

Beyond Demand

**The social sector's need for
patient, risk-bearing capital**

2020



Esmée
Fairbairn
FOUNDATION

Shift

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About Shift

Shift is a multi-award winning design and innovation charity that takes a collective approach to tackling society's social problems. We use design thinking, rigorous research and bold creativity to help funders and social organisations maximise their impact. We have experience across a range of areas including mental health, food, childhoods and financial wellbeing.

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Executive Summary

The role of patient, risk-bearing capital

The most game-changing and impactful innovations in the world – almost without exception – started out as highly speculative, unproven “good ideas”. These good ideas typically become a reality when the innovators behind them are able to find and secure funding – specifically funding provided by investors who are both willing and able to wait a long time for these ideas to develop into viable propositions.

Such investors are willing to share risk with innovators, accepting that not all ideas work – some may fail, some may make a loss. For those ideas that do work, the financial return and impact can be exponential. We recognise this particular type of funding as patient, risk-bearing capital – a key driving force behind much of our recent human advancement.

Social purpose organisations (SPOs) have their own transformational ideas – aimed at solving some of the toughest social and environmental problems of the 21st century. Working on a new idea or looking to scale existing operations can be tough for any organisation, but for those working in sectors trying to balance impact and sustainability, navigate the worlds of commerce and philanthropy, and earn income in underserved markets whilst innovating new, untested delivery models, the task can be seemingly impossible.

To achieve these goals, SPOs need funding that is tolerant to high levels of risk and accepting of long-term horizons; just like their private sector counterparts, they need patient risk-bearing capital. In return, investors can enable potentially world-changing ideas to be tested, validated, and supported – and those that work, deliver impact at scale.

Do social purpose organisations really have no need for patient, risk bearing capital? Or is something happening to stop them seeking it out?

A case for new research

Despite the logical fit for SPOs, there has been very little demand for patient, risk-bearing capital in the social sector to date. The data suggests that few SPOs want it and, as a result, investors have focused on other forms of funding – mainly short-term debt to provide working capital or acquire assets. But Shift’s experience of building social impact ventures doesn’t tally with the data. We’ve spent five years seeking patient, risk-bearing capital in order to test venture ideas in market, drive customer traction, and build robust evidence of impact. All this poses the question: do SPOs really have no need for patient, risk-bearing capital? Or is something happening to stop them seeking it out?

Shift joined forces with CAF Venturesome, UnLtd and Esmée Fairbairn Foundation – three progressive funders similarly interested in exploring these issues – to put these questions to the social sector. Together we formulated the research hypothesis below. We designed a research methodology – involving desk research, segmentation and a survey – to surface the types of funding SPOs actually need, rather than ask for, and to begin identifying barriers to existing funding demand. The resulting key findings, outlined overleaf, confirm our research hypothesis.

Hypothesis

In the social sector, the need for patient, risk-bearing capital is much greater than current demand. This is driven by demand-side barriers including awareness, understanding, and access to this type of funding.

18% of SPOs surveyed need patient, risk-bearing capital, based on our criteria

The real level of need is much greater than current understanding of demand

Only one third of SPOs who need patient, risk-bearing capital actually demand it

There is a significant potential funding gap for these SPOs

Market barriers are contributing to lower demand compared to latent need

Initiatives are needed to increase SPOs' awareness of and access to this funding

Our research findings and their key implications

Research findings and implications

Our research findings outlined above lead us to believe that there is a substantial opportunity to increase the demand for patient, risk-bearing capital among SPOs, so they may be served by funding that is better suited to enabling their ambitious social impact goals and innovations. This of course bears further scrutiny and enquiry so, to build upon the momentum of these findings, we recommend further research and experimentation. Further evidence will help build the case for patient, risk-bearing capital for SPOs in the sector, identifying the right ecosystem of support, the appropriate financial products and services for various social purpose audiences with differing needs, and ultimately encouraging a significant injection of investment to stimulate the market, both in terms of demand and supply.

Transformational ideas for social impact don't start and stop with SPOs. At its best, funding can be just as innovative, disruptive, and impactful. Funding can be flexible, responsive and catalytic. It can be both the spark that ignites innovation and the fuel that continues to drive it forward. Social investment has come a long way in the last 20 years, but it is still finding its feet and seeking the best role it can play in delivering the right funding to meet SPOs' needs. We believe there has never been a better time to reflect and explore this role further. Opportunities exist to identify remaining funding gaps in the market, meet with an injection of additional, diverse forms of funding, and ultimately empower SPOs to realise their abundant potential for delivering social impact.

Funding can be flexible, responsive and catalytic. It can be the spark that ignites innovation and the fuel that continues to drive it forward.

A note on context

Just after this research completed, COVID-19 hit the UK, bringing about significant operational – and therefore funding – implications for many of the SPOs who have taken on social investment. At the time of writing, we observe funders working hard to support their investees by implementing flexible support, such as extended capital, interest repayment holidays, and additional emergency funding. We welcome this response and believe it serves to reinforce the importance of taking an adaptive, long-term view to funding SPOs, who work tirelessly to balance income generation with delivering social impact. In the wake of the pandemic, the social sector will need time to reflect and rebuild, with many SPOs requiring further funding to support them in redesigning services and forging new income streams. The need for patient, risk-bearing capital surfaced by this research therefore comes into even sharper focus. There is a clear role for this particular type of funding to play in supporting the social sector's recovery and reinvention towards a vital yet fragile future.

Introduction

This research was commissioned by Esmée Fairbairn Foundation to explore the need for more patient, risk-bearing capital for SPOs across England and Wales. It aims to fill an important gap in the existing research by focusing on SPOs' needs rather than the demand and supply of different funding types.

Research aims

Existing research demonstrates the extent to which SPOs are accessing patient, risk-bearing capital compared to other types of funding. However, there is little evidence or analysis that identifies which organisations in the social sector really need patient, risk-bearing capital, or a comprehensive exploration of existing motivations and barriers to demand. This research therefore aims to:

- Segment SPOs to determine which organisational characteristics indicate a need for patient, risk-bearing capital
- Determine the existence of any gap between SPOs' need for patient, risk-bearing capital and existing evidence of demand
- Identify barriers to accessing patient, risk-bearing capital among SPOs who could benefit from this type of funding

In this report

This report charts the process and learnings of research conducted by Shift between December 2019 and February 2020, from grounding the enquiry in the existing understanding of patient risk-bearing capital to signalling the direction of routes forward. It is organised in four chapters, as follows:

- 1. The social investment status quo**
Context and grounding insights
- 2. A new line of enquiry**
Research hypothesis and methodology
- 3. The real need for patient capital**
Research findings and analysis
- 4. A way forward**
Conclusions and recommendations

We hope this report catalyses a much deeper exploration into how patient, risk-bearing capital can better empower SPOs across the UK to deliver social impact. We welcome feedback, discussion and challenge from the wider sector on our approach and findings, and look forward to engaging with many of you on some exciting next steps.

01 The social investment status quo

Context and grounding insights

This chapter explores the characteristics of patient, risk-bearing capital, plots our current understanding of it within the social investment landscape, and raises key insights from different perspectives.

SPOs are fighting on two fronts: generating sustainable income in tough or unchartered markets, and proving their social impact model to deliver at scale. Patient risk-bearing capital, at its best, can help SPOs do both.

Introducing patient, risk-bearing capital

Nearly all organisations, at some point in their life cycle, will have a disruptive or transformational new idea they want to turn into a working reality. These ideas need time: time to be tested, time to be scaled, and time to be made sustainable. When afforded this time, organisations can develop these ideas into fully functioning, high-value products or services; they can build the knowledge, assets, and skills needed within the organisation to make these ideas work; and they are able to build traction in the market in order to deliver credible, sustainable offerings at scale [1].

These ideas also need funding, which very often needs to be obtained from external sources. Funding is needed from sources willing to accept the amount of time (typically more than five years) that transformational ideas need to take hold. Such sources of funding must also be comfortable that there is a high level of risk involved, given the considerable uncertainty as to whether the organisation will successfully achieve its goal and translate the idea into a successful product or service. This requires flexibility, an open mind and a willingness from the funder to share risk with the investee organisation, regardless of eventual success or failure. This particular type of funding is what we call patient, risk-bearing capital.

