, L., Harling, A-M., Scholten, P.** (2015)."*A Practical Guide to Measuring and Managing Impact*". EVPA.

STEP 1: MAPPING THE ASSETS OF THE VPO

crucial for the sector, because it can help showing what has been achieved and to infuse confidence in investors of what social investment can do, and what it can achieve. The IM system sheds the light on the capabilities that the SPO needs to meet and the targets (milestones) that are used to release the tranches of financing, helping the VPO plan the provision for non-financial support.

Pilotlight wanted to make sure the SPOs supported would improve their social impact measuring techniques after working with the skills' broker. In the years when Fiona Halton was CEO, Pilotlight started having numerous discussions with the SPOs on what is impact and how to measure it. Most of the organisations Pilotlight worked with had no measurement system in place, and some were frightened of developing it, because of the potential reporting burden. Thus Pilotlight started by supporting SPOs in the implementation of the simplest possible measure of social impact. In some cases Pilotlight could become more sophisticated and connect SPOs with people who could help them develop an advanced measurement system, whereas in other cases the system had to remain simple.

Financial Sustainability: Fundraising, financial management and revenue strategy

The second development area for the SPO is "financial sustainability", which we define as "the assessment that an SPO will have sufficient resources to continue pursuing its social mission after the VPO has exited, whether they come from other funders (including follow-on funders) or from own revenue-generating activities".

Providing support to achieve financial sustainability is crucial to guarantee the financial health of the SPO and to build sustainability beyond the investment[21].

To improve the *financial healt*h of the SPO, during the time of investment the VPO offers services that aim at strengthening the sound *financial management capabilities* of the SPO, such as budgeting and accounting. Support to introduce financial management tools is provided by 56% of the respondents to the EVPA 4th Industry Survey[22] and is mentioned as third most important service offered by foundations in a recent report by the Foundation Center[23].

21 **Buteau, E., Buchanan, P., Bolanos, C., Brock, A.,** and **Chang, K.** (2008). "*More than Money: Making a Difference with Assistance Beyond the Grant*". The Center for Effective Philanthropy.

22 **Hehenberger, L., Boiardi, P.** and **Gianoncelli, A.** (2014). "*European Venture Philanthropy and Social Investment 2013/2014 – The EVPA Survey*". EVPA.

23 **Pond, A.** (2015). "*Supporting Grantee Capacity – Strengthening Effectiveness Together*". Grantcraft. Foundation Center.

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In 2014 **EY Enterprise Growth Services (EGS)** was asked to provide support to a small company based in Ghana – Process & Plant Sales (Ghana) Ltd. (PPS) – improving its working capital management. In order to provide support, EY EGS adopted an approach in three phases. First, it analysed the situation to assess and document the SME's[24] working capital processes. Thanks to the analysis, the EGS team could identify and quantify areas of opportunities (i.e. weaknesses in credit control processes, lack of stock management function, sales team incentive structure and governance). Based on the assessment, the EGS team implemented a number of short-term measures (so-called "quick fix", which included credit control meetings and development of KPIs[25]) and designed a long-term strategy (which included the design of a new digital stock ledger to monitor and assess aged stock position, and the design of a new sales team incentive structure linking sales commission to debtor days as well as sales). In order to make sure the changes introduced were sustainable, the EGS team delivered Excel training with extensive co-working to familiarise employees with the new processes and KPIs, implemented a regular review and analysis of stock to enable informed purchasing decision-making, tracked and monitored the performance against working capital targets and recommended IT enhancements to enable more effective reporting (e.g. upgrade of accounting system to SAP 100/Sage). Thanks to the work of EY EGS the SME has now a better working capital management, which will release >US$3m cash over three years.

To build *sustainability beyond the investment*, before the VPO exits the investment the SPO needs to have its own *fundraising and revenue strategy* that outlines how the SPO will continue financing its activities and solid cash flow management. Notably, support to develop a fundraising strategy is offered by 61% of the respondents to the EVPA 4th Industry Survey[26] and is mentioned as fifth most important service offered by foundations in a recent report by the Foundation Center[27].

In the case of **NESsT**, a VPO based in Hungary, investing in Alaturi de Voi (ADV), an SPO based in Albania, after the financing period was over, NESsT helped ADV obtaining step-up financing in the form of a loan. ADV was not capable to find follow-on financing alone and therefore turned to NESsT for support. Not only did NESsT help ADV find the follow-on financing, but also provided a guarantee for the loan, which was vital for the deal to work[28].

24 The European Commission defines small and medium-sized enterprises (SMEs) in the EU recommendation 2003/361. To be an SME an organisation needs to have less than 250 employees and a turnover smaller than €50 million (source: http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/index_en.htm).

25 Key Performance Indicators (KPIs) are a business metric used to evaluate the extent to which the organisation has achieved a goal and factors that are crucial to the success of an organisation. KPIs differ per organisation; business KPIs may be net revenue or a customer loyalty metric, while government might consider unemployment rates.

26 **Hehenberger, L., Boiardi, P.** and **Gianoncelli, A.** (2014). "*European Venture Philanthropy and Social Investment 2013/2014 – The EVPA Survey*". EVPA.

27 **Pond, A.** (2015). "*Supporting Grantee Capacity – Strengthening Effectiveness Together*". Grantcraft. Foundation Center.

28 **Boiardi, P.,** and **Hehenberger, L.** (2014). "*A Practical Guide to Planning and Executing an Impactful Exit*". EVPA, p.84.

STEP 1: MAPPING THE ASSETS OF THE VPO

Organisational Resilience: Governance and Human Capital

Organisational resilience can be improved by providing the SPO with *governance support* and *human capital support*.

Support in building stronger *governance* systems for the SPO is an important element of the support provided by the VPO. According to the 4th EVPA Industry Survey[29], governance support is offered by 56% of European VPOs. Inspiring Scotland[30] reports offering this service to 55% of the ventures it supports while the Foundation Center points out it is the number four service in order of importance offered by Foundations[31].

Having a strong board and management team is crucial for the SPO, as it guarantees the VPO has a sound decision-making process and strategic direction in place.

In the EVPA report "Learning from failure in VP/SI", Benoit Fontaine from **King Baudouin Foundation (KBF)** underlined the importance of looking at the governance of the SPO first because 'without good governance, nothing works'. He explained a story of failure where KBF invested in a two-year-old umbrella organisation with two employees. Admittedly, KBF was 'charmed by the CEO' who left the organisation after one year. Then things went wrong and KBF paid €80,000 for a consultant to develop a strategic plan and increase financial resources by developing services for members and recurrent subsidies. The Chairwoman quit after six months and no other board members wanted to be chair. One of the KPIs defined at the beginning of the investment was to have a better board and governance in place. KBF now believes that it is too risky to invest if there is no governance to start with[32].

In terms of **human capital support**, VPOs put in place a number of activities to strengthen the CEO and management team of the SPO.

Developing the SPO's staff is crucial for the survival and growth of the SPO. As reported in an article in Stanford Social Innovation Review, often SPOs that limit their investment in staff training have difficulties developing a strong pipeline of senior leaders[33].

Taking the perspective of the SPO, an interesting study of the Bridgespan Group[34] attempts to systematically map which *tools and management practices* are being used by not-for-profit

29 **Hehenberger, L., Boiardi, P.** and **Gianoncelli, A.** (2014). "*European Venture Philanthropy and Social Investment 2013/2014 – The EVPA Survey*". EVPA.

30 **Isserman, N.** (2013). "*The Practices, Impact and Implications of Inspiring Scotland's First Five Years – An independent research report on an innovative third sector financing model*". University of Cambridge. Gates Cambridge.

31 **Pond, A**. (2015). "*Supporting Grantee Capacity – Strengthening Effectiveness Together*". Grantcraft. Foundation Center.

32 **Hehenberger, L.** and **Boiardi, P.** (2014). "*Learning from failures in venture philanthropy and social investment*". EVPA, p.63.

33 **Goggins, A.,** and **Howard, D.** (2009). "*The Nonprofit Starvation Cycle*". Stanford Social Innovation Review.

34 **Carttar, P., Lindquist, C.,** and **Markham, A.** (2015). "*Non-profit Management Tools and Trends 2014*". The Bridgespan Group.

STEP 1: MAPPING THE ASSETS OF THE VPO

organisations and how effective they are. Interestingly, the study shows that a large number of not-for-profit organisations see **talent management** as an issue but 60% has not taken advantage of tools that could help assess and develop employees, pointing to a mismatch between the needs, the offer and the use of non-financial services.

By giving access to freelance people who can help the SPO and/or **recruit the key people for the SPO**, the VPO can help the SPO attract and retain the best talent.

Investir&+ offers the SPO support in recruiting key team members. In the bridge period before the right human resource is found, Investir&+ offers punctual advice on the missing expertise through its network of board members and expert entrepreneurs.

On Purpose is a not-for-profit organisation that brings together high-skilled professionals and social purpose organisations. Founded five years ago, On Purpose has been providing a leadership programme for high-calibre individuals who have, on average, five/six years of work experience and want to change career and work in an organisation that is combining social and commercial ways of working. These people go and work (paid) for a social enterprise, or similar organisation, and at the same time they participate in a leadership programme offered by On Purpose (something similar to an MBA, plus fortnightly meetings with a mentor and executive coaching). Thus the impact of the non-financial support is double: on the individual (strengthening their skills) and on the SPO (which has the opportunity to employ a high-skilled team member who has knowledge he/she acquired in another sector AND all the knowledge he/she is gathering through the training). A third, more long-term impact is that On Purpose is bringing to the sector new talents with the "missing skills", highly skilled individuals who will stay and work in the social impact space for a long time. Currently, On Purpose is working on the development of a capacity-building programme for senior people (a sort of Executive MBA).

Having the best people on board is crucial not only to ensure the good management of the organisation but also to guarantee that the resources invested by the VPO in capacity building are leveraged.

According to an analysis performed by McKinsey for Venture Philanthropy Partners, "nonprofits need people in senior positions who are committed to taking the initiative to make capacity building happen and are willing to "own" it and drive it down through the organisation. Progress in effectively resetting aspirations and strategy, institutionalizing sound management processes, and improving systems to work at scale requires managerial ability as well as good leadership. What organisations facing these circumstances often need is a chief operating officer – a trained professional manager who can ensure that the organisation functions efficiently and effectively"[35].

35 **Venture Philanthropy Partners** (2001)."*Effective Capacity Building in Nonprofit Organizations*". Report prepared for Venture Philanthropy Partners by McKinsey & Company.

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A report from the Centre for Social Impact at The University Western Australia Business School[36] assesses that training and professional development activities in the non-profit sector can facilitate social impact. The report highlights that not-for-profit organisations that systematically develop their people do better. Data from hundreds of Australian not-for-profit organisations shows that professional development of employees makes them more effective in their roles. This rise in competence and capability flows on to the creation of social impact. Professional development activities also facilitate better decision and behaviours at work. Exemplary cost-benefit estimation for a not-for-profit organisation training scheme suggests an economic impact factor of +6. For each dollar spent on the capacity building, there appears to be an average positive return of about six dollars that can be attributed to the training and the resulting behaviours, decisions and flow on effects.[37]

Generic support

Strategic support

Strategy consulting refers to the provision of support to build a stronger business strategy for the SPO. The VPO supports the SPO developing its business strategy, which is derived from the SPO's Theory of Change, its business model and the elements of the markets it is active in, to bring the SPO to a level of investment readiness.

The Accelerator Program of **Yunus Social Business** has been designed to support social entrepreneurs in order to fast-track their business ideas to investment-readiness. A testing period allows them to validate key assumptions of their business models and provide preliminary proof of concept. The social enterprises start by defining the initial business concept in the first two weeks and then move to developing a business and financial plan in five to six weeks. After the development phase, the SPO goes to a three- to four-week testing phase to reach proof of concept and, finally, in the last two weeks refine the business plan. After the programme – which can last in total between ten and fourteen weeks – Yunus Social Business takes the final investment decision.

If the Theory of Change describes at a high level what the organisation wishes to achieve, strategy represents the means for reaching those objectives. Optimally, organisations will implement strategies that are coherent, well integrated, and linked directly to an organisation's major goals. More than simply the sum of an organisation's activities, well-conceived strategies should build on a not-for-profit organisation's core competencies, allocate resources to priorities, and help delineate its unique selling proposition. In VP,

36 **Wenzel, R.** (2015) "*Learning for Purpose: Researching the Social Return on Education and Training in the Australian Not-for-Profit Sector*". Research Report by the Centre for Social Impact at The University Western Australia Business School, prepared for the Origin Foundation.

37 Interview with Tom Rippin, CEO, On Purpose. September 2015.

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the non-financial support strategy also aims to ensure mission lock. So a coherent strategy that is also in line with the Theory of Change and the business model makes sure that the guiding principles are in place to not deviate from the social mission of the company when making decisions.

According to the EVPA Industry Survey, strategy consulting is offered by 81% of VPOs[38]. This result points to the crucial importance placed by VPOs on strengthening SPO's strategy. As New Philanthropy Capital (NPC), puts it in a recent report: "*We firmly believe that without strategy, charities and social enterprises will struggle to create impact. The strategy – and the process of developing it – results in clear purpose, effective decisions, better implementation and ultimately greater impact*"[39].

Capacity-building efforts that focus on the strategy component have typically sought **to align an organisation's strategies with its Theory of Change**. This exercise serves a dual purpose: on the one hand, it can play a useful role in helping eliminate programmes of limited mission impact, while on the other it allows organisations to take advantage of changed circumstances or new opportunities. But strategies have also been aligned with the rest of the organisation – with skills, human resources, etc. – to ensure the greatest chance of making a positive social impact.

Reach for Change gives the SPO support around design thinking, product and service development, in line with the Theory of Change co-developed with the SPO. Shell Foundation[40] stresses the importance of providing the SPOs with strategy support, and in particular with business advice, market access and strategic review.

Operational support

One last category of general support is represented by the provision of operational support. VPOs provide SPOs with access to infrastructure and hands-on tools that help the SPO in the daily management in different areas, such as marketing and sales, IT systems.

Getting access to **infrastructure**, including office space, can be very important for SPOs, especially when they are at an incubation and start-up phase.

The provision of **tools** supports the achievement of efficient **systems** and **procedures** for a sound management that guarantees long-term sustainability. Thus, the tools provided can support the SPO in all three development areas.

38 **Hehenberger, L., Boiardi, P.** and **Gianoncelli, A.** (2014). "*European Venture Philanthropy and Social Investment 2013/2014 – The EVPA Survey*". EVPA.

39 **Rotheroe, A.,** and **Joy, I.** (2014). "*Strategy for impact. NPC's practical approach to strategy development for charities*". New Philanthropy Capital.

40 **Shell Foundation** (2010). "*Enterprise Solutions to Scale*". Shell Foundation.

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However, a recent study of the Bridgespan Group[41] shows that not-for-profit organisations sometimes are presented with tools that are not "plug and play": the VPO needs not only to provide the tool, but also to invest in building the capabilities inside the VPO to (i) assess which tool is best for the needs of the investee and (ii) be able to use the tool in the most effective way.

Smaller organisations have fewer resources (human and financial) to invest in new, fancy and complex tools. Before implementing a new technical solution, the VPO must assess if there is a match between the size of the SPO (and the complexity of its operations) and the tool offered, to guarantee the **proportionality** principle is respected. Emphasis must also be placed on building **confidence in the SPO to use the tools** provided by the VPO. All the investees interviewed for this project agreed that the tools are only useful if the VPO also allocates time to explain how to use them and for the SPO to learn.

In **Inspiring Scotland's** report on the first five years of VP practice[42], it is highlighted that small organisations need a higher number of non-financial support services (such as support developing the management team, basic processes), whereas large organisations need fewer types of services, but significantly more sophisticated services.

Systems are the processes, both formal and informal, by which the organisation functions – in short, how things work. SPOs' systems can be complex, especially in relation to managing decisions, knowledge, and people. Systems are also one of the more obvious levers of capacity, with SPOs already accustomed to seeking "technical assistance" from specialised external third parties.

41 Source: **Carttar, P., Lindquist, C.,** and **Markham, A.** (2015). "*Non-profit Management Tools and Trends 2014*". The Bridgespan Group.

42 **Isserman, N**. (2013). "*The Practices, Impact and Implications of Inspiring Scotland's First Five Years – An independent research report on an innovative third sector financing model*". University of Cambridge. Gates Cambridge.

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Tool #1: A mapping of non-financial support provided by the VPO *(Source: EVPA)*

Specific Support

Theory of Change and Impact Strategy | **Impact Measurement**

- Support developing the Theory of Change and the Impact Strategy
- Support to develop an evaluation framework and performance measures

→ Area of development: **Social impact**

Fundraising

- Assistance securing funding from other sources
- Use VPO's reputation to help grantees secure funding from other sources
- Practical support with fundraising
- Fundraising advice or strategy
- Assistance securing follow-on funding

Revenue strategy

- Business Planning
- Business Model Development (business model canvas)

Financial Management

- Sound financial mgmt. capabilities & Financial mgmt tools
- Develop financial systems
- Financial management advice
- Financial planning/accoun-ting
- Support to establish new financial systems

→ Area of development: **Financial Sustainability**

Human Capital Support

- Strengthening CEO + mgmt team (through coaching/mentoring)
- Recruitment/talent provision

Governance Support

- Support to develop Board of Directors
- Advice or assistance to strengthen the board/governance system
- Board development/governance assistance
- Assistance in recruitment of new board members

→ Area of development: **Organisational Resilience**

Generic Support

Strategic Support

- Strategy consulting
- General management advice
- Strategic planning advice
- Support to develop the business strategy
- Support to develop new products or services
- Support to develop new business systems or procedures
- Advice on management of change

Operational Support

- Marketing
- Operational management
- Technical assistance in specialist areas
- ICT advice
- Support on procurement
- Estate management/access to physical space
- Legal advice

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Defining the core

The main questions for the VPO are: which elements of non-financial support are more important? How should the VPO prioritise? The decision of what is core (i.e. crucial and of highest priority for the VPO) will be based on the VPO's impact objectives.

As the SPO, the VPO also needs to take the time to articulate its own Theory of Change and impact strategy. The VPO needs to draw the boundaries of its actions in terms of what it wants to achieve, how, and what investments can be instrumental in achieving its societal impact goals.

Once the VPO has clarified its impact objectives, it can look at the non-financial support mapping presented above, and assess what types of non-financial support are **core** to achieve those objectives.

A VPO that is working to develop early-stage SPOs, for example, will place great emphasis on supporting SPOs developing their Theory of Change and impact strategy. As a result, such a VPO will work mostly on delivering social impact support to the SPO it invests in, thus considering it as a crucial part of the non-financial support it provides.

Other organisations that invest in more mature SPOs with a solid Theory of Change might then invest more in strengthening other aspects of the VPO such as the financial sustainability and organisational resilience.

Reach for Change, for example, invests in SPO at the very early stage of development. At this stage, many of these Social Entrepreneurs will not yet have a clear impact strategy or plan for delivering societal impact, so supporting them to explore and articulate their Theory of Change (ToC) is a crucial element of the support provided. Reach for Change supports social entrepreneurs working to improve the lives of children in a number of countries across Europe, Central Asia and Africa. Reach for Change makes rather small investments (around $20k) in start-ups and very early stage social enterprises that enter a 1 year renewable incubation programme. The incubation model of **Reach for Change** is composed of different *modules*. As part of the Incubator Programme, social enterprises get an ***'Impact Management Module'*** through which Reach for Change supports the social entrepreneurs in planning, monitoring and evaluating their impact on children – the main beneficiary group of the SPOs Reach for Change invests in. The social entrepreneurs start their journey in the incubator by *planning and setting the impact strategy for the long term*. The first step for the social entrepreneur is to define the problem he or she wants to address and the long-term outcome. Guided by Reach for Change, the social entrepreneurs develop their *Theory of Change* and map out the steps needed to achieve the goals. A needs assessment around this plan then highlights the main support the Social Entrepreneur is likely to need in the Business Development module. The planning phase requires a big investment both for Reach for Change and the social entrepreneur.

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The exercise is conducted in a few sessions and takes up the first quarter of the first year: having the social entrepreneurs reflect and come up with their own plan, work with their teams and get everyone on board is crucial and takes time.

Investing in an **early-stage** SPO often implies investing in an organisation that has (i) an *incomplete board and management team* (i.e. no CFO at the beginning) and (ii) an *incomplete business model*. Not all VPOs want to invest their resources in developing the board and the management team of their investees. In fact, based on the investment strategy, the quality and the skills of the management team can be a reason to decide whether or not to invest in a SPO.

LGT Venture Philanthropy (LGT VP)'s investment managers work quite intensively with local management team on specific aspects. However, the VPO does not have a formal mentoring program that it offers to the management teams of its portfolio organisations but do it more implicitly if helpful. This because having a strong management team in place is considered as an entrance requirement. LGT VP has very clear strategy in terms of which organisations it wants to select and for the characteristics the management team should have. Therefore, the quality of the management team will strongly influence the non-financial support provided, as good teams have higher capacity to attract good talents.

Another question the VPO needs to ask is whether the service it will be providing is satisfying a recurring need or not. In some cases, for example, developing the business model of the SPO is a crucial point for the VPO, based on its investment strategy. *Elements of non-financial support that are recurring across the portfolio and crucial for the development of all the SPOs the VPO invests in are to be considered as core to the VPO.*

Mapping the assets: who provides non-financial support?

Once the VPO has identified what elements of non-financial support are core to its strategy, it should map the assets it has available or that it can mobilise to deliver the non-financial support.

Non-financial support can be provided either by the **internal** VPO team or by **external** providers. To be truly beneficial to the SPO, non-financial support must come from highly experienced and high-quality people, knowing the economic and impact viability issues the SPO is experiencing.

The internal and external actors together constitute what is commonly referred to as "capacity building providers": individuals or organisations that help individuals and/or organisations to overcome obstacles that keep them from realizing their development goals – by enhancing the relevant abilities that will allow this individual/organisation to achieve measureable and sustainable results.

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Internal support

With "internal team" we define all the people who have a direct work relationship with the VPO, including:

- Paid employees
- The VPO's board members

The VPO staff has complementary skills to the ones of the SPO team and can help especially when the SPO supported is in the early stage of its development and does not have enough experience, or does not yet have a complete board or management team in place.

However, some VPOs do not have the capacity needed in-house to provide all the non-financial support the SPO needs. To overcome this lack of capacity, a number of VPOs **tap into the knowledge** of the members of their own board of directors or of the people in their close **network** to provide the skills needed by the SPO.

Investir&+ has a team of four people, but can count on a pool of 20 private investors who are very dedicated to the supported organisations and are contributing to providing non-financial support. At d.o.b. the investment manager is paired up with a moderator from among **d.o.b.'s**[43] network of contacts, who might be local to the project or not, but is at any rate closely involved with the investee organisation. Moderators are chosen to provide an objective balance and also to have complementary skills to the investment manager. The selected moderator has knowledge or experience in the field of the investment, and is thus able to be of additional value to the business.