Funding social impact

For SPOs, having access to patient, risk-bearing capital is particularly important. SPOs are often looking to secure multiple income streams to deliver on their social impact goals. They balance their efforts competing for limited pots of grant funding or public donations with the tough task of generating traded income. For those SPOs with traded income, the markets they operate within often involve extensive procurement processes and high customer acquisition costs. Many SPOs will be developing new value propositions or business models that need time to take hold, reach customers and generate sustainable income. They are often competing against well-established, private sector companies for market share, or even creating entirely new markets for products and services.

From a social impact perspective, SPOs are typically building the evidence base for their ideas based on belief, lived experience and limited early case studies. They often won't have had the time or resource to build robust evidence of their idea's social impact. As a result, SPOs are fighting on two fronts: generating sustainable income in tough or unchartered markets, and proving their social impact model to deliver at scale. Patient risk-bearing capital, at its best, can help SPOs do both.

For investors, patient, risk-bearing capital needs to be 'worth it'. In the private sector, the need for funders to be both patient and willing to bear risk are accounted for by the exponential return potential of commercial ideas. Angel investors and venture capitalists often look to make at least a tenfold return on their original investment. Considering most trading models work on limited margins within the social sector, it's unlikely that the financial return threshold will ever be this high. We must look at return with an additional lens: social impact.

SPOs translate ideas into social impact in various ways. They may create a brand new solution to a complex social or environmental problem. They may introduce products or services to previously underserved markets. They may find innovative ways to embed social impact directly into their organisational operating model, say, by employing people who have previously struggled to enter stable employment. Whatever the idea, it must be able to disrupt or transform, be replicated or scaled, and bring about enduring social impact. The old adage rings true, especially for social impact: no risk, no reward.

A definition

Patient, risk-bearing capital is investment that is prepared to wait a considerable amount of time before seeing a potential return, where the financial risk is shared between investor and investee

There is a potential disconnect between SPOs' funding needs and their perceptions of the types of funding available to meet these needs.

The UK landscape and latent need

Despite the potential power of patient, risk-bearing capital to help SPOs deliver social impact, the somewhat limited data available suggests that the demand and subsequent supply for this type of funding is minimal in the social sector.

There are a number of forms that patient, risk-bearing capital can take, however the UK typically sees two: equity and quasi-equity (see [Appendix A](#)). On the surface, the overall demand for equity and quasi-equity in the social sector appears limited. Social Enterprise UK provides the most comprehensive survey data showing demand for various types of funding for SPOs in the UK. Their most recent study places demand for patient, risk-bearing capital much below grant funding and debt funding, with only 5% of survey respondents seeking equity investment [2]. However, when asked what they would use funding for, overwhelmingly SPOs indicated working capital and development capital needs – the latter being particularly well-suited to equity, and patient, risk-bearing capital more generally. This demonstrates a potential disconnect between SPOs' funding needs and their perceptions of the types of funding available to meet these needs.

In response to this relatively low level of demand for patient, risk-bearing capital, the subsequent supply of this type of funding is also unsurprisingly low in the social sector. Previous estimates from Big Society Capital suggest that equity-like products made up just 2% of the market in 2016 [3]. More recent data suggests that only £26 million of the £2.9 billion committed between 2016 and 2018 was provided through venture and equity funding [4]. It is unclear from the data, however, whether a lack of supply is driven purely from muted demand or other supply-side factors – such as a misalignment of investor risk, return, and impact motivations with the deployment of patient, risk-bearing capital.

Insights from three perspectives

As an innovation charity, Shift has always been excited by the idea of using patient, risk-bearing capital to help meet some of the most pressing social and environmental problems of today – for the long term and at scale. This is why, on exploring the issue further, we were perplexed by what the market data was telling us. Indeed, for more than a decade Shift has worked with numerous SPOs working to develop innovative, scalable ideas that could have significant social impact. Most could have benefitted from sourcing patient, risk-bearing capital to help their ideas flourish at one stage or another. So are SPOs aware of this type of funding? If they are, why are so few seeking it out?

Shift is not alone in pursuing these questions. The Steering Group for this research has diverse direct experience in deploying and championing patient, risk-bearing capital in the social sector. Here, we offer insights from three perspectives.

Shift's own experience seeking patient, risk-bearing capital

Shift's direct experience of trying to raise patient, risk-bearing capital is focused within one of our social ventures, [BfB Labs](#). As a new healthtech start-up, BfB Labs is by definition 'early stage': it is pre-revenue, with high growth expectations, and looking to validate product-market fit. This is a clear case for patient, risk-bearing capital. After many early discussions with philanthropic seed investors, we found limited appetite to deploy patient, risk-bearing capital. Instead, BfB Labs took grant funding from Innovate UK to support its next stage of development. This led us to wonder how many other social startups in the UK could be in similar situations to BfB Labs.

An Investor's perspective

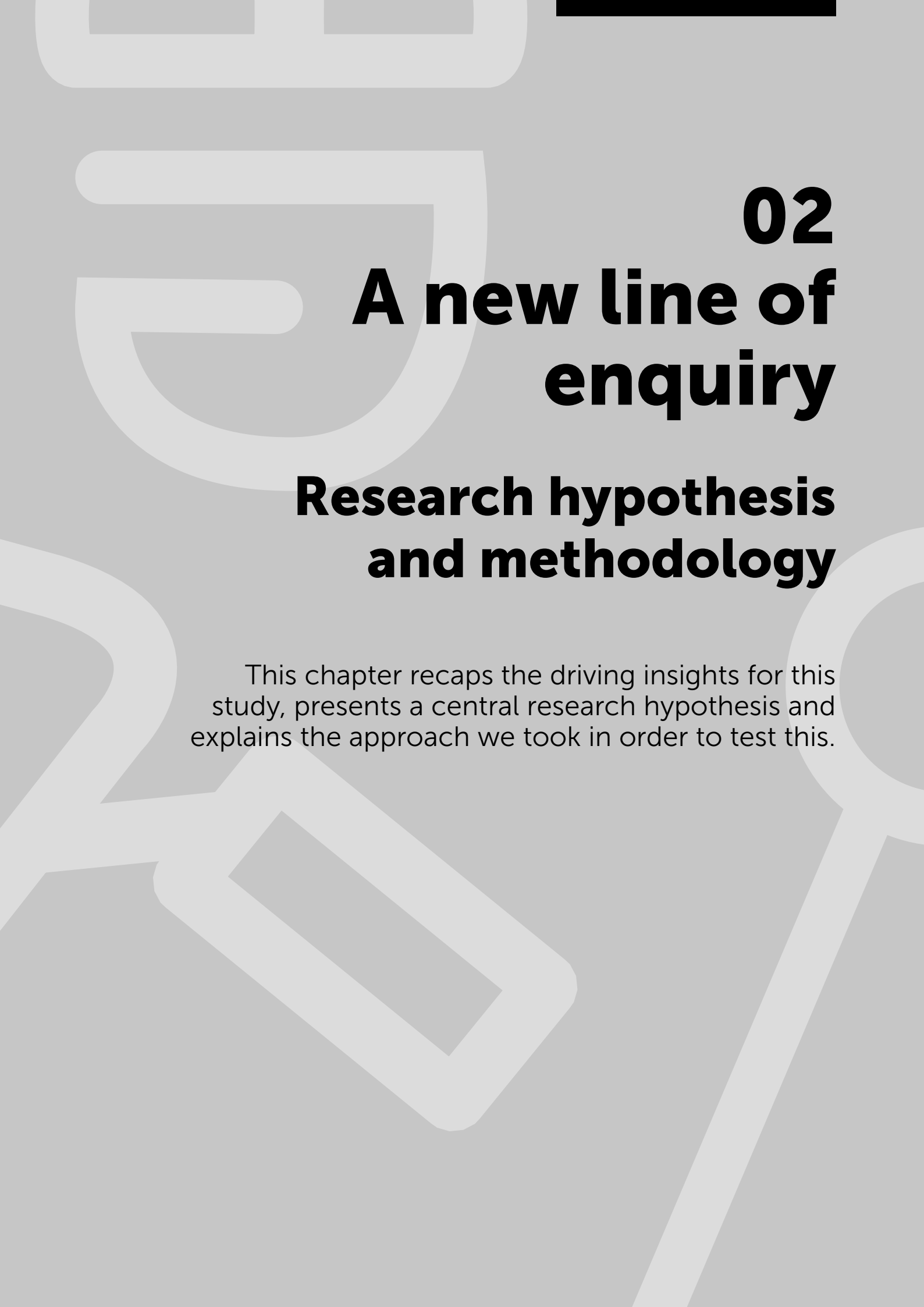
Esmée Fairbairn Foundation made its first social investment in 1997. Over the years, the Foundation has become more progressive in its thinking towards investment. Esmée Fairbairn Foundation adopts an 'impact-first' approach to social investing, and as such has always been an advocate of appropriate, flexible and patient forms of investment which support SPOs' ability to create social impact over financial returns. This research is an important next step to further the Foundation's knowledge and to support other investors to diversify the types of funding it offers to SPOs.