To be able to provide the support needed, the staff of the VPO needs to **allocate a specific amount of time**.

At **UnLtd**, **"Award Managers"** are the staff members who manage the relationship with Award Winners (SPOs that have been awarded a grant). Award Managers provide coaching to help Award Winners develop their personal, leadership and project development skills and to develop their technical expertise, for example through coaching on financial and project management. They also arrange access to additional specialist support, networks and other interventions as required. Award Managers are the key to UnLtd's success. Every social entrepreneur supported has a direct contact person within UnLtd in the form of the Award Manager. The support SPOs can receive from Award Managers is highly bespoke and can be quite intensive, thus they can be considered as one-on-one investment managers.

43 http://www.dobequity.nl/

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The **time** required for delivering non-financial support is a challenge and depends on the VPO's approach to how non-financial support is delivered. Many VPOs are under pressure when it comes to the resources available, thus VPOs have to make sure they are using their resources effectively, including time. Finding the right balance between intensity of the support provided and effective use of time is a challenge for many organisations. In a research report analysing the non-financial support provided by VPOs, Rob John[44] highlights that when asked to list the three most frequent challenges encountered when providing assistance beyond the grant, 25% of programme staff cite **time** as their primary challenge. Programme staff notes that the provision of assistance beyond the grant "takes a lot of time" and that the time necessary to provide assistance must be "balanced against other priorities." The inverse of this is that one of the key factors in the success of non-financial support is having someone from the VPO engage with the project team providing the support.

As most VPOs provide core support through their internal staff, the internal team of the VPO constitutes the most important asset of the VPO. Therefore, it is crucial for the VPO to allocate enough resources to the delivery of non-financial support.

Depending on their leadership needs, the social entrepreneurs supported by **UnLtd** access non-financial support in different ways. However, all social entrepreneurs are supported by Award Managers. UnLtd gets very positive feedback about the work of Award Managers, as shown by some of the **quotes** collected among Award winners through the **investees' surveys:** "*[My Award Manager] explained there'd get to a point where I'd have to do everything by myself. At the beginning I was really scared about that... [but] it's helped me become a stronger person and more knowledgeable person. So from that, and all the help, I've managed to progress on my own*".

Investees often have a very strong relationship with the member of the VPO's staff they work with, who is recognised as the "key person", making the SPO feel it is not alone and that there is always someone ready to support. Almost all the investees we interviewed for this research project reported having an excellent relationship with the staff member they worked with, who would "provide trainings and do everything she can to provide non-financial support or to open the right connections with pro-bono providers", as reported by one of the investees interviewed. The more knowledgeable the tea member and the broader his or her network, the more effective the relationship with the SPO. One investee reported being afraid of what would happen if the staff member he is working with would leave the VPO, as the relationship that has been built through the years is extremely valuable. Another investee reported that just the fact to be able to explain to an external knowledgeable person the business idea was extremely valuable. The role played by the internal staff member is thus often the one of an advisor with whom the social entrepreneur can share ideas and who the SPO can use as a sounding board to take business decisions.

44 **John, R.** (2007). "*Beyond the cheque – How venture philanthropists add value*". Skoll Centre for Social Entrepreneurship.

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The staff member is the "face" of the VPO to the SPO and the outside world, thus it is crucial to make sure there is an excellent relationship between the staff and the investee and that the staff member is sufficiently qualified and trained for the position.

External support

VPOs actively deliver certain aspects of the non-financial support through their own staff or board members. However, sometimes there is a need for **diverse skills** that are not available inside the team, also due to the small size of the staff of VPOs. Therefore, it becomes important for the VPO to foresee other resources outside the VPO's team.

The **ERSTE Foundation NGO Academy** is an example of the advantages of externalizing non-financial support. Thanks to its agreement with WU Vienna, ERSTE Foundation was able to benefit from the networks (internal and external) of both cooperation partners (ERSTE Foundation and WU Vienna). Together, the two organisations are managing an external network of further partners, lecturers and experts that allows them to offer non-financial support to more than 150 SPOs in 13 countries.

With "external support" we refer to the pool of experts, external to the VPO but part of its network, who support it to provide non-financial support to the investees.

We categorise external contributors into three groups:
1. Pro-bono contributors (individual, professional services firms, etc.)
2. Low-bono
3. Paid external contributors (i.e. consultants, academics)

1. Pro-bono contributors

We define **pro-bono contributors** as individuals who have a specific skill or a specific knowledge on a topic, who provide their services free of charge to the SPO (pro bono).

Pro-bono supporters can be individuals, employees of professional services firms and corporations, for-profit or not-for-profit consulting groups, research and academic institutions, not-for-profit associations, etc.

As reported in a recent study on the work of **Inspiring Scotland**, the VPO enables access to professional support services to the SPOs thanks to its network of more than 150 firms and individuals that provide the services on a pro-bono basis. Using fairly conservative assumptions, Inspiring Scotland has estimated that the current annualised run rate of value generated from this network of support is worth nearly £500,000.

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Similarly, **Impetus-PEF** can count on a large number of **pro-bono supporters**. Over 400 individuals and 60 companies provide their expertise to Impetus-PEF and its portfolio charities, as shown in the list below.

Key organisations that provide pro-bono support for **Impetus-PEF** can be found in the list below.

Bain & Co	KPMG
Barclays	Macfarlanes
Blackstone	Merryck & Co
Clifford Chance	NBI Consulting
CVC Capital Partners	OC&C Strategy Consultants
Eden McCallum	PwC
Living Bridge	Weil Gotshal & Manges
Kirkland & Ellis International	Worshipful Company of Managemnet Consultants

Figure 13: Impetus-PEF's major pro-bono partners

(Source: Impetus-PEF)

Organisations are willing to provide pro-bono support because they find it very valuable for their staff, they enjoy doing it and find it a very good way to challenge and retain their staff. What differentiates pro-bono contributors from **unskilled volunteers** is that pro-bono contributors bring in skills that neither the SPO team nor the VPO team have, while by definition unskilled volunteers bring in non-skilled support, i.e. implement non-skilled support tasks. Given their specific skills, the VPO taps into the pool of pro-bono supporters when the investee encounters a **specific technical challenge**, as shown in the example from Yunus Social Business in the figure below.

We generally **source mentors from YSB's global and personal networks.** Apart from this section process, the following partners support us with expertise from their talent pool.

BAKER TILLY ALBANIA	The audit, tax and accounting services company provides our entrepreneurs with the necessary expertise in financial management of companies.
Deutsche Bank	Experts from Deutsche Bank allow our entrepreneurs to see the ventures from the perspective of a player in the global financial market.
INTERNATIONAL COMMERCIAL BANK rëndësi kanë vlerat	With years of experience investing in SME in Albania, International Commerce Bank helps our entrepreneurs to not only optimize their business plans but also tap into other sources of financing.
PUM Netherlands senior experts	PUM Netherlands Senior Experts is a network of 3,200 former senior or executive managers from the Netherlands that provide expertise in a vast range of sectors and areas.
Tonucci & Partners	The international law firm with offices in Rome, Milan, Padua, Florence, Bucharest and Tirana offers critical legal advise to our entrepreneurs for incorporation and growth.

Figure 14: The expertise brought in by Yunus Social Business' pro-bono supporters

(Source: YSB)

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The VPO can engage pro-bono supporters by building **long-term partnerships** with selected contributors or – in the case of a corporation or a consulting firm – **by signing framework agreements** in the form of corporate social responsibility (CSR) contributions. Reach for Change, for example, sets up its programs together with one or more partners. The support program can then be designed with the assets of the partners in mind as well as RfC. When in need of a specific skill, Reach for Change can reach out to the partner company and ask for support[45]. The partner company, on the other hand, frames these activities as CSR work.

2. Low-bono contributors

In some cases external consultants prefer not to provide their services for free but to charge a reduced fee. In this case we refer to consultants as **low-bono supporters**.

> **EY** charges social enterprises and not-for-profit organisations a price that is about 10% of its normal fees[46]. The fee charged is used to cover the salary costs of the consultants who are taking the low-bono assignment (and also accepting a pay cut for the whole length of the assignment)[47].

Pro-bono and low-bono support are fundamentally different, and shall be used differently by VPOs depending on the type of engagement with the SPO. **Pro-bono** works best where support can be delivered (1) in chunks rather than continuously, particularly where this can be done to accommodate the 'day job' of the pro-bono provider; and (2) and where relatively little time is required. Examples of when to use pro-bono support are the one-off provision of legal services (e.g. support in negotiating or writing a contract) or mentorship of a CEO/COO/CFO by a very experienced business professional located in another area (e.g. an expert from the Silicon Valley providing advice to a social entrepreneur in Nairobi over Skype).

Low-bono support involves a long-term engagement with the SPO to drive sustained change into businesses. A low-bono supporter helps an SPO manage working capital better, restructure the organisations, understand customers better or integrate with the supply chains of larger organisations, to name just a few examples. This type of support cannot be provided as a one-off (in the case of EY Enterprise Growth Services, most projects are three to six months) or remotely.

Working hands-on for sustained periods has two consequences. The first is that it involves significant salary costs for the consultant, being away from his/her home business unit and often accommodation and travel costs too, in a way that most pro-bono support does not,

45 Reach for Change partners are nearly all corporate, but the VPO has also set up an incubator in Ghana in partnership with UNICEF.

46 Interview with **Jon Shepard**, Enterprise Growth Services, EY. 30 June 2015.

47 Source: interview with **Jon Shepard**, Enterprise Growth Services, Ernst & Young LLP.

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which need to be covered. The reality of how professional services firms are structured, as lots of small teams with their own profit and loss (P&L[48]) responsibilities, is that it is immeasurably easier to get these small teams to release their best people onto multi-month full-time projects if their cash costs (salary plus expenses) are covered while they are away.

The second consequence is that to be effective in the work it does, the low-bono consultant needs to work closely with client management teams. The management team of the SPO needs to engage completely in the project, providing data to the consultant, allocating time to workshops and review meetings, setting up interviews with customers, suppliers and their own staff and even persuading all teams to change how they work.

Working in this way implies a high level of engagement, and it is generally the case that good intentions to work closely with consultants evaporate to at least some extent if the client is not conscious of the monetary value of the support received.

As Jon Shepard of EY EGS puts it: "Free consultants end up standing in the corner being ignored. If you're paying for them, you're much more likely to make sure you use them effectively. And you're much more likely to point them at problems which are genuinely strategic for your company. Many people take up the offer of a smart, experienced consultant for free, but end up using them for peripheral, even random tasks which don't get to the heart of what it takes to accelerate growth, reduce costs, change behaviours, and better understand customers".

Low-bono programmes also have the merit of being more structured for the consultancy company. Companies need a value proposition for these programmes, and in many cases that is to do with employee engagement. Any programme which starts with the needs of the provider not the client is much less likely to be truly focused and effective.

> *"With our programme, there are normal EY contracts (just with much lower fees) and the expectation from the client that we will both send people with the right skills and experience, and that we'll run the project to the same high standards we would for any mainstream commercial client. If they're paying for us, they feel they have a right to demand the best from us, in a way they wouldn't if we sent them someone for free. We absolutely welcome those expectations, because they lead to focused, effective projects which solve our clients' strategic problems."*
> Jon Shepard, EY EGS

Thus working with low-bono consultants is very close to working commercially with strategy/management consultants, as often the quality is the same but at much more affordable rates that better match the possibilities of SPOs. This is often also an upside for VPOs, as they cannot justify to their own funders bringing in purely commercial consultants.

48 A profit and loss statement (P&L) is a financial statement that summarizes the revenues, costs and expenses incurred during a specific period of time, usually a fiscal quarter or year.

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At **EY** consultants are offered to go on 4- to 6-month assignments to help social enterprises and not-for-profit organisations with issues such as overcoming barriers to growth, improving cash flow, strategy, HR, understanding customers. Managers can volunteer for these assignments and they are matched by the consultancy company based on their skills and experience. The idea of EY is that "we do it because we can". Giving the consultants the possibility to volunteer to go on low-bono assignments has a positive impact on the consultants (who, in some cases, report these assignments to be "the best thing I have ever done"), a positive impact on EY as an employer and fits with the CRS activities of the consultancy.

3. Paid consultants

In some cases the consultants/external experts are paid by the VPO to provide a certain support service to the SPO. The King Baudouin Foundation (KBF), a Belgian VPO, hires consultants who provide specific expertise to the investees. KBF opted to **pay its consultants** market rates rather than look for pro-bono supporters primarily because of the time commitment it would take to market, search for and vet potential consultants or partner consultancies[49].

Engaging and managing external contributors

Tapping into external resources can be of great assistance to the VPO in case **specific skills** are missing in the team.

The **ERSTE Foundation NGO Academy** provides non-financial support through two programmes. The Social Innovation and Management Programme is a comprehensive management and leadership programme for SPOs in 13 countries, and the Regional Programme which consists of more than 30 different management workshops p.a. offered across the Central and South-Eastern region. Both programmes were designed to be delivered by external contributors from the beginning. The level of expertise of the external contributors is an upside of the programmes, as they have a strong track record and are capable of giving high-level support to very diverse SPOs in the region.

However, having to rely on external resources can also be an issue and this is especially true in developing countries, where the market infrastructure is missing.

Additionally, bringing in external resources is a valid alternative to the VPO's team spending its own time working with the SPO, as external people act as a neutral third party interacting and listening and helping SPOs spell out the tricky messages.

When outsourcing the support to one of the external providers, the VPO is still responsible for the non-financial support given to investees, so it needs to choose how tight to **manage**

49 **Metz Cummings, A.,** and **Hehenberger, L.** (2010). "*Strategies for foundations: when, why and how to use venture philanthropy*". EVPA.

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the pro-bono contributors to maximise effectiveness. One might think that giving access to the network of pro-bono supporters is sufficient to create working relationships between the professionals and the SPO.

Analysing its delivery of non-financial support, the **Shell Foundation** noted that only 17% of the investees supported in a decade harnessed any non-financial pro-bono support from Shell. This non-brand support was most commonly provided in the form of business skills provision by Shell staff (50%), followed by local market knowledge (24%) physical infrastructure (11%) and access to Shell business tools (6%). It is crucial for the VPO to assess why the SPOs in its portfolio are not accessing correctly the pool of pro-bono supporters.

Similarly, **Reach for Change's** original programme was quite "light touch", the idea being that if they connected young, dynamic and high-potential social ventures to a big corporation, the SPO would be able to find a way to make the most out of this connection. What Reach for Change found was that on most occasions, these low-touch connections aren't enough. Reach for Change's current program takes a **much more hands-on, needs-based, tailored approach** in setting up and managing relationships between the SPOs and its pro-bono supporters.

LGT Venture Philanthropy provides intellectual capital support through the ICats Fellowship Program. ICats fellows provide a professional capacity-building service that supports organisations to increase their positive impact. The ICats Program matches experienced professionals with temporary positions at SPOs. ICats fellows work with the management teams of the SPOs to build organisational capacity, systems, processes and train local staff. Thus, they support the critical expansion and contribute significantly to scaling up the organisations' impact. All participating organisations are part of the LGT Venture Philanthropy portfolio. Typical roles are business developers, financial analysts, business consultants, strategy consultants, sales and marketing specialists, operations and process managers, PR and communication strategists, IT architects. To ensure the optimal outcome of ICats fellows' engagements, the LGT Venture Philanthropy team members support ICats fellows with their know-how, insights and experiences throughout their in-the-field stay. In addition, the team supports nominated candidates during preparation of their engagements[50].

50 Source: http://lgtvp.com/ICats/Wie-funktioniert-es-.aspx.

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Examples of programmes to manage pro-bono contributors

- Yunus Social Business → Matchmaking between mentors and social businesses
- ICats Program (LGT VP) → Connects professionals with SPOs needing support in a specific area (global matching process managed through an online platform)
- Shell Foundation: "*[...] our initial partnership with RAPS in South Africa led us to realise that a **specialised intermediary** providing both **business skills and finance** to start-up and growing enterprises was the most effective way to pioneer a sustainable and scalable solution to the Missing Middle.*"
- UnLtd → Volunteering and Pro Bono programme linking social entrepreneurs with mentors and technical specialists (https://unltd.org.uk/partners/mentoring-social-entrepreneurs/)

The VP/SI sector counts on a number of **pro-bono and volunteer contributors** to provide non-financial support to investees and **managing them can be challenging for the VPO**.

Investees highly value the opportunity to learn from highly experienced business people. However, some of the investees we interviewed reported having had some issues because sometimes pro-bono supporters do not have enough time to dedicate to the SPO, so there is a risk that pro-bono interventions become short-term one-off experiences that do not add long-term value. Thus it is clear that pro-bono supporters need to be managed, to make sure they allocate enough time to the intervention and that expectations are managed.

A strategy to manage pro-bono supporters is to hire a full-time pro-bono manager. However, this option can be too costly for a VPO. By keeping a close contact with the partners and the final beneficiaries of the support (i.e. the SPOs), the VPO can avoid losing control over the non-financial support provided without having to engage an extra manager in the team.

Having externalised the provision for support to WU Vienna, **ERSTE Foundation** has less control on the non-financial support provided than it would have relying only on internal contributors. WU Vienna acts as an intermediary between ERSTE Foundation and the investee, so a lot of the touch-time with the investee is through the university. Similarly, part of the communication goes through the university, so the ERSTE Foundation does not have full control in terms of its image towards the external world, but relies on WU Vienna.

To keep control over the support provided, ERSTE Foundation appointed a steering committee and an operative project team, where people from both ERSTE Foundation and the university take part in. Additionally, the communication with the SPOs is always managed by ERSTE Foundation, which is always present at all events (workshop or module) taking place in the programmes.

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Inspiring Scotland works with a large number of pro-bono contributors; their current pool is 200 volunteers and the challenge is to keep the pool as active as the contributors would like. The assumption of the contributors is that their skills (law, accounting, etc.) will be needed right away whereas the reality is that they are working with around 80 ventures and only look to fill the gaps in their professional needs. To deal with this issue, Inspiring Scotland has hired a **full time pro-bono manager** to build communication and education and to manage the relationships with the pool of contributors[51].

Similarly, **Impetus-PEF** has one staff member dedicated to sourcing, managing and reporting on the pro-bono supporters. This person uses mostly a CRM tool (the Salesforce[52] platform) to keep track of all the pro-bono support available and offered, and to make the match between the offer of the corporates and the needs of the SPOs. The same person is also in charge of making sure that the relationship between the two parties runs smoothly and that everyone evaluates the cooperation positively in the end.

Some VPOs use a combination of internal management and outsourcing. **UnLtd** manages its own volunteering and pro bono service, linking social entrepreneurs with a variety of mentors and technical specialists. It also refers SPOs to specialist pro bono networks managed by third parties, such as the **TrustLaw** network of law firms, managed by the Thomson Reuters Foundation[53].

Matching the assets with core and non-core support

Once it has mapped its assets the VPO needs to assess “who provides what”. The VPO defines how to organise and divide the provision of non-financial support among the human resources it has available in-house and sourced externally. The choice of who delivers non-financial support should reflect the capacity of the VPO and its assessment of what is core and non-core.

VPOs often struggle with deciding on “who provides what”. Allocating human resources is less complicated when the VPO has a highly structured programme for delivering the non-financial support. However, in some cases structuring the VPO’s non-financial support programmes can be challenging.

What the VPO will provide in-house depends largely on what the VPO considers core. A VPO that is strongly focused on strategy support will want to provide strategy support

51 **Hehenberger, L.** and **Boiardi, P.** (2014). “*Learning from failures in venture philanthropy and social investment*”. EVPA.
52 http://www.salesforce.com
53 www.trust.org/trustlaw

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“in-house”, while a VPO that is highly focused on strengthening the SPO’s governance (such as Investir&+) will be providing governance support in-house, through its investment managers. The VPO cannot delegate to an external party the core of the support it wants to provide to the SPOs in its portfolio.

To be able to deliver the non-financial support in the most effective way, after having assessed what is at the **core** of its non-financial support strategy, the VPO **develop its team** (by hiring new staff or training existing staff) to build the skills needed to deliver the core non-financial support. The VPO then builds a network of **pro- and low-bono experts** that can provide the other **non-core and technical skills** the SPOs need.

It is most common for internal staff to have **“generalist”** profiles, meaning they can help set up a general strategy, and are capable of delivering core support, but are not capable of delivering **specific skills**, for which they need to draw on external support. This does not mean that external people bring most of the support (see for example the cases of Reach for Change and Impetus-PEF). In most VPOs, the **internal team** gets involved in setting up the strategy for the delivery of non-financial support and **to deliver support in the core areas** identified through the analysis of the investment strategy, bringing in external expertise if there is a specific, non-core issue to tackle.

Most often the internal team of the VPO not only delivers a large part of the non-financial support, but it is also in charge of the most core part of it: the development of the social impact strategy of the SPO.

The claim that internal staff and external consultants provide different types of non-financial support is sustained by research performed by the Skoll Centre for Social Entrepreneurship[54], as illustrated in the figure below. The figure presents different kinds of non-financial service received by social entrepreneurs, indicating whether the service is delivered directly by the VPO or indirectly through external parties. Services most often provided are strategy consulting, strengthening of board governance and fundraising strategy, each delivered predominantly by the VPO’s own staff, associates and partners. Advice given in areas of information technology, marketing/communications, and legal and estate management were all provided more through external partners.

54 **John, R**. (2007). “*Beyond the cheque – How venture philanthropists add value*”. Skoll Centre for Social Entrepreneurship.

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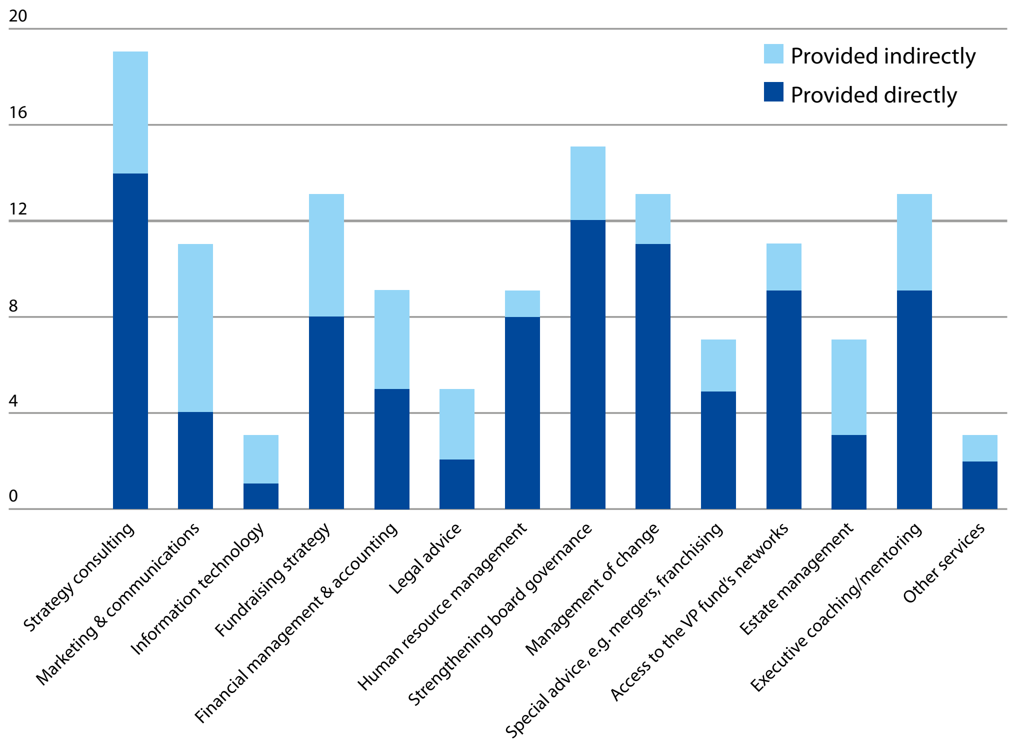

Figure 15: Delivery channels for non-financial support services received by the SPOs

(Source: John, R. (2007). "Beyond the cheque – How venture philanthropists add value". Skoll Centre for Social Entrepreneurship.)