For more than a decade Shift has worked with SPOs developing innovative, scalable ideas that could have significant social impact – and most could have benefitted from sourcing patient, risk-bearing capital.

Feedback from social sector funders

In 2018, Shift partnered with CAF Venturesome and UnLtd to explore potential reasons why UK trusts and foundations were seemingly reluctant to deploy patient risk-bearing in the sector. That piece of research culminated in a sector roundtable and research report, [Unlocking More Philanthropic Capital for Social Investment: An Exploration of Best Practice](#). The report highlighted a number of investment approaches, best practice, and suggestions on how philanthropic organisations could deploy more patient, risk-bearing capital in the sector. Although the report was widely welcomed, feedback pointed to a lack of evidence of the demand for patient, risk-bearing capital. Some funders argued they weren't providing this type of funding because their own investees had only been requesting grant or debt funding. This feedback led us to realise that until more was understood about the demand for patient, risk-bearing capital it was likely that generating supply and building best practice would remain limited.

These insights, together with our understanding of the current social investment landscape, motivate further enquiry into the paradox of low demand and potential latent need for patient, risk-bearing capital in the social sector. The next chapter explains our research approach, designed to unearth new data and much needed insights on this issue.



02

A new line of enquiry

Research hypothesis and methodology

This chapter recaps the driving insights for this study, presents a central research hypothesis and explains the approach we took in order to test this.

Forming a research hypothesis

A review of existing evidence, together with the Steering Group's direct experience of seeking and deploying patient, risk-bearing capital in the social sector, led us to three key insights which underpin this study:

- In the social sector, the current demand for patient, risk-bearing capital is low – compared to debt or grant funding – and we don't know why
- The demand for this type of funding is notably low relative to indicators of significant need for it among SPOs, suggesting the existence of market barriers to surfacing demand
- The resultant supply of patient, risk-bearing capital to the social sector is limited, but could be stimulated if there was stronger evidence of the demand

It is our assertion that it is not the poor suitability of equity or quasi-equity funding for SPOs, nor the efficient supply of appropriate funding alternatives, that is limiting demand in the sector for patient risk-bearing capital.

Rather, our inference is that the limited evidenced demand for this type of funding is due or contributed to by market failure, suggesting a number of barriers between SPOs need and demand for patient, risk-bearing capital.

As a result of this market failure, it follows that existing or evidenced demand does not accurately reflect SPOs' actual need for patient, risk-bearing capital. We believe that the effective use of this type of funding to power social impact would significantly increase if market failures were corrected through both demand-side and supply-side solutions. As such, our central research hypothesis is: In the social sector, the need for patient, risk-bearing capital is much greater than current demand. This is driven by demand-side barriers including awareness, understanding, and access to this type of funding.

Methodology

We designed a research methodology to test this hypothesis with a key sensitivity in mind: if many SPOs are not aware of patient, risk-bearing capital, they would be unable to say they needed it. Indeed, if we followed previous social sector surveys and asked SPOs what funding they wanted, we would likely get the same answers: grants and debt funding, because these are more well-known and widespread types of funding in the social sector. To account for this, we designed and implemented a two-step research methodology (see [Appendix B](#)):

1. Segmentation

Through desk research and a facilitated Steering Group workshop, we identified the underlying characteristics of SPOs that would demonstrate a need for patient, risk-bearing capital. These characteristics were consolidated into three key segments that correspond to an organisation's life cycle, allowing us to surface funding needs regardless of its legal type, sector, or business model.

2. Sector Survey

We devised a survey to unearth SPOs' characteristics, to enable us to segment them and therefore understand which met the criteria of having a need for patient, risk-bearing capital – without asking this directly. Further survey questions explored SPOs' knowledge, experience and demand for this type of funding compared to others.

Deploying segmentation and a sector survey in tandem allowed us to fully test the research hypothesis, first identifying SPOs with a need for patient, risk-bearing capital and then comparing this with demand. Any disparity would enable us to generate initial insights into potential barriers to accessing this type of funding.

To the best of our knowledge, this approach differs from previous social sector research because it segments SPOs based on suitability of funding types, rather than awareness of them. Our methodology also avoids the assumption that different SPOs have the same knowledge, understanding and experience of different types of funding.

Hypothesis In the social sector, the need for patient, risk-bearing capital is much greater than current demand. This is driven by demand-side barriers including awareness, understanding, and access to this type of funding.

The real need for patient capital

Research findings and analysis

This chapter lays out the three SPO segments, their characteristics in relation to funding needs, and key survey findings. Analysed together, these findings expose a gap between need and demand for patient, risk-bearing capital in the social sector, confirming our research hypothesis.

Introducing three segments

The segmentation phase of our research methodology identified three broad segments across each of the main development stages of an SPO's life cycle: innovate, scale and deepen. Here we offer a descriptive organisational persona for each segment, articulating typical SPOs we expect each to represent and describing how patient, risk-bearing capital can meet their needs.

Innovate

SPOs in the Innovate segment have identified a new solution for a social or environmental problem. They are likely to have an idea of their potential customers, as well as some evidence to suggest customers are willing to pay for their product or service.

Innovate SPOs need patient, risk-bearing capital to develop their product or service, run feedback-generating trials with early adopters, and refine their value proposition. Their main aim is to prove product-market fit, validating that their product or service is well differentiated, that their market is big enough, and that their unit economics can generate future profitability. This stage includes validating early assumptions regarding their theory of change (or similar) with some early impact data to support the high impact potential of their idea.

Scale

SPOs in the Scale segment are able to demonstrate that their solution can solve a problem in the market, evidenced through customer traction and some level of social impact. These SPOs have likely built appropriate organisational functions including business development, product or service delivery, and management teams designed to power growth.

Scale SPOs need patient, risk-bearing capital to accelerate their growth and deliver against their business plans, which identify when they are likely to reach profitability and how they intend to scale their social impact model.

Deepen

SPOs in the Deepen segment tend to be well established, medium or large in size, and have developed operations over a number of years.

Deepen SPOs need patient, risk-bearing capital because they have an opportunity to meaningfully increase their proven social impact and income by improving operational efficiency and effectiveness, and/or by pursuing new product or service income streams.

Criteria

We developed the following set of criteria to allow for the segmentation of SPOs responding to our sector survey, thereby surfacing any latent need for patient, risk-bearing capital.



Innovate



Scale



Deepen

01

Stage of organisation

The self-determined, most salient stage of the organisation at the current time.

This can help identify the potential risk level of the SPO's current value proposition, as well as what funding is likely to be used for.

Designing or developing a new product or service.

Piloting or testing a new product or service.

Building initial traction with a customer base.

Scaling or growing a product/service that already has traction.

Maintaining existing operating activity.

02

Income level

Income is a proxy for how much market traction an SPO has with customers or funders and can indicate their ability to repay funding or not. The overlap between segments here is due to the wide range of potential incomes for each, depending on specific organisational circumstances.

0-£150k

£50k-£1m

£500k+

03

Growth expectations

Understanding the growth expectations of SPOs provides an indicator of longer-term income potential, suggesting an ability to generate an appropriate financial return in the future.

>30% in the next year or 100% in the next 3 years.

>30% in the next year or 100% in the next 3 years.

Stable in the next year or >30% in the next 3 years.

04

Profitability or surplus

SPOs that are not profitable are unable to take on or repay traditional forms of debt funding. They therefore need patient, risk-bearing capital because this funding must wait for surplus to be generated before it can be repaid. Scale SPOs can be profitable and still need patient, risk-bearing capital because investing in growth will likely make them loss making for a period.

Making a loss or breaking even.

Making a loss, breaking even, or profit-making.

Making a loss or breaking even.