The internal team of the VPO gets heavily involved in the **investment selection process**. Thus, the team has a very good knowledge of the SPO, which puts it in a preferential position to support the SPO developing its Theory of Change.

At **Investir&+**, supporting the SPO in developing a strong governance is key. Thus support in developing a strong board is provided by the internal team of the organisation, which includes the investment managers, the members of the board and the entrepreneurs. As governance is a core part of what VPO sees as its role in the development of the SPO, it cannot delegate its development to an external third party.

The internal staff helps the SPO assess what it is trying to achieve, how it can achieve it and to develop the high-level strategy for moving forward during the journey. As having a solid social impact strategy is crucial to achieve social impact and to fulfil the mission of the SPO, it is of critical importance to have **internal** people who can deliver such impact support; people with solid business **experience** and social sector **expertise**.

Conversely, **external experts** have more specialised profiles, and thus bring in specific expertise in specific areas. External experts have knowledge or experience in a specific field of the investment, and are thus able to be of additional value to the SPO.

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The VPO needs to carefully select **external partners**, based on good matching of needs and resources. As reported by Shell Foundation: "We had far greater success in our inception phase when we focused our resources – time and money – on developing new approaches with a few carefully selected partners"[55].

Tapping into the knowledge of external experts is particularly useful for SPOs who have small operational teams. By building a network of non-financial support advisors, external to the VPO but close to it, the VPO is able to support the SPO on all levels.

The internal team of **Impetus-PEF** provides support to deliver the social impact. The so-called "Management Support" is at the heart of the non-financial support provided by Impetus-PEF and is targeted at developing and strengthening the SPO's Theory of Change. The network of pro-bono partners – both individuals and organisations – are then in charge of providing a number of pro-bono skills tailored to the needs of the SPOs.

The division of tasks among Impetus-PEF's internal and external contributors is summarised in the figure below.

Social impact	• Impetus-PEF's Investment Managers • Work on Theory of Change development and implementation
Financial sustainability	• Pro-bono partners • Business planning, financial review, etc.
Organisational resilience	• Pro-bono partners • Business planning, HR policies, legal considerations, etc.

Figure 16:
Division of task in the delivery of non-financial support among the human resources available for Impetus-PEF

(Source: Impetus-PEF)

55. Shell Foundation (2010). "*Enterprise Solutions to Scale*". Shell Foundation.

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Tool #2: VPO's Asset Mapping *(Source: EVPA)*

Type of support		Who provides it?	Engagement with the SPO	Engagement with the VPO
CORE	Internal	Paid employees (in-house managers) • Investment Manager (generalists) • Experts on specific core topics	Specific allocation of time (i.e. overseeing the process, giving support on developing the ToC of the SPO, etc.)	Contract
			Take a board seat (optional) Support when there is no governance structure in place	Contract
		Board members of the VPOs	Take a board seat (optional) Support when there is no governance structure in place Specific allocation of time (i.e overseeing the process, giving support on developing the ToC of the SPO, etc.)	Pro bono
NON-CORE	External Contributors	Pro-bono contributors (individual, professional services firms, etc.)	When there are specific/technical needs	Partnerships Specific projects Framework agreements (CSR contributions)
		Paid external contributors (i.e. consultants, academics)	When there are specific/technical needs Tap into this to bring specialists' skills/ to solve a specific technical challenge	Contracts (at market rates or low bono)

What is the cost of the non-financial support VPOs provide? How to monetise non-financial support?

To deliver non-financial support VPOs count on both internal staff and external supporters. These people allocate their time to provide the support the SPOs need. A recent report by the Foundation Center reminds funders that capacity-building engagements must involve sufficient **resources** in order to succeed[56], which need to be allocated and closely monitored.

Tracking pro-bono support is part of **Impetus-PEF's** monthly account management. At the beginning of each year, Impetus-PEF estimates in its **budget** how much pro-bono support each investee in the portfolio will need, and then tracks the pro-bono support provided accordingly. Impetus-PEF checks whether it was right in estimating what the portfolio needed in terms of pro-bono support and whether it was able to attract all the pro-bono support needed over the year.

However, most often VPOs do not measure the cost of the non-financial support provided by the internal and external contributors. Little to no research exists on the monetisation of non-financial support. A recent report by Impetus-PEF calls for the need to develop calculation methods and metric for VPOs that represent the cost of the professional services provided over the duration of the support. Having data on the cost of non-financial support would increase the **transparency** around the **actual cost of the venture philanthropy approach**.

Having an idea of how much time the internal staff spends on delivering non-financial support is useful for the VPO to calculate more precisely the management costs to **fundraise** (in the case of a foundation) or – in the case of a fund – to calculate the net **financial return**.

The data collected on pro bono by **Impetus-PEF**, for example, is used for the **fundraising pitches** and reported to the Charities Commission in the UK. Even though the numbers do not represent real money, they constitute resources Impetus-PEF has invested in developing the SPOs supported, so the **auditors** also keep track of the values reported to make sure they are correctly reported, as Impetus-PEF considers the pro-bono investment as part of its income and expenditures.

Monetisation of the pro-bono support is also crucial to assess **if and how the pro bono is growing** year on year. Additionally, monetisation makes it possible to **better plan** how much internal resources will be needed to both deliver the non-financial support and to manage the pro-bono supporters. This is especially true for VPOs with growing portfolios, as the internal and pro-bono support will grow accordingly.

Monetising non-financial support allows the VPO to **leverage the financial support** provided to the investee. Impetus-PEF, for example, can show in its communication that for

56 **Light, P.,** and **Kibbe, B.** (2004). "*The Capacity Building Challenge*". The Foundation Center.

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each pound provided to the investee, another pound is given in the form of management support and a pound of pro-bono support. Thus, non-financial support and pro-bono support become an integral part of the **value proposition** of the VPO.

VPOs might be asked by pro-bono supporters to keep track of the cost of non-financial support provided.

Reach for Change has pro-bono contributors coming from partner companies it has agreements with, which is part of the companies' CSR work. . Partner companies ask Reach for Change to keep track of different things, from the number of staff engaged in different activities during the year, to estimates of the number of hours spent by their staff members on providing non-financial support to Reach for Change's investees.

Last but not least, having a standard approach to monetisation can help the VPO **show to all the investees** the real value of the support they are getting, regardless of geographical and sectoral differences.

LGT Venture Philanthropy monetises the cost of the pro-bono support provided through the ICats Program using **commercial rates**. However, as LGT VP operates globally, it tries to compare the cost of an ICat fellow with the cost of a local talent, i.e. trying to assess how much the SPO would pay if it were to hire a local consultant (for example, how much would it cost the SPO to hire a local marketing expert with six years of work experience). LGT VP gathers the information on the cost of a local consultant online, and then compares it with the cost of an ICat fellow. This information is important for the VPO, as LGT VP wants to show to the investee the value of what it is getting: paying €10,000 to €15,000 the SPO has access to a talent that normally would bill between €40,000 and €50,000 for its services. The costs of an ICats fellow are much lower compared to comparable talents in the market because LGT VP targets career changers that see the ICats Program as a gateway for the transition into the "VP/SI world". Hence, they are prepared to work on the basis of a living stipend that just covers standard costs of living. They are happy to sacrifice salary for a year as part of their "investment" into the transition.

Pro-bono support is an integral and crucial part of **Impetus-PEF's communication** towards the investees. When discussing with a potential investee, Impetus-PEF always stresses that pro-bono support is part of the added value it offers to the SPO, and not simply a way to please its corporate partners.

As of today there is not a standard way of monetising non-financial support in the VP/SI industry. How non-financial support is monetised largely depends on what the VPO is reporting and why. In some cases the VPO wants to **maximise** the value of non-financial support. This is for example the case when the monetised value is used by the VPO to get tax breaks or when there is another organisation prepared to match the value of

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non-financial support. However, in some cases the VPO might want to **minimise** the monetised cost figure of non-financial support, to avoid the value of the work of external supporters resulting in value of work higher than the VPO's internal staff.

Some VPOs of the expert group proposed different ways to monetise the cost of **both internal and external resources**.

For **internal resources**, the monetisation is quite straightforward. The daily salary cost of each team member is multiplied by the number of days spent delivering non-financial support. The VPO will then highlight the amount spent in the financial statement, separating it from other salary costs.

To assess how much time each staff member is allocating to providing non-financial support, VPOs **survey the staff** annually. Although this method does not give a very precise assessment of the total cost, it gives an idea of how much time has been allocated to providing capacity-building.

Monetising the cost of **board members** is more complex, as the actual cost incurred by the VPO and the market value of the support offered are very different. Board members give their time for free, but the VPO shall monetise their support by multiplying the number of days spent delivering the support by the daily salary perceived by the board member in his/her normal job.

Assessing the cost of **pro-bono supporters** means showing to the SPO how much the contribution given by these external parties is worth. Thus, as for the board members, the monetised cost will differ from the cost incurred by the VPO, which receives the services for free. The expenditure on "**pro-bono services**" should not represent cash per se, but the "cash value" of the pro-bono services the VPO gets, hence the **monetisation of the cost of the pro-bono services** offered to the VPO that then are pushed out to the SPOs.

The cost of **pro-bono supporter**s is often **monetised** by looking at how many hours the supporter has contributed and multiplying them by the cost of each hour at normal market rates. However, defining the "market value" of the support offered is not so straightforward, as consultants have a broad range of costs, going from the market rate of a consultant working for one of the "big four"[57] to the market rate of a consultant based in a developing country. A way to overcome the lack of agreement on what is to be considered market value is by **asking the consultant what it would have charged in case of a "regular" client**, regardless of the discounts good clients commonly get from consultancies. Another way to monetise the cost of non-financial support is by keeping track of how the partner companies monetise the support they give to assess the total monetary value of the support provided.

57 The Big Four are the four largest international professional services networks, offering audit, assurance, tax, consulting, advisory, actuarial, corporate finance, and legal services. They are: PwC, Deloitte, EY and KPMG.

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At **Impetus-PEF** the **monetisation** is done by calculating how much it would cost for the partner (i.e. PwC) to provide the same service to a private client, as if the services would be paid at market prices. Impetus-PEF requires a very high level of service from its pro-bono partners and asks them to treat charities exactly as private clients, so it feels it is fair to monetise the cost at commercial rates – although the cash is of course not disbursed. Pro-bono supporters are very engaged and often Impetus-PEF has more consultants willing to take up projects than projects themselves and more corporates wanting Impetus-PEF to give them projects than Impetus-PEF has capacity for.

UnLtd uses a similar approach to the one of Impetus-PEF, looking at the **rates that corporates and consultants would charge normally** when providing the services, and looking at the number of hours and days of work they have put in. Similarly to Impetus-PEF, UnLtd monetises the pro-bono support provided using market value, to showcase the value of the additional support – and therefore the amount of resources – that has been brought to the investee and the other stakeholders.

In terms of how the monetised figures shall be reported, the best practice is to follow the national legislation as of how to include non-financial support in the legal financial statements. TrustLaw, for example, includes the monetised value of non-financial support in the financial statements as a “gift in kind”, which can then be offset against liabilities.

As for the statements for internal use (including fundraising pitch), the VPO shall include the monetised value of non-financial support as both a revenue and a cost, so that the two figures even out.

The monetised figures are useful for the VPO to track the non-financial support internally, to put a value on what the investees are receiving and for estimating how and through which financing option the VPO can finance the provision of non-financial support, as presented in the next section.

How to finance non-financial support

One of the biggest challenges for many VPOs is to be able to afford the non-financial support it wants to offer. For endowed organisations, finding the resources is easier, whereas for organisations that fundraise this is always a challenge. VPOs can use different mechanisms to finance the provision of non-financial support.

VPOs use **capacity-building grants and awards**, specific money allocations aiming at tackling a capacity-building challenge of the investee. This option allows the SPO to tackle a specific issue, which should be clearly agreed with the funder.

STEP 1: MAPPING THE ASSETS OF THE VPO

Another option is to give the SPO an **unrestricted grant** to fund all capacity-building actions. Using unrestricted funding allows for flexibility in the use of the resources, provided that the way the funds are allocated is monitored by the VPO[58].

A third option is to develop a **network of external capacity-building providers** that bring technical assistance and consulting pro bono. Although this option seems to be free of charge, the VPO needs to allocate resources to manage the pro-bono supporters, and monetise the cost of the non-financial support provided.

When resources are scarce and the VPO is investing together with co-investors, an option is to **team up with other funders** to address the capacity-building challenges of the SPO.

Social investment funds allocate **specific budget**s coming from the fund's **management fees** to finance the capacity building provided by the VPO's team. This approach requires the VPO to properly account for the cost of the non-financial support provided by the team. However, there are instances when the non-financial support is financed by an external grant, thereby increasing the net financial return delivered to investors. It is important for the sector to remain transparent in terms of the real costs of managing a social investment fund.

VPOs can allocate specific funding to finance non-financial support and **ask SPOs to match the financing**.

I&P, a French VPO, has access to subsidies for technical assistance, offered by actors as the EIB and Proparco (French Development Agency). Once the consultant who will be providing the non-financial support is selected (e.g. to provide support deploying a new information management system), the VPO finances about 85% of the total cost of the consultant. The remaining 15% is co-financed by the investee. This method allows the VPO to reduce its investment and at the same time to raise the investee's awareness of the actual cost of the non-financial support provided – creating ownership of the process and also taking better advantage of the value generated.

Some VPOs, such as Reach for Change, have **corporate partners** that fund the non-financial support programmes. The cost of the non-financial support provided by the VPO is thus primarily covered by the funds that are negotiated with the corporate partners. This approach can benefit from having a sound process to calculate both the cost and the value of non-financial support, and to assess its impact.

Hybrid models are also possible. Reach for Change, for example, provides support directly, has agreements with corporate partners to provide a certain amount of non-financial support to its investees and brings in support from other sources as makes sense. As Reach

58 See also: http://docs.geofunders.org/?filename=capacity_building_support.pdf&utm_source=20150728-Marketing-Alfonso-Leads&utm_medium=email&leadid=00Q60000018cKeGEAU

STEP 1: MAPPING THE ASSETS OF THE VPO

for Change provides (most) SPOs with unrestricted funds, if any additional support needs to be provided, the **social entrepreneurs can pay** for it themselves out of the grant provided (which is completely unrestricted and can thus be used for whatever the SPO wants).

Table 2: Different methods to finance non-financial support

Name	How does this mechanism finance non-financial support?
Capacity-building grants and awards	Specific money allocated for non-financial support VPOs and VPO's funders allocate specific resources to non-financial support
Unrestricted grants/funding	Give unrestricted funding for capacity building VPOs and VPO's funders allocate specific resources to non-financial support/external donations
Grants and contacts with external capacity-building providers	Develop network of capacity-building providers that bring technical assistance and consulting External parties (consultancies, professional firms, etc.) giving support for free
Capacity building through collaboration – among funders and beyond	Investors teaming up to address capacity-building challenges VPOs and VPO's funders allocate specific resources to non-financial support
Management fees	Specific budget allocated for the management team of the fund
SPO itself pays for non-financial support/ matching	VPO allocates specific amount of money that the SPO needs to match by putting aside funding for non-financial support
Corporate partners	Partners that fund the non-financial support programmes of the VPO

The existence of multiple ways to measure the perceived value of non-financial support constitutes one of the key challenges encountered by VPOs. Thus it is crucial for the sector to work on developing a universal and more objective way of measuring the cost of the non-financial support delivered (i.e. on the VPO side) and the value received (i.e. on the SPO side).

Thus we are proposing a tool to relate the **value perceived by the investees** to the **cost sustained by the funder** and to objective measures of development of the investees' skills. One caveat linked to the tool presented below is that for as much as it would be important to link the cost and the value of non-financial support, not everything can be monetised. The development of soft skills, for example, it is hard to monetise. Therefore, one recommendation is to assess what can be measured (see example Pilotlight) and keep in mind that it is easier to measure the input and harder to measure the value.

STEP 1: MAPPING THE ASSETS OF THE VPO

Recommendations for managing non-financial support

- First consider the possible forms of non-financial support available to help the SPO advance on the three **core** areas of development (i.e. social impact, financial sustainability and organisational resilience) using the non-financial support mapping tool.
- Based on your own impact objectives and Theory of Change, i.e. the social change you want to achieve through your investment strategy, you can use the mapping tool to choose which types of non-financial support are **core** to implementing your strategy.
- Map your assets, to assess who will provide the core and non-core support, using the asset mapping tool. Keep in mind that the **core** support should be provided by your internal team, and only in case the issue is very technical and outside of the competences of the internal team by paid or low-bono consultants. The **non-core** support can be externalised to pro-bono or low-bono supporters or to paid consultants, who provide specific ad-hoc advice on technical challenges.
- Make an estimate of how much the provision of non-financial support will cost, and also what the monetised cost would be (considering pro-bono and low-bono consultants are engaged), using the monetisation tool, and then decide how to finance these costs.
- Make sure you conduct this internal assessment activity periodically, using the experience gained through previous and ongoing non-financial support processes.

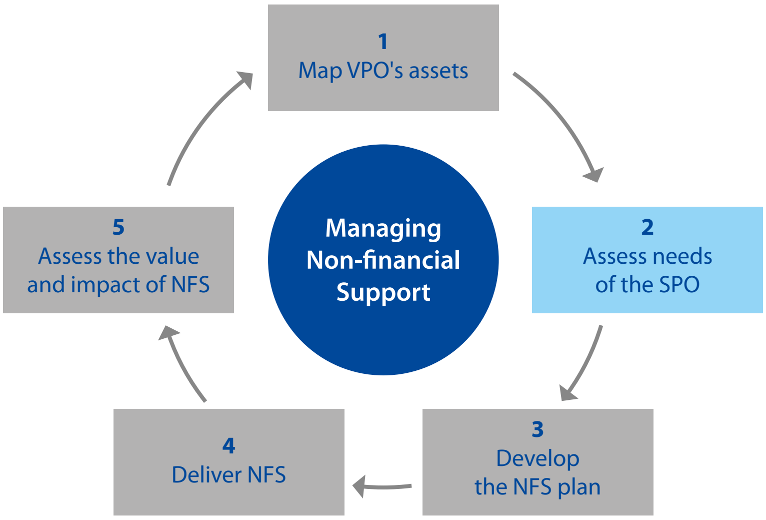
STEP 1: MAPPING THE ASSETS OF THE VPO

Tool #3: A template for monetising the cost of non-financial support *(Source: EVPA)*

Type of support	Who provides it?		Time spent on NFS delivery	Actual cost	Total cost (actual amount spent by VPO)	Market value	Total monetised cost	How to track NFS in financial statements?
CORE	Internal	Paid employees (in-house managers) Investment Managers (generalists) Experts on specific core topics	Days spent delivering non-financial support (if no available data, survey the team)	Daily salary of internal staff	Salary of the team member + costs of delivery (travel, meetings, workshops, etc.)	Daily salary of internal staff	Days spent delivering non-financial support X daily salary of internal staff + costs of delivery (travel, meetings, workshops, etc.)	Highlight staff costs dedicated to non-financial support in financial statements
	Internal	Board members of the VPOs	Days spent delivering non-financial support	Free	Free	Daily salary of board member	Days spent delivering non-financial support X daily rate + costs of delivery (travel, meetings, workshops, etc.)	Add in financial statements under revenue and cost (so they cancel out) to keep track of how much received and how much spent per category To add in official document, follow country procedure as prescribed by local legislation
NON-CORE	External Contributors	Pro-bono contributors (individuals, professional services firms, etc.)	Days spent delivering non-financial support	Free	Free	Daily rate at market prices OR Ask the partner monetised value	Days spent delivering non-financial support X daily rate at market prices + costs of delivery (travel, meetings, workshops, etc.)	
	External Contributors	Low-bono contributors	Days spent delivering non-financial support	Daily rate at market prices OR Ask the partner monetised value	Total invoiced by the consultant (time x hour rate at discounted price)	Daily rate at market prices OR Ask the partner monetised value	Days spent delivering non-financial support X daily rate at market prices + costs of delivery (travel, meetings, workshops, etc.)	Add in financial statements as a cost
	External Contributors	Paid external contributors (i.e. consultants, academics)	Days spent delivering non-financial support	Daily rate at market prices OR Ask the partner monetised value	Total invoiced by the consultant (time x hour rate at market prices)	Daily rate at market prices OR Ask the partner monetised value	Total invoiced by the consultant (time x hour rate at market prices)	Add in financial statements as a cost

Step 2: Assessing the needs of the SPO

STEP 2: ASSESSING THE NEEDS OF THE SPO



Understanding the needs of the SPO: performing a needs' assessment

As a second step, the VPO needs to assess the needs of the SPO it decided to invest in.

The needs' assessment happens in two steps. First, the VPO performs a **"light" needs' assessment** by asking the following questions:

- What are the general needs of the SPO?
- Are the general needs of the SPO addressed by the VPO's core non-financial support strategy?

Yunus Social Business starts by performing a light screening, explaining to the SPO which tools and methodologies YSB needs the SPO to apply. YSB then goes through a more detailed process of interviews, field visits and/or so-called "bootcamps" (intense two-day workshops) to understand the support needs of the SPO and whether YSB can provide sufficient support through its network and programme. For example, one of the SPOs, a social business in Albania, was looking for sector expertise in organic food retail to further advance their operations, optimize margins and better understand customer needs. YSB decided to take on this SPO based on experts and partners in its network that could provide such expertise.

If the result of this first analysis is positive, the VPO moves on to perform an **in-depth needs' assessment**. The VPO needs to ask the SPO: "What organisational capacities do you want to address over the next few years but can't because you don't have the money?"

STEP 2: ASSESSING THE NEEDS OF THE SPO

As stressed in a report by the Foundation Center[59]: "The first step toward achieving the desired outcome may actually be **organisational diagnosis** to determine the true scope and nature of the challenge."