Sector survey findings and analysis

The sector survey captured data from 321 SPOs across England and Wales via an online survey distributed during January and February 2020. Respondents answered questions regarding the characteristics of their organisation, growth expectations and future plans, as well as their understanding, experience of and future demand for different types of funding.

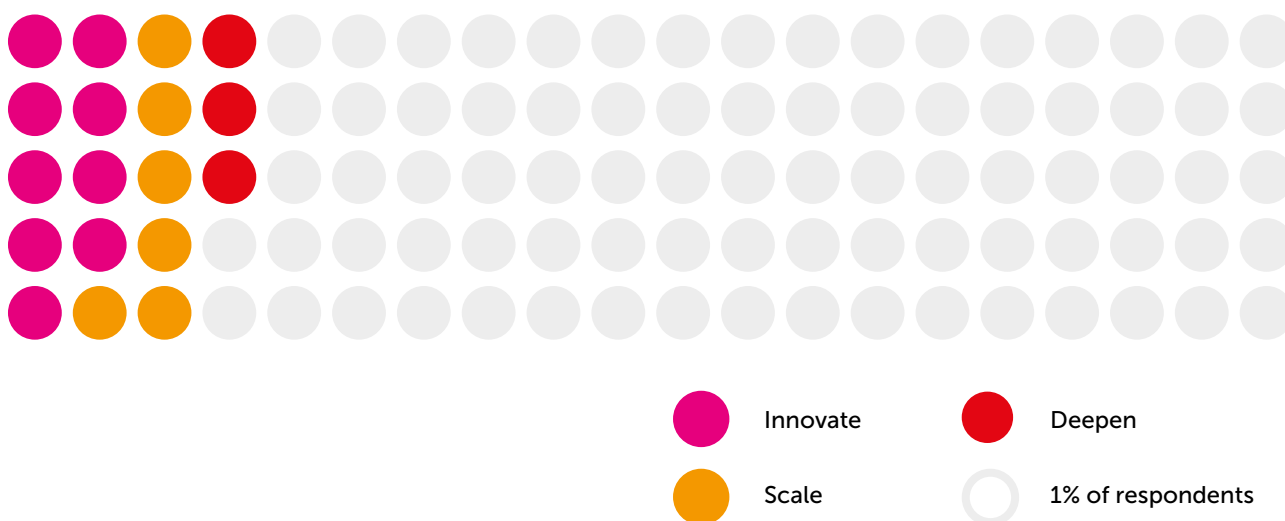
SPOs in England and Wales are diverse, exhibiting different legal structures, income models, social impact goals, and regional focus areas. The survey aimed to capture a broad representation of these SPOs, with a robust mix of charities and social enterprises varying by age, income and location (see [Appendix C](#) for the full demography of respondents).

The resulting survey data enabled us to firstly segment the responding SPOs by the criteria outlined above, and then assess any disparity between their need and demand for patient, risk-bearing capital.

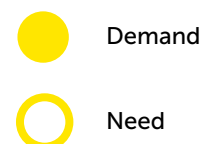
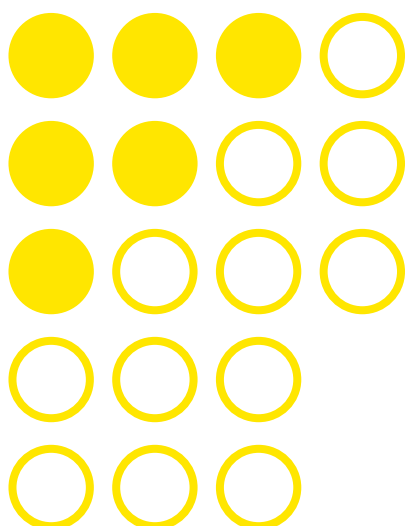
18% of SPOs surveyed need patient, risk-bearing capital, falling into one of three segments

18%

This figure is much greater than the existing stated demand for this type of funding – we are reminded that Social Enterprise UK data recorded only 5% of SPOs demanding equity funding. The largest segment was Scale, with 9% of respondents, followed by Innovate with 6% and Deepen with 3% respectively.

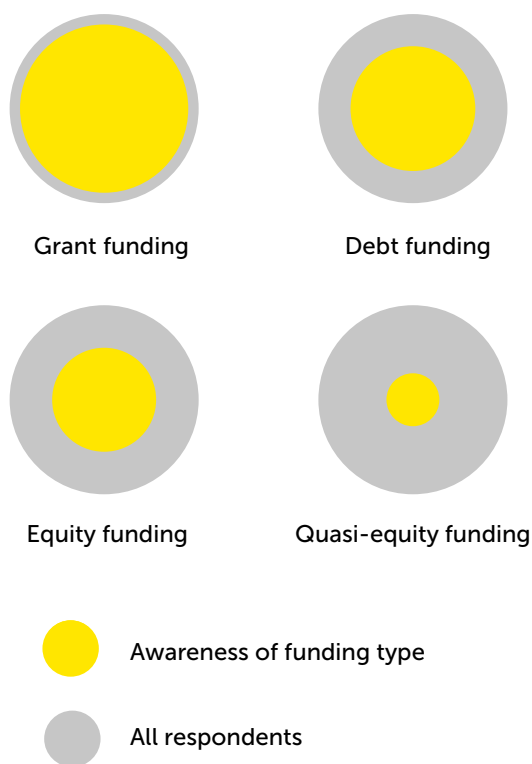


Only one third of SPOs who need patient, risk-bearing capital actually demand it



This suggests there is indeed a disconnect between SPOs' needs and the types of funding they are accessing to meet these needs, indicating the existence of demand-side barriers.

SPOs' awareness of equity and quasi-equity funding is much lower than grant or debt funding



To help understand these potential barriers further, the survey asked a number of questions on the awareness, preferences, and experiences of SPOs regarding patient, risk-bearing capital.

Respondents overall were much more aware of grant funding (89% overall), debt funding (66%), and equity funding (55%) than quasi-equity (28%) funding. As a result, only 13% of SPOs within the segments had actually received quasi-equity funding.

These findings support previous research that reflects a relatively poor understanding of some terminology used in the sector [5]. This seems particularly true for patient, risk-bearing capital, which is variously described as equity, equity-like, quasi-equity and blended finance, as well as product-specific definitions such as Revenue Participation Agreements (RPAs). Our findings highlight how awareness levels may be impacting funding demand in the sector, and the importance of finding a common language for Quasi-equity funding; providing clarity on what it is, how it compares to other funding types in the sector, and the potential benefits/risks for the SPOs considering it for their needs.

Few SPOs have a preference for equity funding or believe themselves to be eligible even if they did

We haven't taken on equity because we don't know any trustworthy investors who get social impact properly and are truly bold, patient, and ambitious. This is missing from the sector.

Survey respondent in Scale segment

Although it's true that registered charities are not permitted shareholders, our findings suggest that further support could help SPOs identify what forms of patient, risk-bearing capital for which they are eligible. Some respondents also shared a low preference for equity because they encountered a lack of suitable investors who shared their view of social impact or were willing to take a risk on their investment. To quote one of the Scale respondents: "We haven't taken on equity because we don't know any trustworthy investors who get social impact properly and are truly bold, patient, and ambitious. This is missing from the sector."

Proving our hypothesis

The findings demonstrate that a majority of SPOs who would benefit from patient risk-bearing capital to achieve their social impact goals do not demand this type of funding, indicating a significant potential funding gap in the social sector. Indeed, need was found to be more than two times greater than existing understanding of demand, confirming the first part of our research hypothesis:

In the social sector, the need for patient, risk-bearing capital is much greater than current demand.

To our knowledge, this is the first time this funding gap has been quantified using survey data for SPOs in England and Wales. The second part of our hypothesis focused on surfacing the reasons why this gap exists:

This is driven by demand-side barriers including awareness, understanding, and access to this type of funding.

Again, the research findings bore out our hypothesis. The survey data demonstrates a number of market barriers contributing to lower levels of demand for patient, risk-bearing capital in the social sector. Compared to grant and debt funding, SPOs are not universally aware that patient, risk-bearing capital exists, do not completely understand how it functions or why it is appropriate for their needs, and often don't think they're eligible or know how to access suitable funders.