In the case of **Big Society Capital**, before proposals are taken to a due diligence stage they have to pass the deal screening phase, in which Big Society Capital makes sure the intermediary is fully prepared to go through the due diligence phase. This also saves the applicant time because if they are not "appropriate" they are filtered out at this stage. The preparation stage helps Big Society Capital **identify strengths and weaknesses** areas of the intermediary, so that Big Society Capital can give the social organisations advice as for where they should **go to build capabilities and develop ideas to then come back** to Big Society Capital.

The VPO assesses the SPO's needs at 360° on the three core areas of development of the SPO (social impact, financial sustainability and organisational resilience) to understand at what stage of development the SPO is and where it needs to be taken. This phase is crucial, as it lays the foundations for the matching of offer and needs that happens in Step 3. However, often this step is underestimated, as programme staffs rarely conduct formal needs' assessments to determine what type of assistance to provide to investees.[60]

During the in-depth needs' assessment, the ventures apply for the accelerator programme of **YSB** and are evaluated by a jury that gives feedback on the business model of the SPO. Following the jury evaluation, feedback sessions are organised for the venture to get direct feedback from YSB. During this phase YSB builds the relationship with the SPO, the skills, looks more in-depth into the SPO's business case, including testing it. For YSB the in-depth needs' assessment coincides with the accelerator programme, so during this phase the SPO receives the full accelerator support, based on its individual needs.

When assessing the needs of the SPO, **Acumen**:

- Provides feedback to management on vision, strategy and growth potential
- Evaluates plans for talent development, sales/marketing/distribution and technology implementation (ERP)
- Identifies performance drivers and develop key milestones that will align the VPO and SPO
- Defines strategic capital needs and identify potential follow-on funding partners

The VPO might want to assess the strategy of the SPO validating data, checking that the **objectives** set are **realistic** and **verifying that the claimed impact is achieved**. To do so, the VPO also connects with current beneficiaries and potential follow-on investors for feedback

59 **Light, P.,** and **Kibbe, B.** (2004). "*The Capacity Building Challenge*". The Foundation Center.

60 **Buteau, E., Buchanan, P., Bolanos, C., Brock, A.,** and **Chang, K.** (2008). "*More than Money: Making a Difference with Assistance Beyond the Grant*". The Center for Effective Philanthropy.

to set goals and operating targets. This is crucial as often SPOs overestimate what they can achieve, so it is very important to test how robust the SPO's assumptions are and that the SPO can deliver what it promises, both from a financial and social impact perspective. Support to the organisation being realistic and proportionate can be seen as non-financial support, as it helps the SPO achieve what it planned for.

Acumen reaches out to beneficiaries/clients through surveys to try to perform a validation of the impact for the business, so even if it decides to walk away from the deal the business gets feedback on the impact it is having on its clients as never before. This process creates added value for the social businesses, as it is almost like providing a small database for impact.

Big Society Capital for example has a criterion called "Social Impact Tests" by which Big Society Capital checks **how strong an organisation is** in terms of social mission, governance, activities, impact measurement, learning, management team, board, etc. It is used by Big Society Capital to assess potential deals with intermediaries who in turn can use it to assess proposals from SPOs.

Tool: The needs' assessment tool

The needs of the SPOs can be **mapped** using a **"needs' assessment tool"**. A number of tools for assessing organisational capabilities' needs exist, both specific to the non-profit world and more general, developed for traditional for-profit enterprises.

The needs' assessment tool we present below aims at summarising and streamlining existing research on the topic of organisational capacity building in VP/SI and, more generally, in the non-profit world, building on existing tools, such as McKinsey's OCAT Matrix and work done by VP practitioners such as Impetus-PEF and Nesta.

The OCAT tool developed by McKinsey for Venture Philanthropy Partners, for example, is an assessment tool that can be used to measure operational capacity and to identify areas which need improvement[61].

Impetus-PEF's "Matrix of Capabilities for the production of social outcomes"[62] describes the minimum behaviours and characteristics an organisation will exhibit as it grows in a way which is sustainable in terms of outcome-production, and scale.

Nesta's Standards of Evidence[63] maps five stages of evidence in the production of reliable social outcomes.

61 The Organisational Capacity Assessment Tool (OCAT), originally developed by McKinsey & Company for VPP, can be found here: http://www.vppartners.org/sites/default/files/reports/assessment.pdf.

62 http://www.impetus-pef.org.uk/driving-impact/building-capacity-for-impact/

63 http://www.nesta.org.uk/sites/default/files/impact_measurement_in_impact_investing.pdf

STEP 2: ASSESSING THE NEEDS OF THE SPO

The needs' assessment tool:

- provides a straightforward visual representation of what each SPO needs in each of the three core capabilities
- helps the VPO match the needs of the SPO with what the VPO has available in-house and what it needs to source outside to assess whether it can provide the non-financial support the SPO needs.

It is important to mention that the assessment of an organisation's capabilities and needs is not a non-financial support-specific task. The VPO will perform a needs' assessment regardless of whether or not it will provide non-financial support. However, we are convinced that it is crucial for the VPO to use the information derived from the needs' assessment to highlight which areas need more attention (i.e. specific **risk** points) and to develop the non-financial support plan.

If the VPO realises that an SPO has a very high risk level on all capabilities, it might either decide not to invest or to accept the high risk level and put in place all kinds of measures to manage it.

The needs' assessment tool is filled in by both the VPO and the SPO and **is used to discuss the development needs of the SPO**. The VPO performs an assessment of the situation of the SPO while the SPO performs a self-assessment of its own situation. By comparing the results of the two assessments the two parties can start a dialogue that will help them decide on next steps. In order to guarantee the alignment of the perceptions of the VPO and the SPO, both parties fill in the needs' assessment plan **independently**. This will guarantee that the discussions between the VPO and the SPO can start from a solid and unbiased analysis. Asking the SPO to fill in the needs' assessment helps it take a **deliberate, proactive approach to capacity building** and assess its needs in relation to **the entire enterprise**. The needs' assessment tool is instrumental in this, as it guarantees that the services offered are directed to support core capacity and systems, supporting the investee's core capabilities instead of financing a number of smaller and sometimes unrelated actions.

At **Yunus Social Business** first the SPO participates in a scoping session to define where it needs support. Then YSB and the SPO pick and choose which specific non-financial support the SPO needs, which mentors it needs, which tests it needs to run and which partners it needs in local, domestic and international markets.

One risk is that the social entrepreneur thinks he/she does not need a certain type of support, but the VPO believes it could be beneficial. This discrepancy shows that it is important for the VPO to listen to the investee and its needs. The line between the **perceptions** of the VPO and the SPO is quite thin, so non-financial support needs to be crafted, not only provided. As Daniel Nowak puts it, "it is a bit of an art more than a science". Therefore, it is useful for both VPO and SPO to have a tool that provides them with guidance defining what the SPO needs for its development in the three core areas of development.

STEP 2: ASSESSING THE NEEDS OF THE SPO

LGT Venture Philanthropy offers the SPO the possibility to try out the non-financial support to verify if it is really something beneficial to the organisation. LGT VP is willing to subsidise 50% of the cost of an ICats fellow in order to give the SPO an additional incentive to recruit the fellow. This is done because some SPOs do not fully understand the value of ICats fellows as long as they haven't had one. Some SPOs even confuse ICats fellows with students' internship programmes. If the SPO decides to participate and hire the fellow the cost is subsidised, but the SPO needs to commit for a full year.

Other VPOs even provide non-financial support for an entire year before the investment is made. This year pre-investment is a trial period for both VPO and SPO, as the VPO can assess whether the SPO is an interesting investment opportunity and the SPO can understand how the involvement of the VPO works. However, this is a costly process which is not always an option. In such a case, the VPO can make sure the potential investee understands what non-financial support entails by providing it with a real life example.

For SPOs in very early stage, the VPO might need to go several times through the needs' assessment and provide non-financial support to accelerate growth and make the SPO "investable". VPOs that invest in entrepreneurial ideas often have to face all the difficulties of SPOs in a start-up phase. The idea might seem good, but the SPO does not have a proof of concept or a structured business plan showing the (scaling) potential of the venture. Thus before investing financial resources into an SPO, VPOs provide strong non-financial support on the 'basics' to help social entrepreneurs crystallise their idea and to test for feasibility and/or scalability.

Recommendations for managing non-financial support

- Start by mapping the needs of a specific SPO to invest in, along the three core areas of development (i.e. social impact, financial sustainability and organisational resilience). Typically, the "light" needs' assessment and the first matching take place during the **deal-screening phase** of the investment management process.
- If there is an initial match, you should work closely together with the SPO to perform an in-depth needs' assessment, using the needs' assessment tool.
- This exercise will allow you to identify the status of development of the SPO in the three core areas of development, and where support would be most valuable.
- During the due-diligence phase the VPO evaluates whether it can provide the non-financial support needed or if it needs to step back and tell the SPO that it cannot provide it with the non-financial support it needs. In extreme cases, the VPO must walk away from the deal if it realises that the social entrepreneur is not strong enough, i.e. if it needs non-financial support that exceeds the capacity of the VPO.

STEP 2: ASSESSING THE NEEDS OF THE SPO

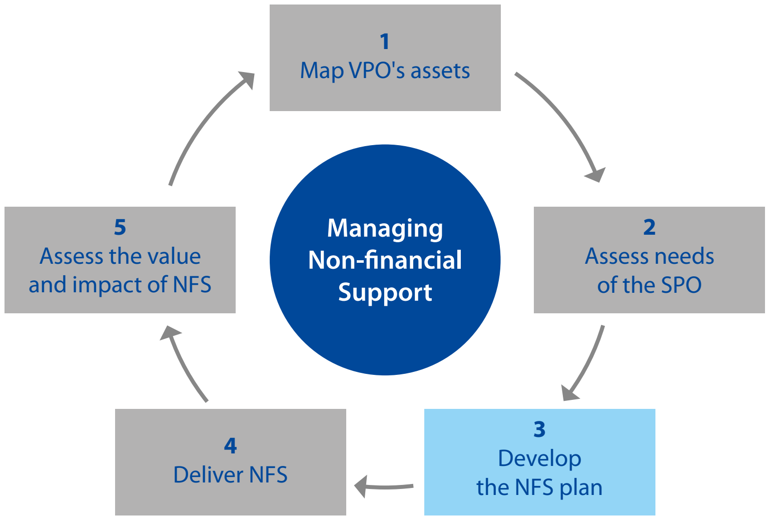
Tool #4: SPO's needs' assessment tool

(Source: EVPA, expert group, Impetus-PEF Capabilities matrix, Venture Philanthropy Partner's OCAT and Nesta's Standards of evidence)

Capability	Development Stage of Capability Area			
	Level 1	Level 2	Level 3	Level 4
Social Impact				
Theory of Change and Impact Strategy	You can articulate your social mission You can describe what you do and why it matters, logically, coherently and convincingly You can produce anecdotes that suggest positive outcomes are generated	You have defined a Theory of Change You have an operational blueprint specifying: social mission, target population, long-term outcomes, short-term and intermediate outcomes, programme design, performance management processes	You have a codified programme, with a view to drive reliable production of social outcomes You can demonstrate causality using a control or comparison group You have one + independent replication evaluations that confirms these conclusions	You have manuals, systems and procedures to ensure consistent replication and positive impact
Impact Measurement Recommendations to manage non-financial support	You have a very limited system for measurement and tracking of performance, activities and outputs but have no social impact measurement You decide based on individual judgement and not on data	You capture data that shows positive change, but you cannot confirm you caused this You have developed a preliminary (long) list of possible KPIs You make some efforts to benchmark activities and outcomes against outside world You sometimes used data to make decisions	You collect data rigorously and benchmark it against relevant external populations You have developed a shortlist of KPIs You have a sound decision-making process based on impact data collected	Your well-developed comprehensive, integrated IM system indicates programme is responsible for consistently producing meaningful lasting outcomes for target population You have a small number of clear, measurable, and meaningful KPIs; You manage and refine the course of action using real time and retro-spective data Feedback loops are leading / have led to improvements
Financial Sustainability				
Fundraising	You have weak internal and external fundraising skills You are highly dependent on a few funders	The internal fundraising skills are somewhat developed and you have a non-systematic access to external expertise on fundraising You have limited access to multiple categories of funders	You have well-developed internal fundraising skills + occasional access to external fundraising expertise You have a solid basis of funders in most types of funding sources	You have highly developed internal fundraising skills and expertise to cover all regular needs + external expertise in extraordinary cases You have a highly diversified funding structure
Revenue Strategy	You have a product or service idea You have limited ability to develop a business plan	You have a clear product / service and mission You have a good business model and financial predictions	You have a strong business model that presents a convincing case for growth You started developing some sustainable revenue-generating activities (where possible / where applicable)	You have a strong business model that presents a convincing case for scaling up You have developed sustainable revenue generating activities (where possible / where applicable)
Financial Management	You have none or very limited financial planning You have no or little measurement/monitoring of financial	You have limited financial plans & monitoring You have started developing risk management procedures You have transparent, clear and consistent financial activ-ities You have a budget approval process in place	You have strong financial skills You have an accurate, transparent and efficient financial reporting system You have risk management systems in place You have a budget process in place, that is transparent and fully tracked You have auditors performing an annual audit You built a feedback loop, in which the learnings from the budget exercise inform management	You have high levels of financial competence, You have a full, tested and completely operational financial management and reporting system You have effective risk management You have very solid financial plans, continuously updated; Budget is integrated in the organisation as a strategic tool
Organisational Resilience				
Human Capital Support	You are a committed, driven entrepreneur, but your organ-isation has no real CEO and management team There is a lack of HR planning activities and expertise / experience (either internal or accessible external)	You are hiring the CEO and the members of the management team You have a recruitment plan for medium-term You have developed some ability to develop a high-level HR plan either internally or via external assistance, although the HR plan is not linked to strategic planning activities	Your organisation has a strong CEO focused on performance, and a strong management team You have the ability to develop an HR plan and revise on regular basis, linking it to strategic planning You have a plan for the development of staff competences	You have a highly-effective CEO and management team You have a concrete, realistic and detailed HR plan Your staff is successfully trained on basic and advanced skills and there is a training protocol in place The HR plan is tightly linked to strategic planning activities and systemati-cally used to direct HR activities
Governance Support	There is no governance in place	You have a preliminary Board, but still limited diversity and little / no relevant experience The Board has regular, purposeful meetings There is a good information flow from the organisation to the board	You have a full-strength Board with most competences represented and good diversity The Board has a good planning and management of meetings There is a good information flow between organisation and BoD	You have a highly effective Board providing strong strategic direction

Step 3: Developing the non-financial support plan

STEP 3: DEVELOPING THE NON-FINANCIAL SUPPORT PLAN



Once the in-depth needs' assessment is complete, the VPO and the SPO need to go together through a process of **prioritisation and matching**, by which the areas of development of the SPO that require more urgent development (i.e. where the risks are higher) are identified, using as a starting point for the discussion the needs' assessment tools developed by each party and the offer of the VPO is matched with the needs of the SPO.

The act of resetting aspirations and strategy is often the first step in dramatically improving an organisation's capacity, which is why the prioritisation exercise is so important.

The matching process guarantees that the **non-financial support is correctly tailored** to the needs of the investee and that it really adds value. The need for non-financial support has to be demand-driven to guarantee success. For non-financial support to be successful, the SPO needs to be convinced that it will be beneficial for its organisation and should be voluntarily accepting the support. When the non-financial support is imposed on the SPO, there is a risk that the SPO becomes too dependent on the VPO, relying too much on the VPO even for daily operations, rather than learning itself how to develop. Such a co-development also helps guaranteeing that the non-financial support provided is coherent with SPO needs.

The VPO assesses which tools are available to tackle the needs of the SPO and allocate VPO's and SPO's time and resources to offer and implement the proposed tools.

One comment made by an investee during our interviews was that it is important that the VPO does not impose the support and the requirements, but that the decisions are taken together by the VPO and the SPO. Another investee mentioned that it once was in touch with a potential funder, but it decided to decline its (financial and non-financial) support because the VPO was exaggeratedly trying to impose its views in terms of what was needed and what was not.

STEP 3: DEVELOPING THE NON-FINANCIAL SUPPORT PLAN

Currently, to manage expectations some VPOs sign an agreement with the SPO establishing what kind of non-financial support the VPO is expected to offer and what kind of non-financial support the SPO needs and wants. Other organisations use other tools, such as the Balanced Scorecard used by Inspiring Scotland.

During the deal-structuring phase, **Acumen** and the SPO develop a joint long-term roadmap. Under this roadmap, key drivers and milestones are identified. If the SPO lacks the skills or capacity to achieve the milestones, the VPO will help the SPO by offering non-financial support. The capability assessment is made at the beginning of the investment and then revisited with management quarterly. The SPO and Acumen will prioritise needs based on SPO's key milestones and strategic funding requirements. Acumen provides non-financial support to those SPOs that have a skills or capacity gap.

By matching the needs' assessments and prioritising areas of intervention, the VPO and the SPO create the **"non-financial support plan"**.

The non-financial support plan

For each development area that has been identified as core to tackle, the non-financial support plan includes:

- The baseline
- The goal
- The milestone(s) (including the timing for the achievement of the milestones)
- The outcomes
- The support the VPO will provide to the SPO to achieve the planned milestones
- The deliverables

With the term **"baseline"** we refer to the initial situation the SPO is in. The baseline is the result of the needs' assessment performed in Step 2 and is the initial known value which will be used for comparison with later data. As evaluations are meaningful only if the results are assessed against a **baseline**, it is recommendable that the VPO and the SPO agree on which number constitutes the baseline against which to measure the results of both parties' efforts. Ideally, the baseline would include a 'do nothing' forecast of where we might expect the SPO to be at the end of the intervention if it had not taken place (natural growth). The baseline is the result of a discussion of the VPO and the SPO based on their independent needs' assessments. Aligning on needs' assessments at the beginning of the relationship helps **clarifying expectations**, putting the basis for an honest and open relationship between the VPO and the SPO.

STEP 3: DEVELOPING THE NON-FINANCIAL SUPPORT PLAN

The **"goal"** defines the final objective the SPO is expected to achieve by the end of the investment period on the specific core area of development[64]. The **milestone(s)** mark the major progress points that must be reached to achieve the final goal. Each milestone should be linked to a specific **timeframe**, which will allow the VPO to monitor the progress of the SPO during the investment management phase and to take corrective actions if needed. Goals, milestones and timeframe need to be realistic, and need to be chosen in agreement with the SPO.

Outcomes are defined as the changes, benefits, learnings or other effects (both long and short term) that result from the activities. The column with the outcomes should be used to keep track of the achievement of the goals by the SPO, once the non-financial support plan is rolled out in Step 4.

The VPO and the SPO agree on **what support is needed** for the SPO to achieve the milestones and – ultimately – the goal. The decision on the type and intensity of the non-financial support provided will depend on the results of the needs' assessment, while the decision of **how the non-financial support is provided (**i.e. internal versus external resources) will be based on the strategy (i.e. the assessment of what is core) and the resources of the VPO. The capacity builder as well as the SPO must be clear about **how the support provided makes the difference**.

The **deliverables** column is the part of the non-financial support plan aiming at collecting information on what internal and external supporters have delivered to the SPO. If, for example, a consultant is engaged to develop the VPO's fundraising strategy, the non-financial support plan shall record if and when the fundraising strategy document has been delivered and where it can be found, so that all members of the VPO, the SPO and future consultants can have access to it, if needed. By keeping this column updated, the VPO can have a powerful **tool to share information** on the developments and performance of the SPO and on the non-financial support delivered, among all the people that come in touch with the investee, as the plan helps keeping track of what has been discussed, what is happening, what the issues are, who delivered what and when, etc.

An example of the non-financial support plan is presented in the table below.

64 Support on the process to be followed to set goals, milestones, timeframes and outcomes can be found in EVPA's report: **Hehenberger, L., Harling, A-M., Scholten, P.** (2015). "*A Practical Guide to Measuring and Managing Impact*".EVPA.

STEP 3: DEVELOPING THE NON-FINANCIAL SUPPORT PLAN

Table 3: The non-financial support plan *(Source: EVPA)*

Capability	Derived from discussion **on needs' assessment** in Step 2 (matching VPO's and SPO's views)					Monitoring (for Step 4)	Derived from **needs' assessment** (Step 2) and **NFS mapping** (Step 1)	From the **VPO's asset mapping** (core VS non-core) in Step 1	Monitoring (for Step 4 and Step 5)
	Specific need of the SPO	Priority for SPO? (1 to 3)	Baseline	Goal	Milestone	Outcome	Mapping NFS needed to achieve milestone / objective	Who provides it?	Deliverables
Social Impact							**Social Impact**		
Theory of Change and Impact Strategy									
Impact Measurement									
Financial Sustainability							**Financial Sustainability**		
Fundraising	The SPO has limited access to multiple categories of funders	1	70% of SPO revenues coming from VPO's investment	< 30% of SPO revenues coming from VPO's grant	50% of SPO revenues coming from VPO's grant by the end of year 1		• Assistance securing funding from other sources • Networking with potential funders and government • Practical support with fundraising • Fundraising advice or strategy	Core and in-house expertise → VPO staff	
Revenue Strategy									
Financial Management	The SPO has limited financial plans & monitoring	2	Financial planning and reporting tool insufficient	Fully fledged financial planning and reporting system in place by the end of the financing period	Have a version of tool X tailored to the SPO CFO capable of using the tool by the end of year 1		• IT support to develop the tool in line with the needs of the investee • Train the CFO to use the tool	Core but very specialised → External paid consultant	Tailored too by [DATE] CFO training: 2 days / month for 5 months
Organisational Resilience							**Organisational Resilience**		
Governance Support									
Human capital Support									

STEP 3: DEVELOPING THE NON-FINANCIAL SUPPORT PLAN

The plan needs to be sufficiently **flexible** to accommodate for variations in the needs of the SPO and for periodical revisions of the goals. The non-financial support plan should be seen as a roadmap, giving an overview of the SPO's future. Anything can happen in the course of the investment, so the VPO and the SPO need to be flexible, not allowing the non-financial support plan to limit actions, and allocate the resources necessary to allow for changes which might occur during the investment period, and for specific needs of the SPO that might become apparent during the investment management phase. The frequency with which goals are revised needs to be agreed with the SPO when the deal is structured.

As in all steps, **transparency** and **communication** are of crucial importance. The VPO needs to be transparent as to what can/cannot be delivered in terms of non-financial support and communicate it clearly.

It is important that the plan is **proportionate** to the capabilities of the SPO, to avoid frustrations and guarantee that the milestones and goals are met.

Once the non-financial support plan is ready, the VPO and the SPO review it to assess if the plan is feasible in terms of capacity and if the VPO has enough resources to deliver the non-financial support.