The demand for patient, risk-bearing capital is likely to remain low without new market solutions to address these barriers. As a result, by increasing the number of tailored, market initiatives designed to increase the awareness, education, and access for each funding type, we believe that there is substantial opportunity to increase the demand for patient, risk-bearing capital in the sector. This would motivate investors to develop a more robust investment pipeline to fund high-growth SPOs looking to deliver social impact at scale.

A richer understanding of SPOs

Alongside our findings relating to the gap between need and demand for patient, risk-bearing capital, the survey data revealed a number of interesting insights about the SPOs needing this type of funding in each segment (see [Appendix D](#) for further details).

- **SPOs with a need for patient, risk-bearing capital require significant levels of funding to meet their desired goals.** The survey respondents that fell into the three segments required an average of £554k to meet their funding needs over the next three years, which is 20% higher than SPOs who didn't fall into one of the three segments. These findings suggest that greater capital amounts are needed to support growth-focused SPOs.
- **Compared to the Deepen segment, Innovate and Scale SPOs are largely confident they can repay capital within 4-5 years.** 75% of the Innovate and Scale SPOs suggested they would be able to repay funding, significantly more than both the Deepen segment and the surveyed population as a whole. However, SPOs who felt they could repay the funding needed a long period of time to do so, with the vast majority needing at least 4-5 years.
- **Barriers differ by segment, meaning that SPOs need tailored funding solutions at different stages.** Despite market barriers existing for all three segments, there were some important differences. Many SPOs had received far less funding than preferred, but this appeared to be most significant for Deepen SPOs, with none of the respondents in this segment receiving equity or quasi-equity funding. The differences between these barriers demonstrate the importance of segmentation: different SPOs have different needs and therefore require tailored funding solutions to ensure that salient barriers are appropriately addressed.

These findings suggest that greater capital amounts and longer investment timeframes than are currently available in the sector may be needed to support growth-focused SPOs to meet their social impact goals. Further research could explore these insights, expanding upon and refining these segmentation findings with additional data over time.



04

A way forward

Conclusions and recommendations

This chapter summarises the aims and findings of this research, examining key arising insights and their implications for better deploying patient, risk-bearing capital to support ambitious social impact.

**Findings from
the sector-wide survey
identified a much greater
need for patient, risk
bearing capital among
SPOs than the current
evidenced demand.**

Summary of research findings

Patient, risk-bearing capital is a powerful type of funding that can help SPOs achieve social impact at scale. Yet in the UK it is rarely demanded by SPOs and seldom offered by funders, particularly social investors. This research took a new approach to understanding the reasons for this paradox, drawing a fundamental distinction between SPOs' need for patient, risk-bearing capital and actual demand, as well as unearthing possible market barriers that begin to explain this gap. We anticipate that this research approach and its resulting insights will afford the market a clearer picture of the type of funding needed in the social sector, which can be translated into appropriate funding instruments and aimed at the SPOs most likely to benefit from them.

We identified three segments spanning three key stages of organisational development that demonstrate a need for patient, risk-bearing capital. Findings from the sector-wide survey identified a much greater need for this type of funding among SPOs than the current evidenced demand. Whilst 18% of SPOs surveyed met the criteria of needing patient, risk-bearing capital, only one third of this group demonstrated actual demand for this type of funding. This indicated a significant unmet funding need for these SPOs.

The survey was also able to explore some of the key barriers to accessing patient, risk-bearing capital experienced by SPOs. We found there to be limited awareness of this type of funding and, despite strong preferences for it across all three segments, the number of SPOs actually receiving patient, risk-bearing capital is limited. Our findings also suggest that SPOs need significant amounts of capital to meet their goals and, believing they are able to, at least 4-5 years to repay funding.

Routes for further enquiry

By demonstrating the unmet need for patient, risk-bearing capital in the social sector, these findings present a strong case for further enquiry, to better understand how this need can be met. As a next step, we recommend a rapid, collective and iterative design process that can build on these research findings and translate them into a number of testable, scalable solutions for the sector. Here, we offer a direction of travel.

Phase 1: Research Immersion

We suggest further research to explore:

- 1. The determinants of demand for patient, risk-bearing capital, as well as the barriers facing SPOs when looking to access this type of funding.** SPOs with a need for patient, risk-bearing capital come from diverse backgrounds and have varied relationships, attitudes and experiences which underpin their motivations for accessing different types of funding. We recommend that the social investment sector more deeply explores these views, considering all the demand enablers and barriers SPOs face when looking to access patient, risk-bearing capital, and their underlying causes. Further research will also provide clarity on the potential effect that the funding gap for patient risk-bearing capital is having among SPOs, which new or adapted funding instruments could be deployed to support them, as well as which SPOs should be prioritised for such funding.
- 2. The potential supply-side enablers and barriers affecting the availability and deployment of patient, risk-bearing capital in the social sector.** Social investors also have varying motivations and attitudes towards financial risk, return and social impact. It is not currently clear who in the sector is best placed to support SPOs with a need for patient, risk-bearing capital at each stage of their development. Many investors are likely to face a number of supply-side barriers to deploying this type of funding, such as a lack of track record, unachievable return requirements, an underdeveloped investment ecosystem, agreeing appropriate valuations with investees, constructing appropriately balanced portfolios, and identifying exit opportunities. We recommend that potential enablers and barriers to deploying patient, risk-bearing capital are elucidated through a series of interviews and facilitated workshops with a diverse number of social investors across the UK.

Phase 2: Test and Pilot

We anticipate that a further research phase would identify a number of hypotheses, assumptions and potential experiments about how to stimulate the demand and supply of patient, risk-bearing capital in the social sector. Not all of these ideas will work. Many will be unfeasible, inviable, or simply unwanted by SPOs and funders alike. As a result, we recommend that solutions are explored, prioritised and tested together, allowing pilot solutions to undergo an iterative 'test and learn' process that can capture empirical evidence of outcomes. On the demand side, new initiatives designed to increase awareness and education of patient, risk-bearing capital should be explored. On the supply side, funders with different risk, return and social impact motivations should identify and explore how various portfolio and fund designs can be tested to make the 'economics' work. This might include blending various sources of funding to meet an appropriate risk-return-impact threshold, introducing new financial products, or simplifying existing products. These possible solutions should learn from and build on the work already done by progressive funders already testing different approaches in market.

The outputs from these two phases will provide a clear roadmap to design, develop, and scale appropriate solutions to meet the needs of SPOs that would benefit from patient risk-bearing capital to develop transformational ideas for social impact. Alongside this will emerge the insight, data and evidence necessary to form a strong case for wholesale funding; building an investment ecosystem of patient, risk-bearing capital for SPOs - stimulating greater, scaled innovation in the sector.

We recommend that the social investment sector considers all the demand enablers and barriers SPOs face when looking to access patient, risk-bearing capital.

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Appendices

Appendix A

Patient, risk-bearing capital products

The definition of patient-risk bearing capital is still being explored, in terms of financial products, characteristics and the types of SPOs it best suits. For further discussion on this topic, there are useful existing resources that explore the application and value of patient risk-bearing capital for social purpose organisations [6] as well as research into how patient risk-bearing capital can be improved on the supply side, especially for quasi-equity funding [7].

The table below outlines our definition of each funding instrument below. We welcome further discussion to help 'demystify' these types of funding to ensure consistency of use and application moving forward.

For the purpose of this report, equity and quasi-equity instruments have been used to determine the existing demand for patient-risk bearing capital. However, we acknowledge there are other forms of finance in the sector such as repayable grants, social impact bonds, and community shares that are also often patient and risk-bearing. We have excluded these types of funding for determining sector 'demand', as typically only a small proportion of SPOs are likely to be eligible for these types of funding based on their trading model or legal status.

Capital Types	Equity In which investors purchase shares (ownership) of the organisation	Quasi-Equity (e.g. Equity-like) Investment that reflects some of the characteristics of both debt and equity. Investment payback is dependent on the performance of the organisation.
Eligibility	Organisations Limited By Share (e.g. CLS)	Typically Registered Charities (e.g. CIO, CLG)
Examples	Venture capital (Seed, Series A etc.), Private Equity, Angel investment, Equity-based crowdfunding	Revenue participation agreements, Perpetual bonds
Typical length	Between 5-10 years	5+ years
Financial Return	Realised through an exit e.g. an investor sells their share capital to someone else or through dividend payments	Realised through agreed repayments, capped as an agreed % of revenue or appropriate P&L equivalent

Appendix B

Research methodology

Segmentation: Identifying the underlying need for patient, risk-bearing capital

In order to establish the underlying need of patient, risk-bearing capital among SPOs, we grouped them by certain characteristics into segments, thereby identifying the types of SPOs that represent a strong use case for this type of funding.