Guidelines to assess feasibility of non-financial support plan

- Is this plan feasible in terms of:
  - Time?
  - Financial resources available: How much does it cost to provide different levels of non-financial support? Can we afford it?
- Background and preparation of the internal staff:
  - Do we have the right staff? The right skills?
  - How can we develop the skills of the staff do deliver our non-financial support strategy?
- Available pro-bono and low-bono supporters (network and ecosystem):
  - When do we bring in external contributors?
  - What are the upsides and the downsides of bringing in external contributors in relation to our strategy?
  - How tightly do we need to manage external contributors to maximise effectiveness? Can we allocate a person to manage external contributors?
- Things to keep in mind:
  - It is also about HOW you offer the services; they should be open, honest and powerful
  - The aim is to develop a free communication and realistic expectations, and a sincere and transparent relationship; i.e. do not be afraid to "fail", ask for help and support, etc.
  - Create communities to overcome the difficulty in finding excellent consultant experts

The VPO and the SPO develop the non-financial support plan in the **deal-structuring** phase, during which the VPO and the SPO set **legal agreements** about the social and financial targets the SPO has to achieve, the possibility for the VPO to take a board seat, and the support and

STEP 3: DEVELOPING THE NON-FINANCIAL SUPPORT PLAN

advice the VPO will be providing to the SPO to help it strengthen on the three dimensions of social impact, financial sustainability and organisational resilience. The provision of non-financial support must be included in the deal signed with the SPO and linked to the impact measurement system.

The documents signed should be clear and binding for both parties, and define the terms and conditions of the investment, including the agreement financial and impact targets, the terms and conditions for the SPO, and all that has been agreed in the non-financial support plan. If the provision of non-financial support is trying to deepen the social impact of the SPO, the VPO may require additional metrics to achieve the targets set[65].

At **Investir&+**, the SPO is introduced, before the investment, to the person who will be taking up the advisor role so that there is a mutual agreement on that. Additionally, Investir&+ asks the SPO to sign an agreement between the SPO and the VPO on the non-financial support which will be given. Although not legally binding, the signature stipulates the mutual agreement and engagement of the VPO and the SPO.

If agreed and shared by the two parties, the non-financial support plan is a powerful tool for both VPO and SPO to show a mutual engagement. Although not legally binding, the non-financial support plan can act as a "**charter of engagement**", which can be used by both parties as a pressure point toward the other to ask for delivery of results or of support. The charter of engagement defines roles and responsibilities for the VPO and the SPO, the frequency of the meetings between the two parties and with the external consultants, etc.

Recommendations for managing non-financial support

- Co-develop with the SPO a detailed non-financial support plan. For each development area that has been agreed as priority to tackle, the guide recommends that the non-financial support plan includes the baseline, goal, milestones, and target outcomes for the SPO.
- The plan should also include the details of the support you will provide to the SPO to achieve the planned milestones, and the concrete deliverables, e.g. an impact measurement system developed.
- Both parties should formally engage in fulfilling their part of the non-financial support plan, and to flag potential issues or problems as they arise, allowing the plan to be flexible.
- It is good practice to present the non-financial support plan as a part of the documents signed in the deal structuring phase, so that it represents a **"charter of engagement"**, which can be used by both parties as a pressure point towards the other to ask for delivery of results or of support.

65 For more detail on impact measurement systems, see: **Hehenberger, L., Harling, A-M.,** and **Scholten, P.** (2015). "*A Practical Guide to Measuring and Managing Impact*". EVPA.

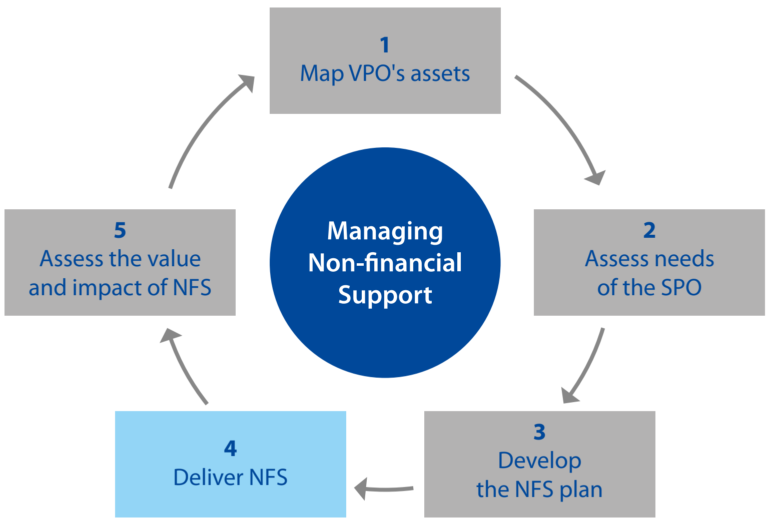
STEP 3: DEVELOPING THE NON-FINANCIAL SUPPORT PLAN

Tool #5: The non-financial support plan *(Source: EVPA)*

Capability	Derived from discussion **on needs' assessment** in Step 2 (matching VPO's and SPO's views)					Monitoring (for Step 4)	Derived from **needs' assessment** (Step 2) and **NFS mapping** (Step 1)	From the **VPO's asset mapping** (core VS non-core) in Step 1	Monitoring (for Step 4 and Step 5)
	Specific need of the SPO	Priority for SPO? (1 to 3)	Baseline	Goal	Milestone	Outcome	Mapping NFS needed to achieve milestone / objective	Who provides it?	Deliverables
Social Impact						**Social Impact**			
Theory of Change and Impact Strategy									
Impact Measurement									
Financial Sustainability						**Financial Sustainability**			
Fundraising									
Revenue Strategy									
Financial Management									
Organisational Resilience						**Organisational Resilience**			
Governance Support									
Human capital Support									

Step 4: Delivering non-financial support to the SPO

STEP 4: DELIVERING NON-FINANCIAL SUPPORT TO THE SPO



VPO's Delivery Models

Depending on the type of non-financial support to be delivered, the VPO can opt for a number of delivery models, which include:

1. Taking a seat on the board of the investee
2. Providing coaching and mentoring
3. Organising trainings, workshops and boot camps
4. Taking the SPO to conferences and other external events
5. Offering access to networks
6. Externalising the provision of non-financial support to intermediaries

1. Take a seat on the board of the investee

Many European VPOs take a **seat on the board** of at least some of their investments, to be able to follow closely the developments and advise the strategy of the SPO. Additionally, taking a seat on the board can be a way to support SPOs developing an appropriate governance system, in those cases when it is not already in place.

By **taking a seat on the board of the SPO**, the VPO provides an objective balance of views that helps the SPO make sound decisions. I&P[66] always takes a seat on the board of its investees to provide strategic advice, even if it implies extensive travelling for its investment team.

66 http://www.ietp.com/

STEP 4: DELIVERING NON-FINANCIAL SUPPORT TO THE SPO

Taking a board seat provides a strategically placed channel for delivering value-added services to the SPO, but can generate conflicts of interests, so the VPO needs to consider this option with caution.

Board members support the SPO on different issues and, depending on their background and skills, they can support the VPO in revising its strategy, fundraising, develop financial skills, etc.

When the VP approach started, it was very difficult to secure a board seat, but the practice has become more acceptable as the added-value dimension has become more recognised. Often, especially in start-ups, VPOs take an active board seat that can almost be likened with co- entrepreneurship. There are two key questions that will drive the VPO's preferences on board representation: (i) Can we really add value to the board and is it useful for us? (ii) Do we have the capacity to do this? The decision will often depend on the size of the investment and its importance within the VPO's overall portfolio. In addition, VPOs considering taking a board seat will need to think about how they will handle conflicts of interest (when re-investment is on the agenda, for example). The VPO should try to anticipate such situations up front and plan its approach accordingly. Using different people to take on the roles of portfolio manager and board representative can help[67].

The decision on whether or not to take a board seat will depend on the level of engagement the VPO wants to have in the SPO. Taking a seat on the board of the investee implies a high involvement of the VPO in the governance of the investee organisation, thus some VPOs are starting to consider alternative practices to organise the involvement in the governance by the VPO.

Some of the options proposed are:

- Board role claimed by VPO and filled by the VPO staff
- Board role claimed by VPO, and filled by external person (volunteer or paid)
- Observer seat to the board by VPO staff (possibly in combination with a board seat filled by external person assigned by VPO)
- No board seat at all, but monitoring and coaching through funder role
- Monitoring and coaching through a separate arrangement outside of board participation
- …

For each SPO, **Investir&+** allocates two people to provide non-financial support: one at the board of the company for strategic topics and one as the "entrepreneurial coach or mentor" of the manager to accompany him/her in its "entrepreneurial life".

67 **Balbo, L., Hehenberger, L., Mortell, D.,** and **Oostlander, P.** (2010). "*Establishing a Venture Philanthropy organisation in Europe*". EVPA.

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2. Providing coaching and mentoring

Mentoring is very important for all types of SPOs to develop the managerial capabilities that SMEs often lack. The BMW Foundation highlights the crucial role played by **mentoring**[68] in strengthening the investees' organisational capabilities.

Coaching and mentoring often take the form of one-on-one interactions between a member of the SPO's team (often the CEO or members of the management team) and a coach who is a knowledgeable and experienced practitioner on a specific topic or thematic.

Yunus Social Business offers coaching and mentoring activities to SPOs in its accelerator programme. Entrepreneurs, business professionals, university staff and social experts support entrepreneurs with personal expertise throughout the programme. Mentors and coaches are selected and matched according to the strengths and weaknesses of the social entrepreneurs. The main roles of the coaches are:

- To ask critical questions and help entrepreneurs answer some of their own questions.
- Guide entrepreneurs throughout the process
- To support the entrepreneur's personal development (leadership, team management, etc.)
- To inspire participants by providing insights from personal experiences, while providing the opportunity to ask questions and exchange on successes and failures
- To give general guidance and advice to the entrepreneurs, provide insights about market and industry
- To have a say in the advancement of the entrepreneur within the accelerator[69]

3. Organising trainings, workshops and boot camps

Training sessions are offered to develop the SPO's specific useful competencies. Often offered to **groups** of social entrepreneurs, trainings have the specific goal of **improving** the social entrepreneurs' **capabilities, capacities, productivity** and **performance**. The trainers are experienced practitioners who bring in first-hand knowledge to inspire the social entrepreneurs. Trainings do not necessarily need to be about business skills, but can also be about "soft" skills, such as mindfulness, life-work balance, etc.

The choice of which training to offer to the SPO shall be always based on an agreement made by VPO and SPO, and not imposed, as stressed by one of the investees interviewed.

Trainings can be offered on a large number of topics, from product development to people management, from communication to sales and distribution.

68 http://www.bmw-stiftung.de/en/dates-events/international-mentoring-program/
69 Source: Yunus Social Business' presentation on the Accelerator Program Albania.

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UnLtd's investees, called "Award Winners", have regular access to a range of educational events, which serve different functions depending on their stage of development and learning needs. These range from webinars and short workshop sessions on particular topics, such as legal structures, finance and measuring social impact, to longer and more intensive events. Boot camps are often used with young people, as a way to inspire and motivate them to take action. UnLtd also runs residential learning events, where UnLtd takes more experienced social entrepreneurs away for the weekend and delivers a range of support to encourage the personal development of the social entrepreneur as a leader.

In its accelerator programme, **Yunus Social Business** offers trainings in different aspects of "doing business". Experts from different fields (such as marketing, distribution, operational excellence, staffing, etc.) bring to the social entrepreneurs first-hand expertise and knowledge on specific areas and inspire them by providing insights from their personal entrepreneurial backgrounds. While the mentors partner closely with one entrepreneur or team, the experts provide insights to the entire cohort of the accelerator programme during the entrepreneurial trainings.

Trainings can also be useful to explain the basics of social investment, when the investees are new to the sector.

At **Big Society Capital**, people who are new to the field of social investment are given a three-day induction programme to get a solid overview of what social investment is, which are the most pressing social issues, products available, challenges, etc. This programme is organised on a six-monthly rolling basis and has so far gathered very positive feedback.

Another example of trainings is represented by **workshops and 'boot camps'** that are offered to applicants to learn about start-up challenges, business model, design thinking etc. and to become investment ready. Boot camps are typically addressed to early-stage social enterprises and are a useful tool not only to pass on knowledge but also to make a first assessment of the needs of the social entrepreneur and if there is a match with the offer of the VPO.

In the UK the Social Investment Business delivers a number of investment readiness programmes for SPOs. SPOs receive a grant to work with a specialist provider to support them to build their capability to bid for contracts or take on social investment.

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4. Taking the SPO to conferences and other external events

Sometimes it can be interesting for the SPO to participate in conferences where it can get in contact with potential follow-on funders and co-investors, listen to inspiring presentations, meet other social entrepreneurs and learn from best practices.

The social entrepreneur that is taken to the conference needs to be prepared to make the most out of the event. A number of organisations have been developing toolkits and courses to support social entrepreneurs developing their networking skills.

Acumen, for example, offers free courses, specifically tailored for social entrepreneurs, under the name "+Acumen"[70]. One of the courses offered – "Board Strategy for Social Enterprise" – teaches best practices to social entrepreneurs to run effective board meetings and ensure strong governance.

The European Project "**Seismic**"[71], working on engaging civil society to solve social problems, has developed the "Toolkit for Social Innovation Explorers", a toolkit for social entrepreneurs to better prepare for conferences, and make the most out of them.

One of the investees interviewed reported highly valuing having access to external events, as they give access to international experts and are excellent networking opportunities.

5. Offering access to networks

Data from the 4th EVPA Industry Survey[72] shows that 76% of SPOs provide their investees with access to networks as part of the non-financial support offered. Given the importance assigned to access to networks, and the fact that access to networks is a key characteristic of the VP/SI model, the survey asked respondents for more details on the type of networking support provided to their investees. Organisations in the same sector were the most common type of networking support provided (74%), followed closely by social purpose organisations in general (71%) and service providers (69%). Other organisations in the same industry sector and financial institutions were also important connections provided by VPOs, with access provided in 51% and 49% of cases respectively.

A study on the non-financial support practices of Inspiring Scotland reports that **networking** is highly valued and has a strong positive impact on the performance of the investee[73].

70 http://plusacumen.org/

71 http://www.seismicproject.eu/

72 **Hehenberger, L., Boiardi, P.** and **Gianoncelli, A.** (2014). "*European Venture Philanthropy and Social Investment 2013/2014 – The EVPA Survey*". EVPA.

73 **Isserman, N.** (2013). "*The Practices, Impact and Implications of Inspiring Scotland's First Five Years – An Independent Research Report on an Innovative Third Sector Financing Model*". University of Cambridge. Gates Cambridge.

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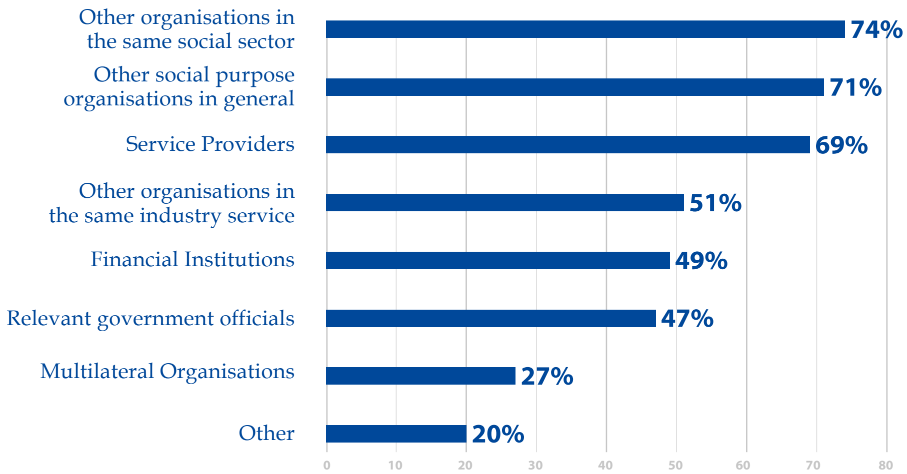

Figure 17: Type of networking support provided

n= 70, multiple choice

(Source: EVPA Industry Survey 2013/2014)

Access to networks is widely used by VPOs, as it is a very **efficient** way to providing capacity building. Networking has a very high value for the SPO and comes at a very low cost for the VPO. When offering networking services it is important to keep in mind that it is the VPO that is in charge of connecting the organisations and ensuring the connected parties make the most out of the relationship.

All the investees interviewed for this study reported highly valuing the connections provided by the VPO. Having access to the experience of other SPOs, to international experts and to new clients and markets is considered as crucial by all the SPOs interviewed to grow and scale the business.

Access to other SPOs

Another way to offer networking is by connecting SPOs with their peers. **Networking with peers** is an important learning opportunity for SPOs and can help the VPO cut the costs of mentoring.

In a study by Rob John for the Skoll Centre[74], the author reports that VP funds use informal networks as a means of delivering non-financial support services. One of the VPOs that participated in the study reported holding regular round-table events at which its portfolio organisations would present their work to a carefully selected audience, followed by table networking to problem-solve or offer other tangible support.

Peer-learning can be offered at different stages of the investment. During the investment most VPOs organise regular meetings with all the SPOs of the fund and co-working sessions to facilitate cross-fertilisation between SPOs' experiences, expertise and commercial networks.

74 **John, R.** (2007). "*Beyond the cheque – How venture philanthropists add value*". Skoll Centre for Social Entrepreneurship.

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Omidyar Network has been organising investee meetings both at global portfolio level and at regional level for the past nine years. The entrepreneurs appreciate the opportunity to learn from peers, especially if they are in a more advanced phase of development.

Investir&+, a French VPO, organises **mirror meetings** during which investees help each other and learn from each other and puts the potential investee in contact with SPOs that are already in the portfolio and are receiving non-financial support from the VPO so that they can have real examples of the benefits of the non-financial support.

Similarly, **Investiseurs et Partenaires (I&P)**, another French VPO, provides the SPO it supports with a number of networking opportunities for **peer learning**. First of all, I&P gives its investees the opportunity to share experiences within companies in the same field. Second, I&P organises a meeting for all investees in Paris once a year, during which they can share knowledge across sectors. I&P's role is thus to enable the networking between the social entrepreneurs, by connecting those who seek advice and those who offer it.

Once an organisation has benefitted from going through the Theory of Change process and remodelled its solution, **peer learning** can be a useful way to provide very **specific** learnings, which is what a more advanced SPO needs.

Reach for Change also promotes peer learning. "*Change Leader sessions*" are inspirational peer-to-peer sessions in which the entrepreneurs are given the opportunity to be in touch and work together to strengthen their knowledge and confidence. For start-up and very early stage Social Entrepreneurs, these sessions can particularly useful, as they are often working alone or with very small teams, and it can be very useful for them to meet with peers that are taking the same "journey", to collect valuable advice and share success and failure stories and experiences.

Some learnings are hard to codify and thus to provide in a training session, which makes **peer learning** a more effective way to deliver knowledge. This is the case of VPOs operating in **many different countries** needing to deliver the non-financial support consistently across highly diversified markets.

Reach for Change also connects entrepreneurs in different regions and around specific themes. An example is the "*Storytelling Workshop*" where social entrepreneurs from multiple regions got together for a peer-to-peer learning session. In these sessions social entrepreneurs worked together to develop their impact storytelling skills, and learned from each other by sharing inspiring stories of the impact they are creating. Additionally, events like these helps Reach for Change create a kind of "family spirit" among the Social Entrepreneurs in their network.

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A large number of VPOs remain in contact with the investees **post-exit**, and continues providing non-financial support even after the relationship is over. VPOs, for example, organise peer-learning events, where social entrepreneurs in the portfolio learn from each other and alumni networks. The depth of the relationship VPOs have with their investees post-exit depends on a number of factors, including the resources the VPO can use for the post-exit phase, the follow-on investors and the stage of maturity of SPO. To foster learning from peers and to ensure the learning continues even **after the VPO has exited** the investment, some VPOs such as Den Sociale Kapitalfond in Denmark and FERD in Norway have set up Alumni networks. For the investee, showing a link with the past investor and being able to say the VPO supported it can facilitate **access to follow-on funding**.

Access to service providers

Networking outside the portfolio can bring access to additional skills, i.e. access to **high-quality professional support services** and technical capabilities that the VPO is not able to provide itself. One investee defined the opportunity to get access to service providers as the "muscle around the bone" of the VPO's offer, where the bone is the financing offered.

The many "gates" that block charities, especially smaller charities, from accessing professional support services are often opened in the Inspiring Scotland relationship, not least by Inspiring Scotland's cultivation of a network of more than 150 firms and individuals that provide the services on a pro-bono basis.

Reach for Change puts the social entrepreneurs in touch with advisors. Entrepreneurs are partnered with one to three business experts from within the partner company, and with whom they meet to discuss the issues the SPO is encountering. Additionally, Reach for Change organises intensive problem-solving workshops with business partners for the social entrepreneur.

Approximately 20% of active **UnLtd** investees receive mentoring or pro-bono support brokered and supported by the VPO's Volunteer and Pro-Bono team each year. In 2013/14, this support was worth £1.5m. "Mentoring" and "specialist technical advice or support" are essentially volunteering and pro-bono work. SPOs are connected to pro-bono supporters, normally from corporates, to provide additional support to social entrepreneurs, also in the form of coaching and technical expertise. Pro-bono supporters are also mobilised on a larger scale to provide solutions for broader technical issues, such as legal advice or financial advice.

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Networking with other actors

SPOs can benefit from networking not only with peers, but also with **funders**, potential **partners** and **public sector actors**, who can be highly instrumental in finding follow-on funding and scaling.

Another important networking opportunity comes from giving the SPO **access to markets**. SPOs largely value getting access to potential customers, but also getting help reaching out to customers very early on. In addition, VPOs report having seen value in helping SPOs get the best out of their suppliers by acting as helping them to negotiate discounts and/or trade financing.

In the case of **Yunus Social Business**, the VPO helps the SPO look for additional resources in the form of co-financing with additional investors. This comes on top of industry expertise, business acumen and mentors that YSB provides during the accelerator program, so pre-due diligence.

One element of the networking offered by the VPO is represented by the **recognition** and **credibility** coming from having been supported by a renowned and credible organisation can help scale up and gain access to networks. For example, Den Sociale Kapitalfond in Denmark can offer its investees the "approval" stamp of the renowned Danish foundation TrygFonden. For the investee, being able to say the Foundation supported them can facilitate access to follow-on funding.

6. Intermediaries

Intermediaries are organisations that provide technical support in specific areas of development of the SPOs, against the payment of a fee. Typically, intermediaries provide operationally-focused advisory services to help the SPO plan and achieve growth. All the support is provided in-house, so that the quality of the services offered is guaranteed.

Examples of pro-bono networks and intermediaries

- BMW Foundation → Pro-bono Summit and Global Pro-bono Network → Share best practices and avoid reinventing the wheel
- Passerelles & Compétences → Identify the competences needed by SPOs and find the best volunteers to support
- Stichting Laluz → Connect professionals and SPOs through project-based collaborations in NL
- ProBoneo → Connect professionals to not-for-profit organisations for specific projects

Both VPOs and SPOs can revert to intermediaries to look for support.