There were two phases to this research approach:

1. Rapid desk research, exploring existing research in both the social and private sectors on how organisations are typically grouped by characteristics.
2. A workshop with the Steering Group for this research, exploring various use cases for patient, risk-bearing capital in the sector, helping to draw out which salient variables constitute a need for this type of funding specifically in comparison to others.

Existing segmentation research

When reviewing previous research in the sector, it was clear that there has been some strong foundational work already completed on this topic. Many research papers have developed detailed segmentations of various social purpose firms using a number of qualitative and quantitative methods and varying segmentation criteria [8]. The challenge in adopting an existing segmentation framework in the sector for the purpose of this research was a tendency for the research to bias specific firm types, sectors, regions or market characteristics. We wanted our research to be region, product, sector, and organisation agnostic in scope so that our findings could be applied more widely to all SPOs across England and Wales.

A clear approach used throughout the existing literature on risk finance was to segment funding need by an organisation's development life cycle. In the private sector, this approach is used to distinguish different capital requirements and risk levels for organisations, with research suggesting flows of capital should follow a 'funding escalator', increasing amounts of risk finance as a company grows from formation through to eventual exit [9]. A similar approach has been adopted for SPOs,

exploring how various sources of public, private, and philanthropic funding sources can be used to finance each stage of the development cycle and reduce the 'funding gap' for innovative SPOs before they reach commercial viability.¹⁰

Considering the widespread use of sorting SPOs by life cycle, we adopted the same approach for this study, segmenting SPOs across three discrete development stages. The flexibility of this approach has allowed us to apply the segmentation methodology to all SPOs, regardless of age, legal status, sector or impact focus.

Investor workshop

A life cycle segmentation approach can be useful to identify organisations that are likely to share similar characteristics, risk, and return potential for investors. However, this approach alone may not constitute a need for patient, risk-bearing capital, as there are a number of other available funding sources that can be utilised across various development stages (such as appropriate grant or debt funding). As a result, further criteria are needed in addition to an SPOs development stage in order to appropriately segment SPOs who are most appropriate for patient, risk-bearing capital.

To identify which types of organisations constitute a need for patient, risk-bearing capital, we conducted a workshop with our investment steering group to understand the salient variables that would characterise SPOs at each development stage with a specific need for patient, risk-bearing capital. Investors used case studies from their own investments in the sector to develop typical 'personas' of organisations with a need for patient, risk-bearing capital. There were a number of variables that surfaced to develop these personas, including the organisation's financial health, mindset of the investees towards growth, risk and control attitudes of the organisation, overall purpose of funding, and typical amounts of funding required. On the supply side, there were discussions around investor motivations and expectations at each development stage in regards to risk, financial return, and impact.

Using the personas, we were able to identify three additional variables that would constitute a need for patient, risk capital at each development stage. These variables formed the basis of select survey questions, allowing us to allocate appropriate SPOs responding to each corresponding segment.

Limitations

There are some potential limitations using the segmentation approach employed. Using a life cycle approach and personas to develop segmentation criteria may increase the risk that some SPOs in the sector with a need for patient, risk-bearing capital are not represented in the segments. There is also a risk that important factors have been excluded from the criteria, skewing the results. For example, we decided not to include an organisation's ability to repay the funding in the criteria, as there were multiple levels of complexity around asking SPOs to effectively price the cost of capital and compare this with expected future income. Additionally, we have not included parameters around an organisation's overall impact potential, due to the subjectivity of selecting and measuring appropriate impact measures in the social sector. As a result, a portion of SPOs may fall under the 'return' or 'impact' thresholds desired by investors to constitute the higher capital risk profile of patient, risk-bearing capital.

We acknowledge that the criteria chosen are not definitive and welcome debate on this methodology to both refine the conclusions drawn from this research, and also amend the methodology if the survey is repeated in future. With more time and a larger data set, we could employ a number of different qualitative and quantitative methods to refine the segmentation. This could include using a number of additional data sources to triangulate the approach, performing a cluster analysis to test the validity of the segmentation, as well as introducing sub-segments to refine the audiences with additional variables including sector demographics and investee attitudes towards types of funding.

Sector Survey: Identifying the needs of SPOs

This report captures data from 321 SPOs collected via an online survey distributed during January and February 2020. Respondents answered questions regarding the characteristics of their organisation, growth expectations and plans looking ahead, as well as their understanding, experience, and future demand for various types of funding.

Eligibility

All respondents represent SPOs within England and Wales. To ensure that respondents met appropriate eligibility, survey criteria required that respondents were either: (1) a registered charity or (2) had embedded a social mission or asset lock into their articles of association. Respondents also self-reported whether they considered themselves an SPO and had good working knowledge of their organisation's existing and future funding needs. Of the 321 organisations surveyed, 59 were filtered out as they did not meet survey eligibility criteria, resulting in a final sample of 262 respondents.

Survey Design

The survey design consisted of three steps:

1. Reviewing previous surveys in the sector. We standardised much of the 'about your organisation' questions to align with existing surveys in the sector to allow for some general comparisons between survey samples.
2. Embedding our segmentation criteria. We designed a number of survey questions to identify which organisations met the patient, risk-bearing capital segmentation criteria.
3. Testing a draft survey with a group of SPOs. The testing revealed a need to reduce the number of questions, re-design the order of the survey, and remove any unknown terms. Respondents also requested a definition of funding types explored in the survey, as some organisations were either unfamiliar or had varying interpretations of them.

Process

In order to reach a broad range of SPOs, we leveraged a number of networks and relationships in the sector to share the survey online using a unique weblink. To increase confidence in a representative sample, partners were selected based on their exposure to different types of SPOs across England and Wales. Our partners tended to have coverage nationwide providing a wide range of capacity support and/or funding to various SPOs. Our sector partners shared the survey on an ongoing basis using a number of web-based approaches including email, newsletters, and social media channels throughout January and February of 2020. A full list of the partners who supported our survey distribution can be found in the Acknowledgements section at the beginning of this report.

Sample characteristics

SPOs across England and Wales are diverse, comprising organisations with different legal structures, income models, social issues, and regional focus. For the sake of transparency, we've provided an overview of respondent demographics captured in the survey sample ([Appendix C](#)).

We did our best to capture a representative view of SPOs across England and Wales, but our sample is likely to have a level of bias considering some of the limitations to our survey design. Specifically, our survey sample could have benefitted from a greater representation of mission-locked Companies Limited by Shares as well as organisations with higher proportions of trading income.

Limitations

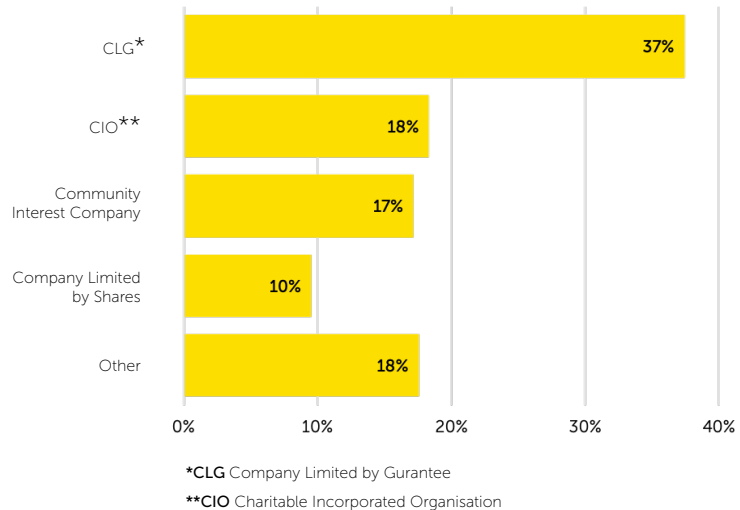
We utilised an open online survey methodology as we lacked the appropriate sample sources and contact data needed to develop a relevant sample frame. As a result, it is not possible to determine the total reach of our survey or those SPOs who viewed and decided to not complete the survey (non-response rate). Furthermore, how representative the results are to the population of SPOs should be considered, as there is still likely to be a selection bias within our survey sample, based on the access our partners had to various SPOs in the sector. Despite these limitations, when comparing our sample to similar sector level surveys (although not like for like), we see some similar distributions of different types of SPOs, increasing confidence of a broad representation.