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Typically, **VPOs** reach out to intermediaries when there are specific/technical needs that it cannot provide in-house or through their network of supporters. Additionally, intermediaries are essential when the VPO has not enough resources to allocate to the delivery of non-financial support. Hiring a full-time staff member to manage the pro-bono supporter is not always possible, as it is very costly. For this reason VPOs often resort to intermediaries, who help finding the right expertise that matches the need of the SPO. Intermediaries such as Empact[75] and Toolbox Foundation[76] manage the SPO–pro-bono services relationship for funders and offer a host of other services to increase efficiencies as needed.

In other cases intermediaries act as the middle-men between **SPOs** and professionals who would like to donate skills and know-how pro bono. In such case the relationship between the intermediary and the SPO is effectively a partnership, in which the intermediary spends a large amount of time supporting the SPO setting its objectives.

Open Capital Advisors supports social entrepreneurs in Africa, providing technical assistance to help them improve their business strategy (products, services, customers and operations)[77]. Open Capital does not provide financing directly, but supports the SPO with fundraising if needed for growth. Open Capital works both directly with SPOs (in about 50% of cases) that reach out to get support and with VPO (investors in 25% of cases and market development organisations in the remaining 25%). The advantage for a VPO in working with Open Capital is that each engagement begins with an analysis of each individual SPO to assess specific needs - this complements the needs development exercise described in this report. Once the assessment is complete, Open Capital prioritises challenges and makes a comprehensive plan on how to address them. Thanks to this in-depth one-on-one process, the support offered to tackle specific technical challenges is fully tailored to the needs of each investee, reducing costs from a broader, less targeted approach while emphasizing and delivering high quality support in the areas prioritized during the diagnostic.

75 http://avpn.asia/2015/08/11/capacity-building-how-the-intermediary-empact-provides-pro-bono-services-and-skills-based-volunteering-sbv/

76 http://avpn.asia/2015/08/12/capacity-building-toolbox-india-highly-skilled-volunteering-for-spos-in-india/

77 In practice, Open Capital helps create month-to-month long-term growth plans, implement new systems and processes, perform analyses to appropriately price products and evaluate partnerships, plan new market entries, create marketing and distribution strategies, prioritise opportunities, and plan team structure and staff incentives, among others.

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One-on-one or group?

In terms of the actual delivery of non-financial support, VPOs have experimented with different settings, from **one-on-one meetings** to **group delivery**.

> **UnLtd**, a UK based VPO, comes from a period of intensive experimentation with respect to the delivery of non-financial support. In the last 18 months the VPO has been changing its model and has moved from supporting a single SPO to delivering to groups of SPOs for some elements of its support, while still maintaining a one-on-one relationship between the Award Winner and the Award Manager. Thus currently UnLtd is codifying the new delivery models of non-financial support to apply them consistently.

It is good to have a mixed-model approach, because it is not possible to have a "one-size-fits-all" approach, but there are some aspects of non-financial support that are conducive to being delivered in a group setting, especially if you can group SPOs in terms of stage of development so that the interaction happens among peers. For example, the development of the Theory of Change and the business model seems to happen effectively when working with peers in the same organisation. Conversely, when teaching people more "technical" skills it is proven to be more useful to work one-on-one with the investee.

Grantees often learn better in **peer groups**, especially when it comes to sensitive topics they may not feel at ease discussing with the same organisation that is providing them with financial support.

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Tool #6: Delivery Models PROs and CONs *(Source: EVPA)*

	PROs	CONs
Taking a seat on the board of the investee	• Provide different skills and views • Strategic channel to deliver NFS	• Can create conflicts of interest • Risk of "doing instead of teaching" • Risk for the SPO to feel "invaded" and for the VPO to be biased
Providing coaching and mentoring	• Provide top experts' advice on a specific topic or thematic • Tailored to the needs of the investee	• Time-consuming if done in person vs risk of being "impersonal" if done remotely • Very costly
Organising trainings, workshops and boot camps	• Can be organised for groups of investees, thus fostering peer learning	• Not tailored to specific needs
Taking the SPO to conferences and other external events	• Great for networking	• The SPO needs to be prepared and go to conferences with a clear idea of the goals
Offering access to networks	• Good cost-benefit ratio • Non-invasive	• Out of the VPO's control (it is up to the SPO to make the most out of the connection)
Externalising the provision of non-financial support to intermediaries	• Brings in skills the VPO does not have • Highly customised • Holistic approach to the SPO's development	• Cost of managing the network to avoid free-riding and to guarantee perfect match SPO–consultant • Building a network of providers takes time and money

Strategic factors influencing delivery

The delivery model chosen by the VPO will be influenced on a number of factors:

- The **investment focus** (which refers to the geographical and sectoral spread of the VPO's activities)
- The **co-investment** policy
- The **size** of the investment

Table 5: Strategic Factors influencing NFS delivery

(Source: EVPA)

#	Dimension	Description	Questions
1	**Investment focus chosen**	• Geography • Sector	Does the geography/sector you invest in influence how the VPO delivers non-financial support (internal vs external resources)?
2	**Co-investing**	• Co-investment policy of the VPO	Who provides what? Does this bring challenges?
3	**Size of ticket**	• Size of assets • Amount of investment required	Does the size of the financial support provided to the SPO need to be matched with the intensity of non-financial support? Is there coherence between the amount of the investment made in and the non-financial support provided to the SPO and the "voice" the VPO has in the decision-making process?

The next paragraphs will try to answer the research questions, outlining how the characteristics listed above influence the **types of non-financial support a VPO can offer in-house and which will need to be offered by external contributors.**

Investment Focus Chosen

The chosen investment focus can impact how non-financial support is delivered by the VPO. We define the investment focus as the VPO's choices in terms of *geography* and *sector* in which to invest.

Geographical Focus

The VPO needs to take into consideration all the external elements (the "**environment**") that can have an influence on how the non-financial support is provided in each country it is active in. Business practices and legislation can differ from country to country and the VPO needs to take these differences into consideration if it wants the non-financial support to be impactful.

ERSTE Foundation, an Austrian operative and grant-making foundation, is active in the Central and South-Eastern region and runs two programmes providing capacity building to its non-profit partners: The intense three-week programme is called the **Social Innovation and Management Programme** and aims at building capacity on individual and organisational level, as well as networking on an international level.

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It targets leaders of SPOs, takes place in Vienna, and provides support to all SPOs, regardless of their country of origin. On the other hand the **Regional Programme** offers topic-based capacity building and networking on regional and national level and is designed to provide additional support in very specific areas, including locally-relevant contents to make sure that the support provided is relevant to the local context in which the SPO operates. The individual workshops of the Regional Programme are delivered in regional languages and English and take place throughout the Central and South-Eastern European region.

The *economic development* of a country has an impact on the amount and type of non-financial support the VPO *can* provide and *has to* provide. The presence or lack of a functioning *ecosystem* could influence the non-financial support a VPO has to provide and the way in which non-financial support is provided. If, for example, there are many incubators in a country or a large number of consultants and business support people, the SPO might already receive non-financial support, thus the VPO will not have to deploy the whole spectrum of non-financial support. The challenge will then be to bring complementary and value-added non-financial support, in coherence with the existing support already received by the SPO. Conversely, an SPO located in an emerging market where the ecosystem is not developed could need more non-financial support. When the ecosystem is not sufficiently developed the challenge for the VPO is to find the local partners or, in extreme cases, to decide how to provide locally relevant non-financial support using non-local human resources.

The **ERSTE Foundation NGO Academy** is active in 13 countries of Central and South-Eastern Europe and offers capacity building services to over 150 civil society organisations. One of the initial challenges of the programmes was to identify experts and institutions in all of these countries that were able to deliver state-of-the-art contents and at the same time meet the specific contextual needs in the countries. Therefore, ERSTE Foundation joined forces with the university WU Vienna and conducted a study on the needs for non-financial support as well as a systematic search for non-financial support providers and experts in each country. The results of this study served as starting point for the design of the programme as well as the identification of suitable partners. They were complemented with recommendations on content and lecturers by the investees themselves (approx. 400 participants in 2014/2015). As outcome of this process, a constantly expanding network of national and international experts could be identified and engaged in the delivery of non-financial support. It includes persons from academia, the non-profit-, and for-profit sector being experts in their fields.

A second point of attention linked to the geographical spread of the VPO's activity is the **proximity with the SPO**.

The VPO can decide whether to centralise its investments in one country or to spread its activities across multiple countries. In both cases, it is essential to have a team close to

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the SPO who can provide access to the network of country experts who understand the market and are able to advise the SPO. Indeed, 'local teams are essential for the success of the investment and for achieving impact'[78], and to better provide non-financial support the VPO needs to be close to the investee[79].

Investir&+ has a narrow geographical focus, which allows it to keep close proximity to the investees and frequent face-to-face meetings. Investir&+ is currently investing in French and Western European companies. Nevertheless, to strengthen its non-financial support capabilities and be able to accompany and support its SPOs' international expansion, Investir&+ has deployed a network of international points of contact with the aim to complete and take over the non-financial support when needed.

Although based in Switzerland, **LGT VP** has a broad geographical focus and decentralised operations in South America, Africa, India, South-East Asia, China and the UK. To be able to offer **strong non-financial support** locally, LGT VP leverages its **local investment teams** where **local investment managers** work closely with the management team of the SPO and take part in strategy meetings.

When the VPO cannot be geographically close to the investee, it is recommended[80] to:

- *Use information and communication technologies* **(ICT)**
- Foresee an extensive amount of **travelling** for the team: As I&P invests in SMEs in Africa the investment team needs to **travel extensively** (i.e. about one week a month) to Africa, to be able to guarantee a close presence.
- *Set up* **effective reporting**, which allows to identify issues when they arise, despite the distance
- *Develop good* **local networks:** One issue arising when VPOs invest in countries that are far in terms of culture is **how to manage cultural differences** – which can be an issue when providing non-financial support. The VPO might not be completely aware of the **cultural differences** that arise from operating in a different geography and this increases the risk of failure. One way to solve this problem is by finding **good local partners** who can help the VPO deliver non-financial support in a way that is aligned with the culture of the SPO.

The incubation model of **Reach for Change** works through *modules*, which can be either *core* – thus common for all entrepreneurs in all countries – and *customised* – thus developed based on the needs of each specific entrepreneur or of a specific country.

We have corporate partners who are on the ground already. Historically we have entered markets where we have a corporate partner who wants to work with us.

78 **Hehenberger, L. and Boiardi, P.** (2014). "*Learning from Failures in Venture Philanthropy and Social Investment*". EVPA.
79 **Milner, A.** (2009). "*Distance Learning – Managing International Investments*". EVPA.
80 Idem.

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Reach for Change enters a new country where it has a *local partner* who wants to start working with the VPO. Then Reach for Change recruits a Program Manager (either as a new Reach for Change employee or a consultant who can fulfil this role until it makes sense to conduct a new employee recruitment). This Program Manager is then Reach for Change's person on the ground, working with the corporate partner to set up the program, run the first campaign to find and select SPOs into the new Incubator program, etc. What is crucial for Reach for Change is to find a person who mirrors the VPO's values, who understands the local context and who is ready to take up the big challenge of (almost) starting a new branch of Reach for Change in the new country. The role of the local partner is fundamental to enter a new market, as it gives input and ideas on how to tackle specific issues in countries where Reach for Change has no specific in-house expertise. The local business partner is involved from the start in setting up the operations of Reach for Change and is in charge of looking for what capacity building is needed in the specific context and for finding additional sources of support in case there is something Reach for Change cannot provide.

Last but not least it is important to consider that there is a difference between local & foreign support -- e.g. sending in a low-bono team from Europe in some cases may be the same cost as a local consultant due to the travel costs involved, and increasingly, local consultants can deliver to international quality standards while training local staff through an apprenticeship model.

Sector Focus

The number of sectors the VPO is active in will influence the capability of its staff to provide support on specific issues and contacts with experts on specific topics. In particular, VPOs that opt for a multi-sector strategy need to keep in mind that a VPO that is a *generalist* will not be able to give very good non-financial support on sector-specific issues, contrary to a specialised VPO.

Both **Investir&+** and **LGT VP** invest through a broad range of **sectors** and **themes**. Thus, support for thematic topics has to be completed by external experts. Given the more "generalist" attitude towards sectors, Investir&+ provides its SPOs with access to commercial and expert **networks** to bring in more specific expertise and relies largely on **external experts** to provide the non-financial support it cannot bring through its team.

Having a narrow sector focus helps the **VPO concentrate its efforts and its scarce resources** on achieving a specific objective, as defined through the VPO's Theory of Change.

Impetus-PEF is a VPO committed to transforming the lives of 11–24 year olds from disadvantaged backgrounds by ensuring they get the support they need to succeed in education, find and keep jobs, and achieve their potential[81]. Thus, Impetus-PEF has

81 Source: "Impetus-PEF – introduction".

STEP 4: DELIVERING NON-FINANCIAL SUPPORT TO THE SPO

defined a very precise area of action (sector focus). Impetus-PEF used to have a much broader sector focus, but has changed its strategy about two years ago to focus on a specific target population and on two specific outcomes: (i) succeeding at education at 16[82] and (ii) keeping a job by the age of 24. This change in strategy was driven by the fact that Impetus-PEF has limited resources, prompting it to be modest in terms of what it wants to achieve. Impetus-PEF's ambition to become expert in terms of providing non-financial support and focusing on organisations serving a narrowly defined population with specific characteristics helped in this process.

Co-investment policy

VPOs that co-invest must assess whether **co-investors may provide complementary non-financial support** and if they can reach out to their networks to provide the missing skills necessary for the SPO to grow. Working with co-investors can be particularly interesting if the co-investor has the local network the VPO lacks, provided that roles and responsibilities for the delivery of non-financial support are clearly defined beforehand.

A risk working with co-investors without a local presence is that the VPO needs to do the 'job' while co-investors "free-ride". As detailed in EVPA's recent report on learning from failures, it is vitally important to be on the ground and close to the SPO to add value. If co-investors are "free-riding" disproportionately, the VPO must monitor over time if the relationship is value adding or if it can share the costs of non-financial support with co-investors and if not it may stop co-investing with that organisation[83].

Size of investment

The size of the financing, the amount of non-financial support provided and the influence the VPO has on the SPO must be aligned. If a VPO has only invested a small amount and plans to give substantial non-financial support, the business model of the VPO will be hard to support.

If the investment is in equity and the share of the SPO is small, it might be harder to advise and be listened to by the SPO, whereas having a larger share implies having a stronger "voice". In some cases investments will not be undertaken due to a lack of coherence between the "voice" (the amount invested by the VPO) and the "rights" (the level of involvement of the VPO in the SPO's operations).

In some cases, **Investir&+** refused to invest in companies where its voice in the board would have been too small, due to either the size of equity stake or the capacity of the management to listen to its investor, or where the team would not have given the VPO sufficient place in the board, so that the coherence between the voice and the rights would have been threatened to be able to provide a good and powerful non-financial support.

82 This is tightly related to the UK schooling system.

83 Hehenberger, L., Boiardi, P. (2014). "Learning from failures in venture philanthropy and social investment". EVPA.

STEP 4: DELIVERING NON-FINANCIAL SUPPORT TO THE SPO

Monitoring the delivery of non-financial support

Once the VPO and the SPO have co-developed the non-financial support plan, the plan needs to be rolled out. In order to guarantee that the non-financial support is always tailored to the current developmental needs of the investee, it is crucial to monitor the SPO's development. If the SPO is not improving on the different dimensions, there could be multiple reasons, including (i) the goals not being realistic, (ii) the support not being what the SPO needs and (iii) the SPO not being "accountable" enough for what is prescribed in the non-financial support plan. Being able to detect that the SPO is not achieving its goals as planned allows the VPO to take action in order to assess whether it is the non-financial support not being effective at the root of the problem.

The non-financial support plan is a **dashboard** the VPO and SPO can use throughout the investment to assess the achievement of the milestones, monitor the progress towards the end goal and implement **corrective measures** if the SPO is not receiving adequate support to achieve what is planned.

The plan needs to be revised periodically, to make sure the support offered is in line with the needs of the investee. The frequency of revision will depend on a number of factors, related to the internal resources of the VPO and the needs of the SPO.

As the provision for non-financial support is not set in stone, but evolves as the investee grows and changes, the non-financial support offer is **revised** based on the development of the SPO. According to our expert group it is advisable to **revise the non-financial support plan at least every six months** and when taking the reinvestment decision.

Big Society Capital and **Yunus Social Business** have a **monitoring/valuation committee** reporting data that is used for the annual portfolio review and as feedback to improve the work with each SPO. In particular, Big Society Capital has **quarterly valuation committees** during which the investee's financial and impact data are analysed. Additionally, Big Society Capital has the **"Portfolio Review Days"** where investees are asked to come in and meet the investment committee. Investees are offered feedback on how they can improve, shape their work and get better.

Reach for Change performs a needs assessment with the SPO at the beginning of the year as part of the work on creating the Theory of Change and Impact Strategy for the SPO. The SPO is then asked to report on its progress on a quarterly basis. As Reach for Change works with early-stage ventures, which tend to change and evolve quickly, these quarterly reports provide the foundation for quarterly reviews between the SPO and Reach for Change. The purpose of these reviews is to discuss progress, look at new challenges which have arisen, assess the updated needs for the quarter ahead, and then plan relevant support, from the Reach for Change team, or from its network of experts, mostly composed of pro-bono contributors.

STEP 4: DELIVERING NON-FINANCIAL SUPPORT TO THE SPO

The results of the **monitoring** constitute the learning on what works and what does not, allowing the VPO to assess whether there is a good match in terms of who provides what and how. To guarantee that the needs of the SPO are constantly monitored, the VPO can put in place several contact points with the SPO. For example, the VPO could offer two points of contact: one person on the board, and one "outsider", not present on the board but with a role of counselling towards the SPO. Having a second contact person can be beneficial especially in case one of the two contacts does not work as well as hoped.

In case of a non-match between SPO and the person providing the support, the VPO can call in a meeting to see what the issue is and – in extreme cases – look for a new consultant.

By clarifying responsibilities, the non-financial support plan keeps both the VPO and the SPO **accountable** for the results achieved and for the support provided.

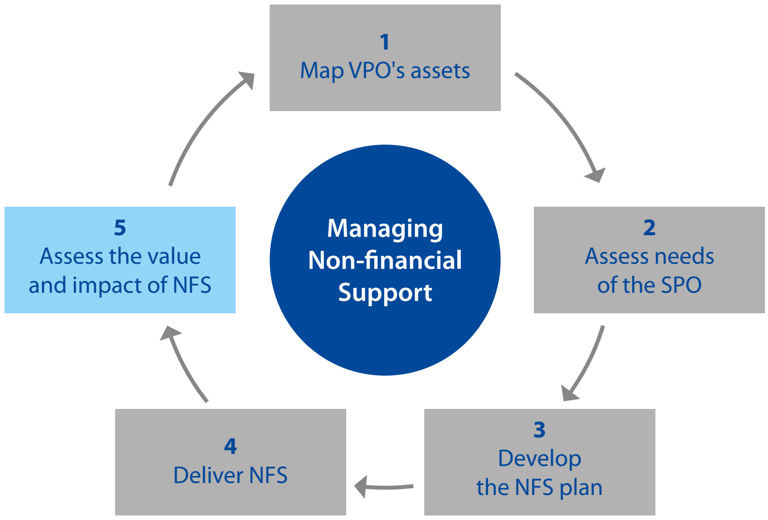
Judging the right level of support is not easy, and funders often have a tendency to remove the obstacles for the SPOs they support. As the relationship between the VPO and the SPO is often strong, the VPO must be careful when it comes to the risk of the assistance being overbearing and making the grantee dependent. However, instead of removing obstacles for the SPOs, VPOs should try to strengthen the capability of the SPO to overcome the hurdles themselves. There is a delicate balance between hands-on and dependency, so the VPO should ask itself whether it is adding value or worsening the situation.

Recommendations for managing non-financial support

- Once the deal is signed and the resources are allocated, the **investment management** phase starts. During this phase the VPO delivers the non-financial support and monitors the achievement of the milestones.
- Now is the time to start working **hands-on** with the SPO, meeting with the social entrepreneur at regular intervals to see if and how the business is progressing and where the SPO needs additional support.
- Non-financial support activities in the investment management phase include all types of **technical assistance** such as sales and marketing support, business process and management and **pipeline support**, i.e. support in finding deals and clients for the SPO and outreach to connect the SPO with potential follow-on investors.
- If you operate in many different geographical areas, it is essential to have a **good local network** that allows for an efficient and effective delivery of the non-financial support needed.
- **Patience** is crucial when delivering non-financial support as **implementation is a long-term process.**

Step 5: Assessing the value and the impact of non-financial support

STEP 5: ASSESSING THE VALUE AND THE IMPACT OF NON-FINANCIAL SUPPORT



In Step 4 the VPO develops mechanisms to assess the impact of the non-financial support it delivers to the SPO. In particular, the VPO wants to assess (i) whether the non-financial support provided helps the SPO achieve its objectives, thus having a positive impact and (ii) how the SPO perceives the value of the non-financial support it receives. The VPO needs to make sure that the non-financial support provided allows the SPO to grow and develop its internal capacity.

Four specific research questions were identified:
1. How do **VPOs measure** the value of non-financial support?
2. How do **investees value** non-financial support?
3. How to measure the **impact** and the **effectiveness** of non-financial support? How can the VPO **monitor the progress** of the SPO?

In the next sections we will analyse in-depth each of these issues, highlighting how VPOs tackle each of them in practice.

How do VPOs measure the SPOs' perceived value of non-financial support?

Once the VPO and the SPO have co-defined what types of non-financial support the SPO needs and how the VPO will provide them based on its internal organisation, the VPO needs to periodically assess if the non-financial support provided meets the needs of the investee.

Evaluation is a two-way street, so the VPO also needs to ask the SPO what the VPO could have done better.

STEP 5: ASSESSING THE VALUE AND THE IMPACT OF NON-FINANCIAL SUPPORT

Evaluations are useful to check the effectiveness and impact of the non-financial services on the SPO (measuring the effectiveness of non-financial services received and overall sense of benefits from the high level of funder engagement)[84].

In order to make these assessments the VPOs use a number of instruments, each one presenting advantages and disadvantages.

A first method to assess the perceived value of non-financial support is to conduct **annual satisfaction surveys**.

UnLtd, for example, performs a survey of all the investees at the end of their support period (typically a year), asking how they value the non-financial support UnLtd has provided, asking them to give value on a Likert scale. Similarly the Shell Foundation performs an annual customer survey to assess the quality of the pro-bono support provided to the investees[85]. **Reach for Change** asks the investees in its portfolio (also called "Change Leaders") to anonymously answer the "Change Leader Survey" at the end of each Incubator year[86]. Through this survey the VPO aims at evaluating the impact of the services offered to the social entrepreneurs in its portfolio and to assess whether they correctly appreciate the value of the services offered.

Satisfaction surveys are used to measure the satisfaction of SPOs with the non-financial support they have been provided with, and with the person who has provided the service.

Satisfaction surveys often ask SPOs to rate (on a 1 to 5 or 1 to 7 Likert scale) the one-on-one and group support received by the internal staff of the VPO, the external consultants, the effectiveness of the different delivery models and the overall satisfaction in the relationship with the VPO.

Satisfaction surveys are a measurement tool and as such provide valuable insights. However, satisfaction surveys have two main limitations. First, they are opinion-based, so not always objective, and secondly they do not provide a benchmark with other VPOs. If performed throughout the portfolio, satisfaction surveys can be used to benchmark among investees of the same funder provided that it is possible to ask the same questions to all the investees. However, as each VPO performs its own satisfaction survey no benchmark is possible among investors, which is a limitation of this type of approach.

The satisfaction surveys performed by VPOs are similar to the ones companies use when performing customer satisfaction surveys. However, as pointed out in a recent report by

84 **John, R.** (2007). "*Beyond the cheque – How venture philanthropists add value*". Skoll Centre for Social Entrepreneurship.
85 Shell Foundation (2010). "*Enterprise Solutions to Scale*". Shell Foundation.
86 http://reachforchange.org/en/impact/impact-entrepreneurs/results-2014-change-leader-development

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the Center for Effective Philanthropy[87], surveying grantees proves simply unlike surveying customers in a business setting. As it is the VPO performing the survey, the answers to the questions might not be always objective: SPOs want to continue being financed by the VPO and therefore might not be transparent when giving their opinion about the work of the VPO. After all, customers pay for a service. Grantees, on the other hand, receive money. As some with whom we have discussed this research have suggested, you can only rate a benefactor so low. An independent survey of investees from seven VPOs reported that when asked if they could reject or modify the services offered by their VP partners, 87.5% of social entrepreneurs felt their relationship was open enough to do so, although two social entrepreneurs felt it too difficult to turn down or openly discuss unwanted services[88].

Thus, VPOs and donors in general have been looking for other ways to measure the perception SPOs have of the non-financial support they provide.

Another approach to assess the perception of the investee is to ask an external, independent third party to perform an assessment of the work of the VPO among the investees. Inspiring Scotland, for example, collaborated with Noah Isserman from the University of Illinois (then at Cambridge)[89]. Noah performed an **independent study** in which Inspiring Scotland's investees evaluated 24 categories of support services 570 times. The evaluation performed by the research team was independent from the VPO, and independently funded by the (Bill and Melinda) Gates Cambridge Trust, thus providing less biased results. However, as this study was performed on one single VPO, no benchmarking can be provided. Currently, Noah is working on expanding this study to overcome the issue of benchmarking. By researching foundations in Scotland and the rest of the UK, Noah would like to assess the correlation between investees' perception of non-financial support and the impact created by the support itself.

To overcome the issue of benchmarking, VPOs can reach out to external evaluators (in most cases consultancies) performing **perception reports**. A first example of a perception report is the work of Rob John. In the report "Beyond the cheque – How venture philanthropists add value"[90], the author analyses the results of a survey among the VPO's investees that benchmarks the work of seven venture philanthropy organisations. This benchmarking evaluation is useful to check the effectiveness and the impact of the non-financial services provided by the VPO on the SPO, as it measures the effectiveness of non-financial services received and overall sense of benefits from the high level of funder engagement.

87 **Buchanan, P., Bolduc, K.** and **Huang, J.** (2005). "*Turning the table on assessment: the Grantee Perception Report*". The Center for Effective Philanthropy.

88 **John, R.** (2007). "*Beyond the cheque – How venture philanthropists add value*". Skoll Centre for Social Entrepreneurship.

89 **Isserman, N.** (2013). "*The Practices, Impact and Implications of Inspiring Scotland's First Five Years – An Independent Research Report on an Innovative Third Sector Financing Model*". University of Cambridge. Gates Cambridge.

90 **John, R.** (2007). "*Beyond the cheque – How venture philanthropists add value*". Skoll Centre for Social Entrepreneurship.

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A second example of perception report is the work of Keystone Accountability[91]. The report aims at showing the value of the non-financial support offered by the VPOs using the feedback collected from 330 investees from seven impact investors. The report uses the net promoter analysis (NPA), an approach to understanding client feedback with proven utility in the commercial world[92], to benchmark the perception of investees on a number of dimensions, including non-financial support.

A third example of perception reports is the "Grantees' perception report" (GPR) of the Center for Effective Philanthropy (CEP)[93]. The report assesses the perception of grantees based on a survey of grantees' and foundations' staff and CEOs. The advantage of this study is that it is performed by an independent evaluator and that it offers a good benchmarking for foundations. When a foundation asks CEP to perform this study, a thorough analysis of its operations is performed, and the end products are a general benchmarking report and specific reports for specific foundations. Since February 2003, the Center for Effective Philanthropy (CEP) has conducted surveys of grantees on their perceptions of their philanthropic funders both on behalf of individual funders and independently. The purpose of these surveys is two-fold: to gather data that is useful to individual funders and to form the basis for broadly applicable research reports.

The story of the GPR is one of widespread and rapid adoption of a new assessment tool that has proven to be useful at the board, senior staff, and programme staff levels. The GPR has revealed important new information for foundations about clarity of strategy and goals, consistency in process and approach, **usefulness of non-monetary assistance provided**, helpfulness of selection and evaluation processes, and intensity of administrative requirements relative to dollars awarded. This new information has led foundations to recognise and build on strengths, redress weaknesses, and even confront difficult questions of individual programme officer performance.

The disadvantage of the GPR is that as of today it exists only for foundations, and no similar experience exists for the VP/SI sector.

Attempts have been made at trying to **relate the perception** of the value SPOs place on the non-financial support received **to** objective measures of **improvement in SPO's skills**.

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91 Keystone Accountability (2013). "*What Investees Think*" Keystone Performance Surveys – Impact Investment. Keystone Accountability.

92 NPA clusters responses into promoters (scores of 9 and 10), passives (scores of 7 and 8) and detractors (scores of 0 to 6). The net promoter score subtracts the percentage of detractors from the percentage of promoters. In some industries (like airlines or banks), and for poor performing companies in all industries, negative net promoter scores are not uncommon. Great scores by companies that are well known for client-orientation (like Apple, Zappos, Enterprise Car) reach the mid-50s and above.

93 The Center for Effective Philanthropy (2010). "*Grantee Perception Report – prepared for The One Foundation*".

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This is the attempt made by a skills' broker that participated in this research project. A skills' broker is an organisation that concentrates solely on transferring skills from a professional (being an individual or part of an organisation) to a social enterprise, with the aim of strengthening the social entrepreneur and the social enterprise.

The skills' broker measured its own success by assessing:
- the average **improvement** the SPOs made in 4–5 **key skills' areas** at end of engagement (such as governance skills, ability to plan strategically, financial management skills and analytical skills);
- the average **income increase** a year after working with the skills' broker;
- the average increase in **service users** a year after working with the skills' broker.

The **data** collected for the single SPO is then **aggregated** at portfolio level, to have a view on the overall "impact" of the skills' broker. The skills' broker also measures how much the portfolio companies have improved in each skill separately, to track the progress made by the portfolio companies in each of the skills and to identify which skills are showing the highest level of improvement.

Learning from perception assessments

The results of the existing studies on the investees' perception show that investees highly value the high-engaged approach of the VPO and the non-financial services they are provided with. The reports also highlight interesting attention points and general recommendations for the VPOs that need to be **fed back** into the planning for future non-financial support.

The work of Noah Isserman on the VP practice of Inspiring Scotland shows that the VPO's support services are highly valued:
- 90% of services provided were rated as very valuable, or valuable,
- 9% slightly valuable, and
- 1% no value or negative.

Although most individual service categories were rated highly, CEO support/mentoring and some specific professional services tasks (legal, HR, change management) were especially highly valued.

Interestingly, Inspiring Scotland's investees reported that "[…] the services and support of Inspiring Scotland were more valuable to them than similar amounts of direct funding." The non-financial support provided by Inspiring Scotland improved the management capacity, the governance practices and the business planning, and did so especially for **micro and small organisations**. On their side, larger organisations were found to ask for support on a bespoke basis. Thanks to this learning the VPO assessed that its approach might be more suitable for organisations with less internal capacity and structure. However, there were

STEP 5: ASSESSING THE VALUE AND THE IMPACT OF NON-FINANCIAL SUPPORT

also found to be outsized returns to working with some large organisations that "cascaded" VPO-provided processes through the entire organisation.

The report of Reach for Change on the perception of investee of the value of the incubator programme reports similar, positive results. In 2014, **1,111 co-workers** from Reach for Change partner organisations actively engaged in Reach for Change's work. In a survey conducted with key executives in the partner organisations, **71 percent stated being very or extremely happy** with the collaboration with Reach for Change.

The illustration below shows results from the annual Change Leader survey, which Change Leaders are asked to anonymously answer at the end of each Incubator year.

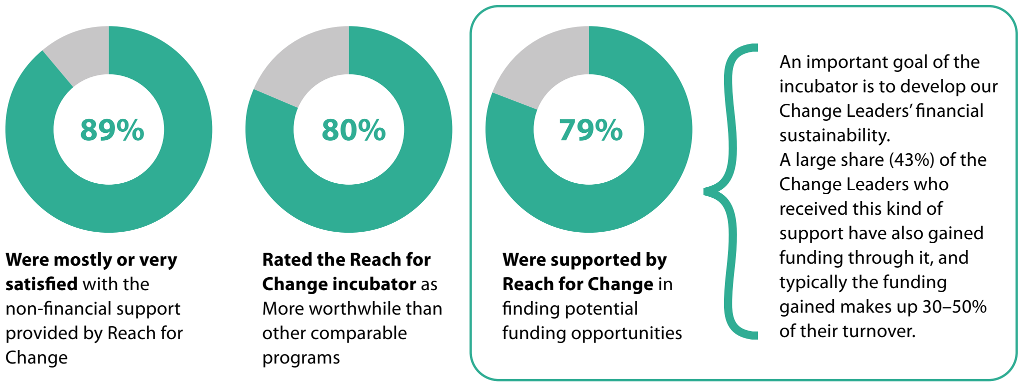

Figure 18: The results of Reach for Change's "Change Leader Survey"

(Source: Reach for Change)

Research by Rob John[94] shows similar results, pointing out that investees particularly value strategy consulting, access to networks and coaching and mentoring.

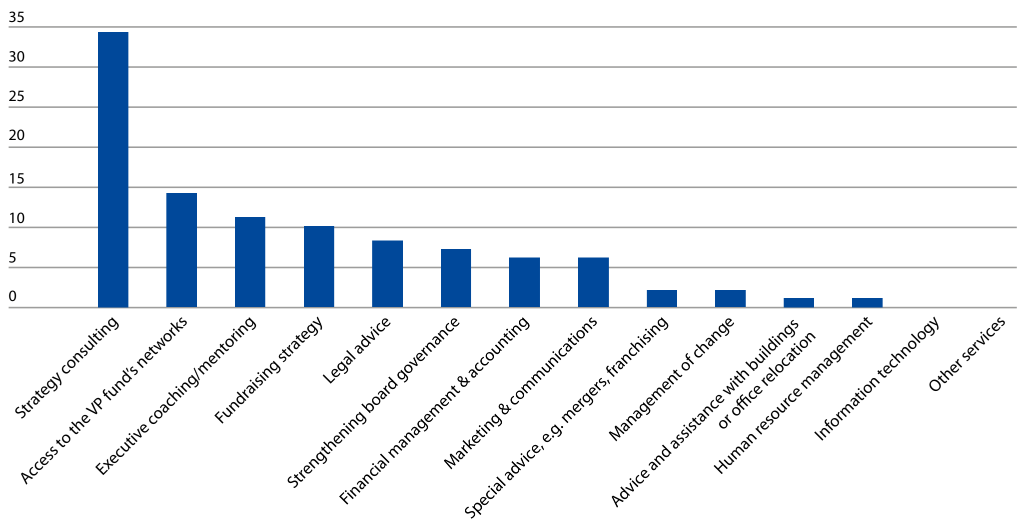

Figure 19: Value placed on non-financial services by social entrepreneurs

(Source: John, R. (2007). "Beyond the cheque – How venture philanthropists add value". Skoll Centre for Social Entrepreneurship)

94 **John, R.** (2007). "*Beyond the cheque – How venture philanthropists add value*". Skoll Centre for Social Entrepreneurship.

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Not all reports show positive results. The work of Keystone Accountability[95], investigating the perceptions of investees, showed that VPOs consider value-adding through non-financial support one of the weakest areas of the VPOs that participated in the study, showing that different methodologies can lead to very different results.

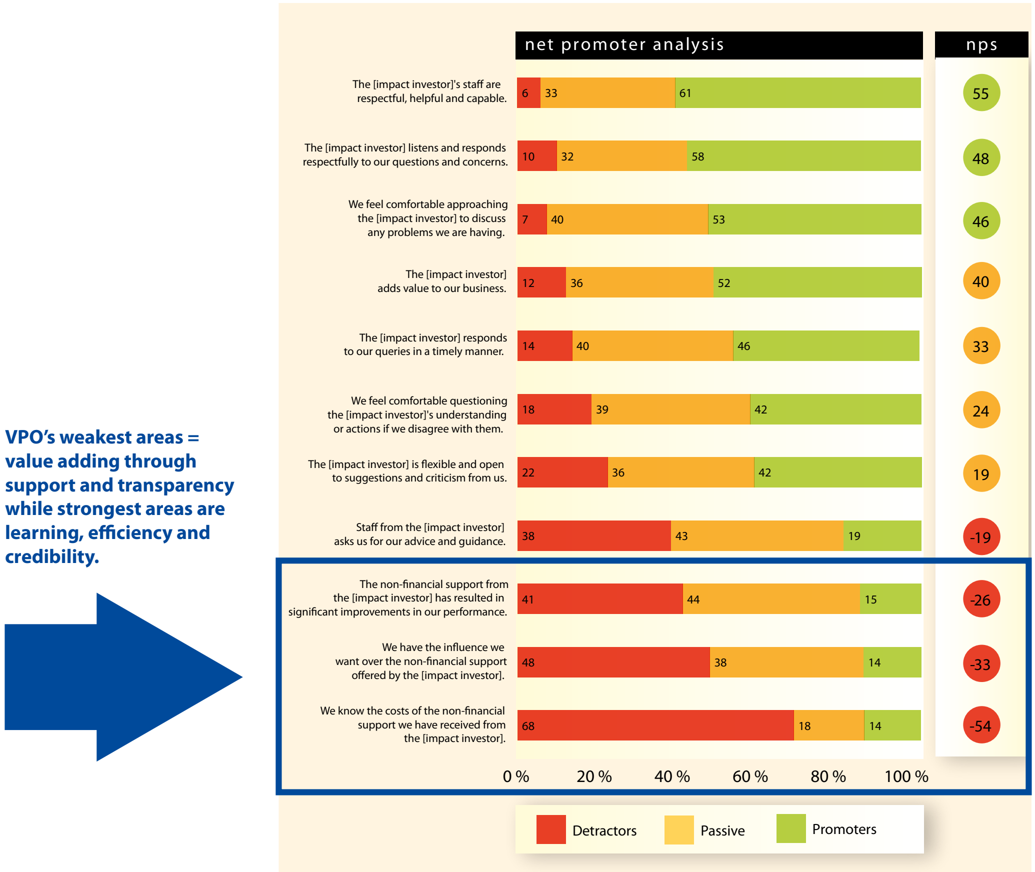

Figure 20: Net promoter analysis of the VPO's offer to SPOs

(Source: Keystone Accountability)

The studies mentioned are normally conducted on single organisations or small samples, calling for a need to conduct a more comprehensive study of a large sample of VPOs and the value of the non-financial support on their investees. Only by gathering such data will we be able to detect patterns and make stronger recommendations in terms of which types of non-financial support services are best suited for the specific needs of the investees.

Data from the investees' evaluations is used to build a **feedback loop** that informs the future work of the VPO and its **internal organisation**. Based on feedback from its investees, the VPO redefines what to provide in-house, what to co-ordinate externally, what needs to be provided local versus global, what can it provide pro bono versus what needs to be paid

95 Keystone Accountability (2013). "*What Investees Think*" Keystone Performance Surveys – Impact Investment. Keystone Accountability.

STEP 5: ASSESSING THE VALUE AND THE IMPACT OF NON-FINANCIAL SUPPORT

market rates, and in which areas it cannot offer effective non-financial support. The VPO should use the knowledge gathered as it delivers non-financial support to assess whether it has enough human resources and, if not, think about how to increase its team.

The feedback loop helps the VPO improve and change its practices. An example is featured in a recent report of the Shell Foundation[96]:

> *"Sometimes we have experienced **qualitative issues**. On the rare occasions (three out of 44 initiatives) where our partners judged the support received from Shell to be **less effective than** expected, it was mainly because the large company and systems-based experience of Shell employees was less relevant to the **flexible and entrepreneurial needs** of start-up ventures tackling social challenges. We are now working to make sure that **Shell employees supporting our partners are carefully selected and well briefed** in advance to adapt to the working environment of a small-scale start-up".*

One of the investees interviewed stated that the reporting system of its VPO can sometimes be burdensome and challenging, as the reporting comes on top of the already busy schedule of daily work. However, the investee confirmed that the data coming from the reporting system is also used to take internal decisions, thus paying back the effort made to comply with the VPO's requests.

At the time of exit it is important to make a **final assessment of the performance of non-financial support**, calculating the costs and returns of the non-financial support provided to assess efficiency and effectiveness:

1. at SPO level → The effectiveness of the support offered by the VPO and its impact (suitability and quality) + the perception of value from the grantees' side
2. at portfolio level → The cost of the non-financial support offered + link it back to the investment strategy → is the support ok? Was it brought efficiently?

Is it possible to relate the perceived value to the cost?

As outlined in the previous sections, we recommend that VPOs measure the cost of the non-financial support they offer and independently assess the value perceived by the investee – a practice that is still not widely extended although some prominent examples and methodologies exist.

However, no methodology exists yet, to the best of our knowledge, to relate the cost and the perceived value of non-financial support.

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96 Shell Foundation (2010). "*Enterprise Solutions to Scale*". Shell Foundation.

STEP 5: ASSESSING THE VALUE AND THE IMPACT OF NON-FINANCIAL SUPPORT

By linking the cost of the support provided and the impact obtained the VPO can assess the value for money, or essentially the return on investment, of the non-financial support provided to its investees and **decide what to continue providing and what not**.

As the VPO has scarce resources that need to be allocated in the most effective way, it is important to consider the problem of **additionality**[97]. It is crucial for the VPO to look at where its activities can actually make a difference and invest in those[98].

Noah Isserman from the University of Illinois has developed a research project to fill this gap, and proposes a methodology to correlate the inputs (i.e. the resources dedicated to providing non-financial support) with the outcomes generated. The objective of this research is to **measure the real impact and effectiveness** of non-financial support (value for money and value perceived by the SPO). The research project involves interviews with the CEOs of the SPOs about the value they place on developing a certain number of capabilities. The CEOs of the SPOs are asked to self-assess their development on four categories (management capacity, governance, financial sustainability, quality of delivery). The results are weighted to see which capacity is developed most.

The predictive regression model ties the support side (which includes 24 types of non-financial support inputs, twelve types of networking links and the percentage of SPO revenue provided by the VPO) to 13 types of organisational capability improvements. The sample includes 95 supported CEOs. The study is capable of tying what type of capabilities to types of organisational improvements and to identify what these improvements are, i.e. to understand what sorts of inputs drive what sorts of capability improvements and the magnitude of changes – based on opinions. To corroborate the findings in a study such as the one conducted by Isserman, we could envisage devising objective measures of the capability improvements.

A further step in Isserman's research has been to calculate the value for money of the non-financial support from the recipient's perspective. The results of the support assessment are presented back to the recipients, asking the question "Given this support cost €X would you still have that support or would you rather have €X?". The study is a pioneering attempt to link cost and impact of non-financial support.

UnLtd has also tried to calculate the value for money of non-financial support, but so far did not reach the same level of detail as in the research done by Isserman (and presented above).

97 Additionality is the property of an activity being additional. It is a determination of whether an intervention has an effect, when the intervention is compared to a baseline. 'Interventions' can take a variety of forms, but often include economic incentives.

98 Point made by Alnoor Ebrahim (HBS) at G8 presentation.

STEP 5: ASSESSING THE VALUE AND THE IMPACT OF NON-FINANCIAL SUPPORT

How to measure the impact and the effectiveness of non-financial support?

The different perception valuation experiences presented in this chapter show that:

- There is little evidence of how **rigorously and systematically** VPOs' measurement metrics are to measure the quality, impact and delivery of non-financial support

- There is **no commonly agreed practice** in VP/SI on how to measure the **perceived value** of non-financial support, including assessing whether pure grant making and other types of investors need to measure the impact of non-financial support differently

- **Different methodologies lead to very different results**, and no clear shared method and metrics exist to assess the **effectiveness** of non-financial support to boards, funders, and potential consumers

- There is the need to develop metrics which specifically measure the **quality** and **delivery** of the non-financial services offered to the portfolio

- There is the need to build a better **knowledge base** about the impact of capacity building, through the provision of required **standard measures** for organisational outcomes and a **methodology** that allows comparison across different types of capacity-building engagements and programmes, to go beyond the anecdotal evidence that currently exists

- Engaging an **external, independent party** in the perception evaluations increases the chances of collecting **reliable, unbiased opinions** from SPOs

- All the data collected so far by VPOs and external parties is based on **surveys**, thus measuring only the **perception** of the impact of the non-financial support, without matching it with (i) **actual objective measures of impact** of the non-financial support on the SPO (i.e. increase in revenues, increase in the number of beneficiaries touched by the VPO, etc.) and (ii) the **cost** of the non-financial support provided. To assess the value of non-financial support, the VPO needs to look at both the perceived value and the real developments in the organisational capabilities of the SPO (personnel skills & knowledge, governance systems, business planning, etc.). Thus, beside the subjective assessment of the improvements in organisational capabilities, more and better objective measures of the impact of non-financial support are needed, as subjective measurement approaches are plenty and valuable, but are not sufficient.

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In terms of evaluation of the impact of non-financial support, the best practice consists in a combination of:

- Third-party **perception surveys**
- **Objective measures of organisational evolution** against milestones determined at the beginning of the investments to assess how well the SPO is progressing towards achieving its objectives along the three dimensions – impact, financial sustainability, organisational resilience
- Assessment of the **cost** of non-financial support

Based on these findings we propose a tool that VPOs can use to assess the perception of value of the VPO, link it to the cost of the VPO and to objective measures of organisational improvement.

The tool helps VPOs assess whether the resources available (human and capital) are used in the most effective way to support the SPOs in the portfolio.

The tool is centred on the three objectives of the SPO: social impact, financial sustainability and organisational resilience.

The structure of the tool is explained in the figure below.