Appendix C

Demography of survey respondents

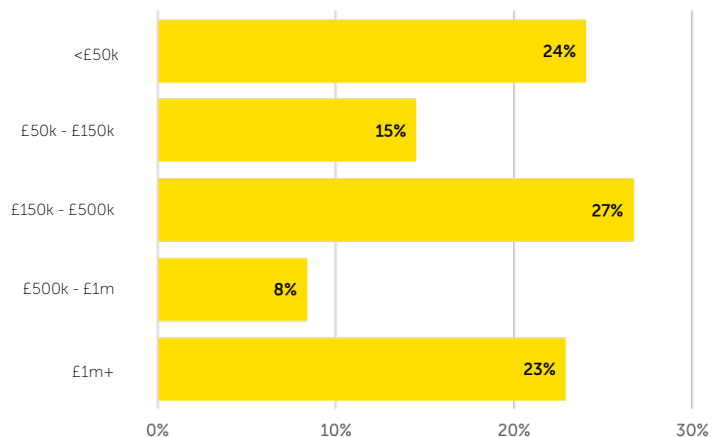
Legal Type

A majority of SPOs responding to the survey were made up of charitable organisations, CLGs and CIOs. The next largest representation comprised social purpose businesses, either Community Interest Companies or mission-locked Companies Limited by Shares. Nearly a fifth of organisations were made up of 'other' legal types such as Bencoms, Sole proprietors, or organisations trading as unincorporated entities. It's likely that our survey sample is skewed to charitable entities and CIC's, with Companies Limited by Share under-represented.



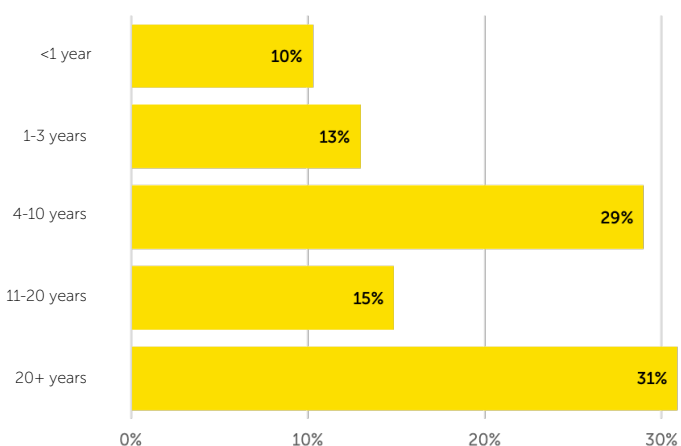
Income

Similar to previous surveys conducted in the sector, a majority of our respondents were likely to generate a turnover of less than £500k. In terms of legal status, Community Interest Companies and Companies Limited by Share tended to generate <£250k and half of responding charities earned more than £1million. Income also tended to be associated with age. For example, a majority of organisations under three years old generated less than £50k, and more than 50% of respondents 20 years or older earned more than £1million last year.



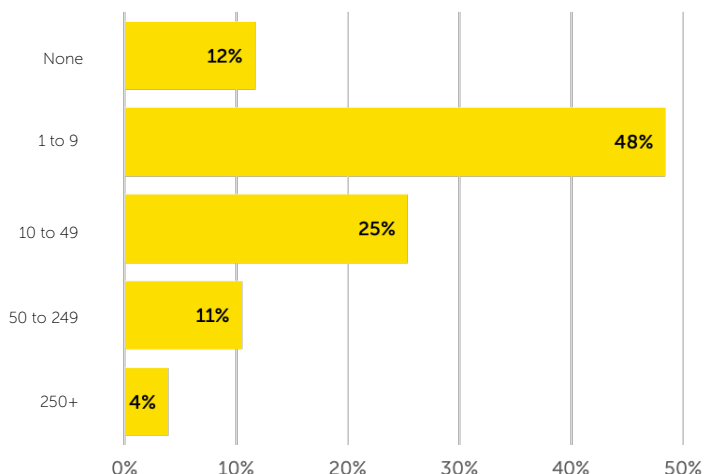
Age

Nearly a quarter of our responding organisations were recently formed within the last three years. 60% of respondents were between 4-10 years old or established for more than 20 years. Our spread shows some similarity to recent SEUK data, with a skew to more established organisations, with 40% of responding charitable organisations more than 20 years old.



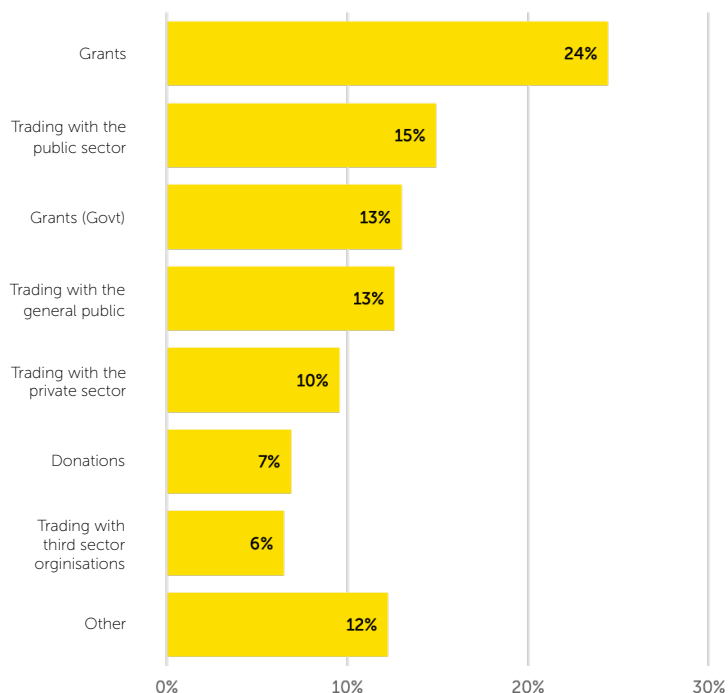
Number of employees

Nearly three quarters of all responding organisations had between 1-50 employees. These organisations tended to have been established in the last 10 years, generating between £50-£500k of income. As may be expected, those with fewer employees tended to be trading for less than 3 years, generating less than £150k annual turnover. More than three quarters of responding organisations with more than 50 employees were over 20 years old, all of whom generating an income of more than £1million.



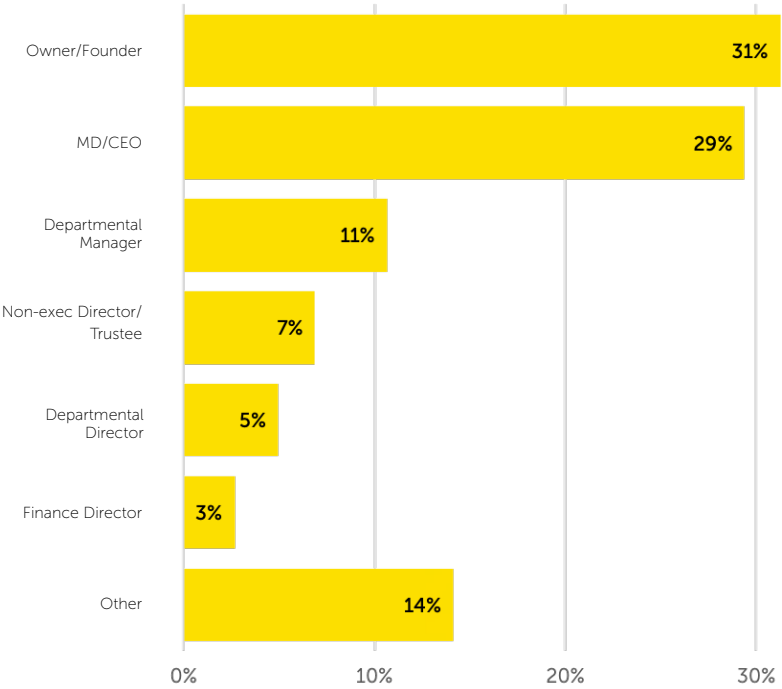
Income type

The main income type for responding organisations was made up of grants, followed by trading with the public sector. Predictably, charitable organisations were much more likely to index towards grant funded income compared to non-charitable organisations. In total, nearly half of all respondent income was earned through trading activity, with the other half made up of grants, donations, or membership income.