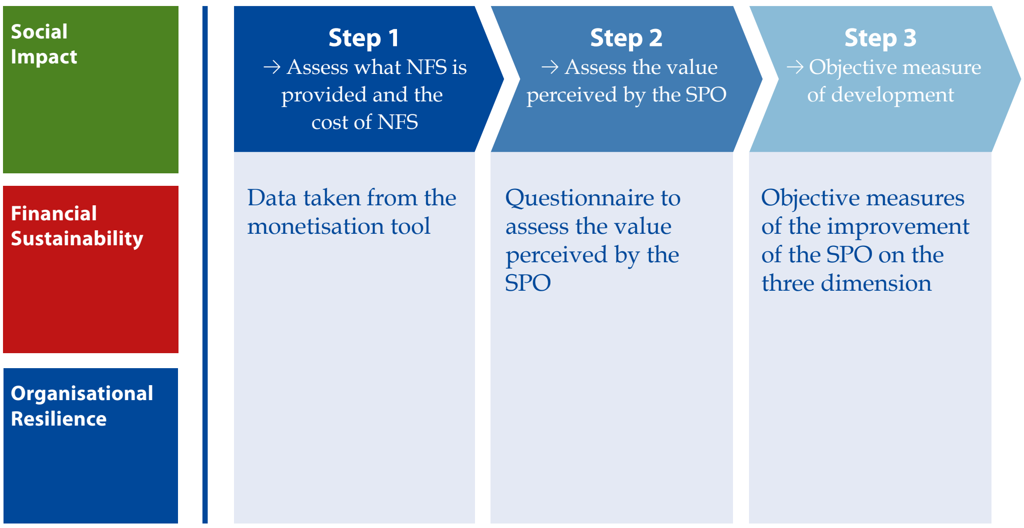


Figure 21: The structure of the questionnaire to assess the impact of non-financial support

(Source: EVPA)

STEP 5: ASSESSING THE VALUE AND THE IMPACT OF NON-FINANCIAL SUPPORT

The VPO needs to be clear about its contribution, and then evaluate the impact acknowledging that there are a large number of players providing support and measuring the impact of their support. Differentiating the single contribution of each VPO is complex, but it is still better to try to measure than not to do so. Measuring **outcomes over the long term** is important, but it is still **problematic** to **establish causal relationships** between the non-financial support the VPO provides and the support that is given by other funders or – more generally – that is received elsewhere. Additionally, the impact of the work of the VPO might only be visible years after the support is given.

Recommendations for managing non-financial support

- Keep an honest and open two-way dialogue with the SPO, about the value of the non-financial support delivered, to be able to revise – if necessary – the types and intensity of services it delivers to the SPOs in its portfolio.
- To measure the perception SPOs have of the non-financial support they are provided with, an external evaluator is recommended for more unbiased results – keeping in mind that proportionality needs to be respected.
- During the **exit** phase the VPO can provide non-financial support in the form of:
- Support to secure follow on funding.
- Introductions to third-party consultancies to support raising capital.
- At the time of exit it is important to make a **final assessment of the performance of non-financial support**, calculating the costs and returns of the non-financial support provided to assess efficiency and effectiveness.

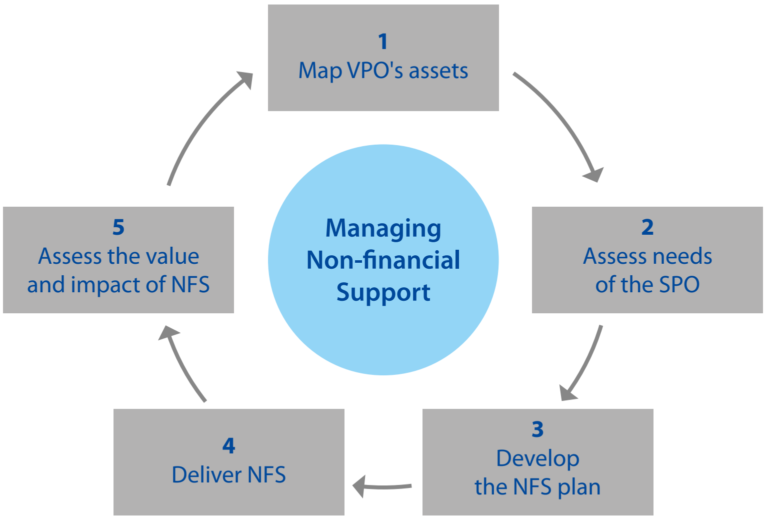
STEP 5: ASSESSING THE VALUE AND THE IMPACT OF NON-FINANCIAL SUPPORT

Tool #7: Assessing the impact of non-financial support, the perception of the SPO and the cost *(Source: EVPA)*

Capability	From **non-financial support plan** in Step 3 and monitoring data collected in Step 4			From **monetisation** tool (Step 1)			**From data collected in Step 4 monitoring the non-financial support plan**	Questions from perception survey	Derived **from non-financial support plan** in Step 3 and monitoring data collected in Step 4		
	What NFS was provided?			What is the cost of NFS?			What was delivered?	What is the value of NFS?	Has there been an improvement on KPIs?		
	Mapping NFS needed to achieve milestone/objective	Who provides it?		Monetised Cost		Total Monetised Cost	Deliverable(s)	How valuable do you think the assistance has been as compared to the monetised cost?	Baseline	Goal	Outcome
		Internal	External Contributors	Internal	External Contributors						
Social Impact							**Social Impact**				
Theory of Change and Impact Strategy											
Impact Measurement											
Financial Sustainability							**Financial Sustainability**				
Fundraising											
Revenue Strategy											
Financial Management											
Organisational Resilience							**Organisational Resilience**				
Governance Support											
Human capital Support											

Managing non-financial support

MANAGING NON-FINANCIAL SUPPORT



VPOs provide SPOs with non-financial support in order to strengthen the social impact, financial sustainability and organisational resilience. The goal of the VPO is to manage the delivery of non-financial support in order to maximise its efficiency and effectiveness. To this end, the five step non-financial support process should allow the VPO to better manage the provision of non-financial support.

To maximise the impact of non-financial support, the VPO should continuously learn from the non-financial support process, identifying and defining corrective actions if the results deviate from expectations.

This involves revising and readjusting the steps in the non-financial support process in light of the results of the needs' assessments of the SPOs in the portfolio, the revision of the strategic objectives of the VPO and the achievement of the goals set in the non-financial support plan.

To ensure long lasting impact, the non-financial support process needs to be developed as an integral part of the VPO's investment process. Throughout the document, the five steps of the non-financial support process have been related to the investment process of the VPO. In the table that follows, the components of the non-financial support process have been integrated into the overall investment process of the VPO, to assist VPOs that are trying to integrate non-financial support in the investment process.

Drawing from the recommendations on managing non-financial support developed for each step in the non-financial support process, the following elements should be taken into account when developing an investment strategy and for the investment process as a whole.

MANAGING NON-FINANCIAL SUPPORT

Table 4: Managing non-financial support in the investment process *(Source: EVPA)*

		Investment Process				
	Investment Strategy	**Deal Screening**	**Due diligence**	**Deal Structuring**	**Investment Management**	**Exit**
What?	• Map NFS and derive core/non-core NFS depending on the investment strategy of the VPO • Map assets • Assess cost of delivering non-financial support	Perform SPO's "light" needs assessment to assess whether investment opportunity fits with VPO's NFS offer	In-depth needs' assessment performed by both VPO and SPOs to assess whether investment opportunity matches the offer	Matching the needs' assessments of SPO made by VPO and self-assessed by SPO to develop the NFS plan, which should be formalised and included in a charter of engagement between the VPO and the SPO	Deliver NFS in different ways depending on the needs of the SPO Monitor achievement of the goals and delivery using the NFS plan as a dashboard Revise if significant changes are made in business model and delivery model	Assess the value and performance of non-financial support (performance of the VPO) to assess efficiency and effectiveness
Tools	• NFS mapping • Asset mapping • NFS Monetisation tool	• Needs' assessment tool ("light" version)	• Needs' assessment tool	• Non-financial support plan	• Non-financial support plan (used as dashboard to monitor the delivery of NFS) • SPO's perception surveys	• Non-financial support impact assessment
Recommendations to manage non-financial support	Core NFS delivered by internal staff (if generic) or paid/low-bono consultants (if specific)	→ Assess whether the needs for the SPO, what it needs and match the non-financial support provided by the VPO → Have a good local network if working in a different geographical area → Create a cohort of portfolio/pipeline deals that can support each other	→ Carefully select partners, based on good matching of needs and resources → Understand the needs of the SPO understand the tools available B understand the capacity of the VPO and the SPO → Transparency and communication are crucial B Be transparent as of what can/cannot be delivered in terms of non-financial support + communicate it clearly	→ Define terms and conditions, roles and responsibilities, governance and scope and intensity of non-financial support → Develop milestones and KPIs but manage expectations to ensure compliance → Integrate programs to achieve higher efficiency → Make sure non-financial support included in the deal and linked to IM system	→ Provide + measure + monitor and assess the value (linked to IM system) (perception surveys) → Develop specific intervention/delivery model for specific SPO → Have a good local network if working in a different geographical area → Keep an open and honest two-way dialogue v B e.g. BSC "Portfolio Review Days	→ Evaluate through **independent** evaluations → **Feedback loop** from investees' evaluations into **internal organisation**

MANAGING NON-FINANCIAL SUPPORT

The non-financial support mapping, the asset mapping and the SPO's needs assessment all derive from the VPO's investment strategy, which mirrors its impact objectives and Theory of Change. Then, in the deal-screening and due-diligence phase, the assessment of the needs of the SPO becomes central, as non-financial support shall be tailored to the needs of the investee. The SPO's needs' assessment and the VPO's asset mapping are then matched in the non-financial support plan, which is formalised in the deal structuring. The non-financial support plan is then used to monitor the investment and assess the achievement of the goals from the SPO and the correct delivery of non-financial support from the VPO. The non-financial support plan flags changes that need to be made to the plan itself, in case the SPO is not delivering according to the expectations. The VPO also checks the SPO's perception at regular intervals to assess whether the support delivered is in line with the SPO's expectations. At the time of exit the VPO performs a final evaluation of the non-financial support provided, by relating the cost, delivery, value and actual improvement of the SPO through the non-financial support impact assessment tool.

The **Theory of Change of the VPO** guides all its activities, from the work on impact measurement to the investment decisions and non-financial support. Thus, as the non-financial support cycle is derived from the VPO's Theory of Change, periodically the learnings of each non-financial support cycle are used by the VPO to **reassess its Theory of Change and the investment strategy**, as shown in the figure below.

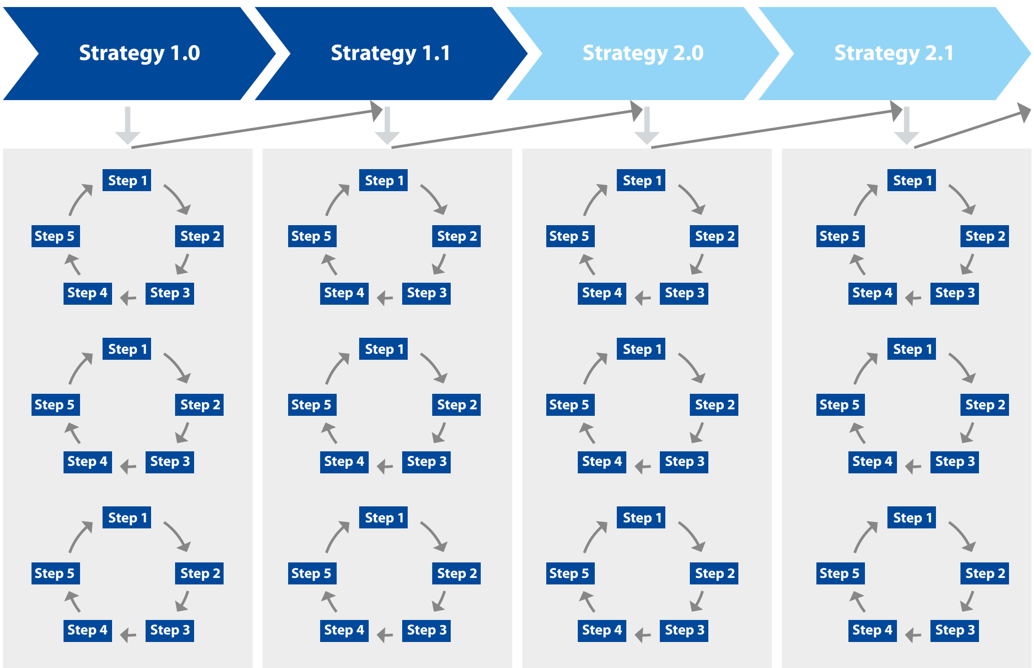


Figure 22:
The learning cycle of non-financial support

(Source: EVPA)

Conclusions

CONCLUSIONS

The first objective of this report on non-financial support was to answer four core gaps in current research, namely

- what non-financial support incorporates,
- how non-financial support is delivered to the investee,
- how the cost and value of non-financial support are measured and
- where and how VPOs add maximum value.

To address these issues we conducted extensive research on existing methods and approaches, engaged experts in the field and created **tools** that can guide the VPO towards providing non-financial support in a more impactful way.

Through the process of developing this guide, we have learned that the provision of non-financial support is the key value-add of the venture philanthropy approach, thus it needs to be handled with care. The VPO needs to reflect on what it can or cannot provide, but also on what it should provide, investing its resources where it sees the highest impact.

The next step for EVPA is to take this research to the next level, measuring the impact not only of the non-financial support but of the venture philanthropy approach as a whole. With that purpose, EVPA and its Asian sister organisation, the Asian Venture Philanthropy Network (AVPN), supported by a team of experts, are about to launch a research project that aims to provide VPOs with concrete data to be able to assess their impact on their investees and revise their strategy to improve their intervention model if necessary. Thereby, the overall impact of the VPO's work should also be accelerated by generating a learning and data-driven culture. Furthermore, EVPA and AVPN would be able to more clearly show how and how much the VP sector impacts on SPOs. It is our belief that this information will have beneficial consequences in terms of fundraising and resource inflows to the sector.

Resources

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Additional Resources

- Acumen.org: http://acumen.org/: Discover more about Acumen's investing model, investee companies and our leadership development programs
- Acumen Ideas: https://medium.com/acumen-ideas: Game changing ideas that are driving Acumen's work
- +Acumen Courses: http://plusacumen.org/courses/: Free classes customized for the impact sector, team based learning
- Balanced scorecard: http://balancedscorecard.org/
- BMW International Mentoring Programme: http://www.bmw-stiftung.de/en/dates-events/international-mentoring-program/
- Capacity building in foundations: http://www.grantcraft.org/blog/bringing-capacity-building-to-the-core?utm_medium=email&utm_source=grantcraft&utm_campaign=grantcraft20150325
- ICSF Social Replication Toolkit: http://toolkit.the-icsf.org/Home
- LGT VP ICats Programme: http://www.lgtvp.com/ICats.aspx
- Momentum for Impact: http://www.momentumforimpact.org/about/
- National programmes such as the Big Potential programme by the Big Lottery in the UK: http://www.bigpotential.org.uk/: helps organisations find their strengths and weaknesses, is free and open to everybody.
- Theory of Change: http://www.theoryofchange.org/what-is-theory-of-change/
- UnLtd: Volunteering and Pro Bono programme linking social entrepreneurs with mentors and technical specialists: https://unltd.org.uk/partners/mentoring-social-entrepreneurs/

GLOSSARY OF TERMS

Glossary of Terms

Attribution

Attribution takes account of how much of the change that has been observed is the result of the organisation's activities, and how much is the result of actions taken simultaneously by others (e.g. other SPOs, government).

Balanced scorecard

Developed by Robert Kaplan and David Norton, the balanced scorecard defines what an organisation means by "performance" and measures whether the organisation is achieving desired results. The Balanced Scorecard translates mission and vision statements into a comprehensive set of objectives and performance measures that can be quantified and appraised. The traditional balanced scorecard of the business world has also been adapted by Social Enterprise London with the aim of assisting social enterprises to examine their strategies and desired outcomes, which can be tracked over time.

Baseline

The baseline is the initial collection of data that describes the state of development of the SPO when the VPO starts investing in it. The baseline serves as a basis for comparison with the subsequently acquired data on the development of the SPO.

Beneficiaries

The people, communities, broader society and environment that a SPO seeks to reach through its activities. Beneficiaries can be affected positively or negatively by the activities of the SPO.

Corporate social responsibility (CSR)

Corporate social responsibility (CSR) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and national or international norms.

Cost/benefit analysis

A measurement of the benefits of an organisation's activities in monetary terms compared to their costs. A cost/benefit ratio is determined by dividing the projected benefits of an activity by the projected costs.

Deadweight

Deadweight is the change that would have happened anyway, i.e. the outcomes the beneficiaries would be expected to experience of the organisation were it not active. This is sometimes called the "baseline" or "counterfactual". Deadweight includes the progress or regress beneficiaries typically make without the organisation's intervention.

Deliverable

A deliverable is a tangible or intangible object produced as a result of the project that is intended to be delivered to a customer (either internal or external). A deliverable could be a report, a document, a server upgrade or any other building block of an overall project.

Expert group

The Expert Group is the group of 24 practitioners, consultants, academics and representatives from other networks who contributed to the development of this practical guide.

Financial Sustainability

The assessment that an SPO will have sufficient resources to continue pursuing its social mission, whether they come from other funders or from own revenue-generating activities.

Impact

See: Social impact.

Impact investor

See: Social investor.

Indicators

Indicators are specific and measurable actions or conditions that assess progress towards or away from outputs or outcomes. Indicators may relate to direct quantities

GLOSSARY OF TERMS

(e.g. number of hours of training provided) or to qualitative aspects (e.g. levels of beneficiary confidence).

Investee
An SPO that receives investment from a VPO or a social investor.

Investment
We use investment throughout this document as including the range of financing instruments from grants, loans to equity.

Key Performance Indicators (KPIs)
Key Performance Indicators (KPIs) are a business metric used to evaluate the extent to which the organisation has achieved a goal and factors that are crucial to the success of an organisation. KPIs differ per organisation; business KPIs may be net revenue or a customer loyalty metric, while government might consider unemployment rates.

Low-bono contribution
Low-bono contribution is the provision of a high-skilled service to an organisation upon payment of a reduced fee. Low-bono contribution involves a long-term engagement with the SPO to drive sustained change into businesses.

Monetisation
Monetisation is the process of giving a monetary value to a service obtained free of cost.

Non-financial support (NFS)
Support services VPOs offer to investees (SPOs) to increase their societal impact, financial sustainability and organisational resilience.

Organisation
For the purpose of this report the term includes SPOs and VPOs.

Organisational Capacity Assessment Tool (OCAT)
The Organisational Capacity Assessment Tool (OCAT) is a free online tool that helps not-for-profit organisations assess their operational capacity and identify strengths and areas for improvement. The tool is free of charge. It is an in-depth, online survey that allows the board, leadership and staff of a not-for-profit organisation to measure how well their organisation performs against best practices.

Organisational Resilience
The assessment of the degree of maturity of an SPO, in terms of the degree of development of the management team and organisation (governance, fund raising capacity etc.).

Outcomes
The changes, benefits, learnings, or other effects (both long and short term) that result from the organisation's activities.

Outputs
The tangible products and services that result from the organisation's activities.

Perceived value
Perceived value is the opinion of a product's or service's value. It may have little or nothing to do with the price of the product or service, and depends on the product's or service's ability to satisfy their needs or requirements.

Pro-bono contribution
Professional work undertaken voluntarily and without payment. Unlike traditional/unskilled volunteerism, it is service that uses the specific skills of professionals to provide services to those who are unable to afford them.

Pro-bono contributor
A professional who provides specific skilled support to an organisation without the payment of a fee.

Profit and loss statement (P&L)
A profit and loss statement (P&L) is a financial statement that summarizes the revenues, costs and expenses incurred during a specific period of time, usually a fiscal quarter or year.

Small and medium size enterprises
The European Commission defines small and medium-sized enterprises (SMEs) in the EU recommendation 2003/361.

GLOSSARY OF TERMS

To be an SME an organisation needs to have less than 250 employees and a turnover smaller than € 50 million (source: http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition/index_en.htm)

Social balanced scorecard
The traditional balanced scorecard adapted by Social Enterprise London with the aim of assisting social enterprises to examine their strategies and desired outcomes, which can be tracked over time.

Social impact
The social change on the target population resulting from an SPO's actions.

The attribution of an organisation's activities to broader and longer-term outcomes. To accurately (in academic terms) calculate social impact you need to adjust outcomes for: (i) what would have happened anyway ("deadweight"); (ii) the action of others ("attribution"); (iii) how far the outcome of the initial intervention is likely to be reduced over time ("drop off"); (iv) the extent to which the original situation was displaced elsewhere or outcomes displaced other potential positive outcomes ("displacement"); and for unintended consequences (which could be negative or positive).

Social investment
Social investment is the provision and use of capital to generate social as well as financial returns. The social investment approach has many overlaps with the key characteristics of venture philanthropy, however social investment means investment mainly to generate social impact, but with the expectation of some financial return (or preservation of capital).

Social investor ("SI")
An organisation pursuing a social investment approach.

Social purpose organisation ("SPO")
An organisation that operates with the primary aim of achieving measurable social and environmental impact. Social purpose organisations include charities, not-for-profit organisations and social enterprises.

Social return on investment (SROI)
Social return on investment (SROI) is a principles-based method for measuring extra-financial value (i.e., environmental and social value not currently reflected in conventional financial accounts) relative to resources invested.

Theory of change
A theory of change defines all building blocks required to bring about a given long-term goal. This set of connected building blocks is depicted on a map known as a pathway of change or change framework, which is a graphic representation of the change process.

Venture philanthropy ("VP")
Venture philanthropy is an approach that includes both the use of social investment (equity and debt instruments) and grants. The key characteristics of venture philanthropy include high engagement, organisational capacity-building, tailored financing, non-financial support, involvement of networks, multi-year support and impact measurement.

Venture philanthropy organisation ("VPO")
Organisations following the venture philanthropy approach. A Foundation can be a VPO.

Volunteer
A person who voluntarily offers himself or herself to performs a service willingly and without pay. For the purpose of this report, differently from pro-bono and low-bono supporters, volunteers offer unskilled labour.

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The European Venture Philanthropy Association (EVPA)

Established in 2004, EVPA works to enable Venture Philanthropists and Social Investors to maximise societal impact through increased resources, collaboration and expertise.

EVPA's membership covers the full range of venture philanthropy and social investment activities and includes venture philanthropy funds, social investors, grant-making foundations, impact investing funds, private equity firms and professional service firms, philanthropy advisors, banks and business schools. EVPA members work together across sectors in order to promote and shape the future of venture philanthropy and social investment in Europe and beyond. Currently the association has 214 members from 29 countries, mainly based in Europe, but also outside Europe showing the sector is rapidly evolving across borders.

EVPA is committed to support its members in their work by providing networking opportunities and facilitating learning. Furthermore, we aim to strengthen our role as a thought leader in order to build a deeper understanding of the sector, promote the appropriate use of venture philanthropy and social investment and inspire guidelines and regulations.

http://www.evpa.eu.com

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