Respondent role

Half of our survey respondents were Founders or Managing Directors of their respective organisations. The rest were largely made up of Trustees or department directors or managers with good working knowledge of the organisation’s funding situation.



Appendix D

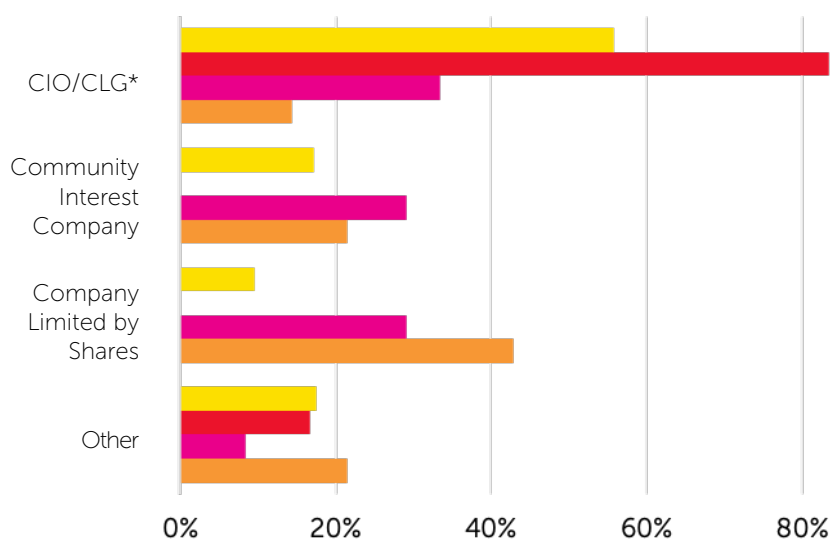
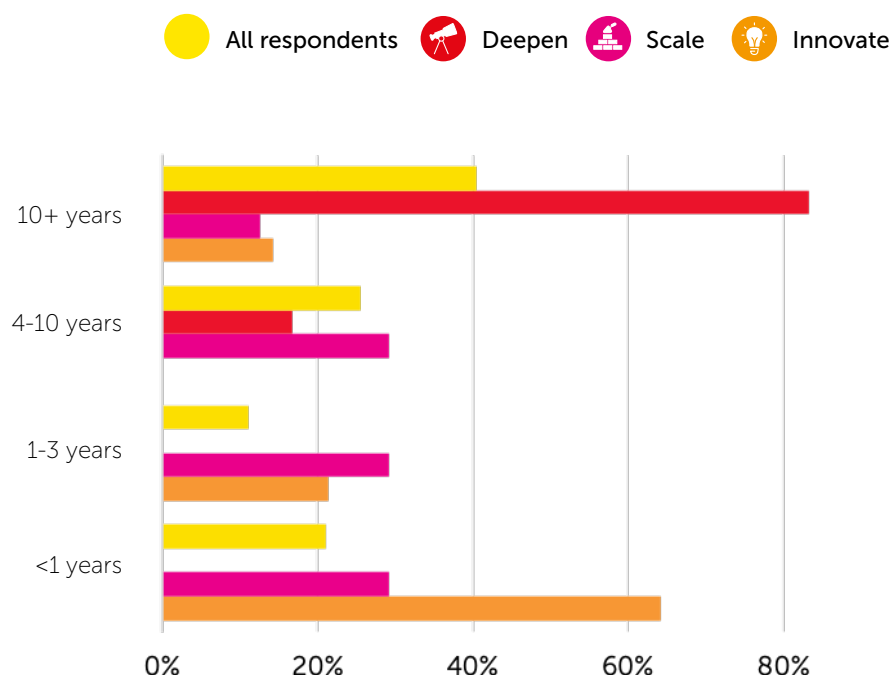
Survey responses by segment

Age distribution

We wanted to explore the age ranges of the segments, which varied widely. Unsurprisingly, the Innovate category tended to be made up of organisations that are younger than organisations in other segments. This follows a similar trend in the private sector: newer organisations tend to have high growth aspirations, and are less likely to be profitable as they focus on achieving product-market fit to generate sustainable income. Scale organisations tend to be widely distributed across various age ranges. Further research could help explore why this is the case, but may suggest there are challenges for SPOs looking to scale beyond £1 million in income. Deepen organisations are much older, even than the remainder of the sample, and despite generating considerable income, may lack surplus funding to support their growth and impact aspirations.

Legal status

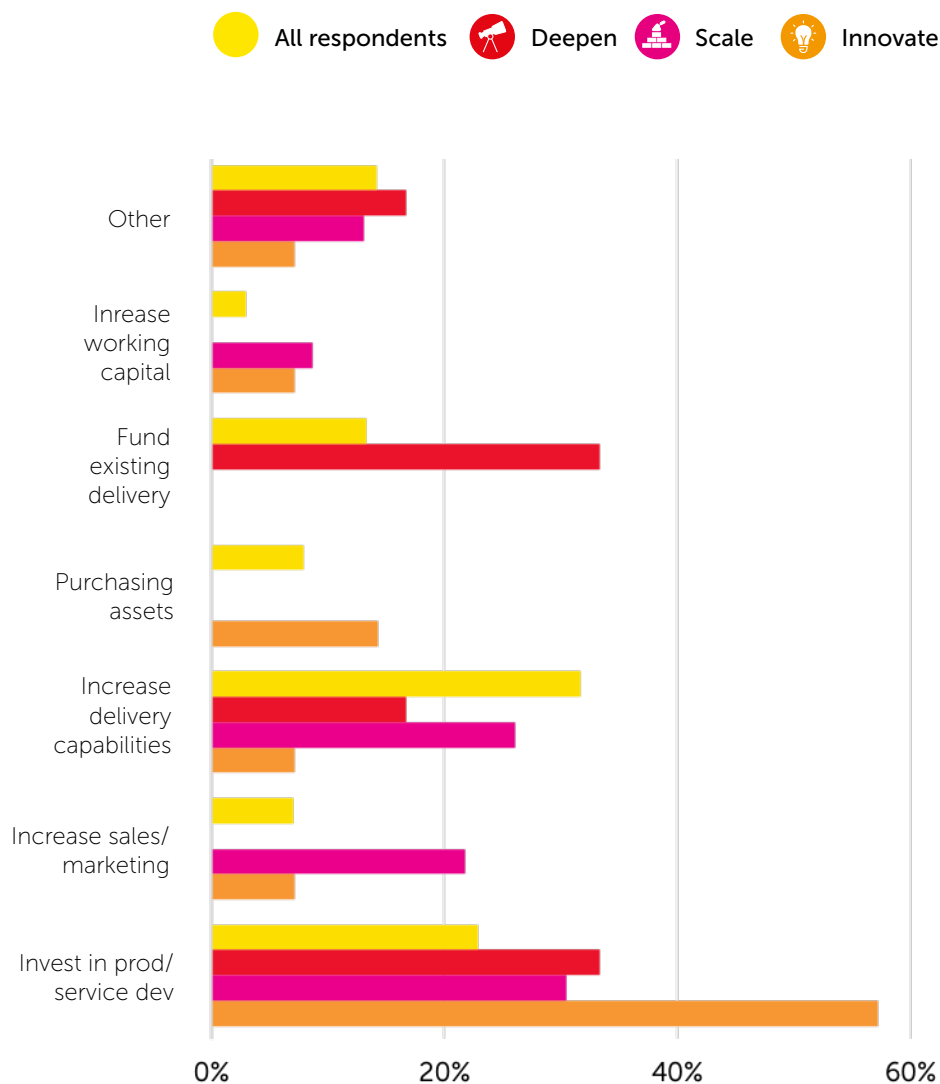
Companies Limited by Shares and Community Interest Companies fell exclusively into Innovate or Scale segments. The Deepen segment was overwhelmingly made up of charity legal forms, which corresponds to the fact that charitable organisations tended to be older and generate higher levels of income than other legal types represented in our survey. Further research could explore how legal status is viewed by each segment and how legal status impacts their mindset and ability to take on different types of funding, including patient, risk-bearing capital in the sector.



*CIO Charitable Incorporated Organisation
CLG Company Limited by Guarantee

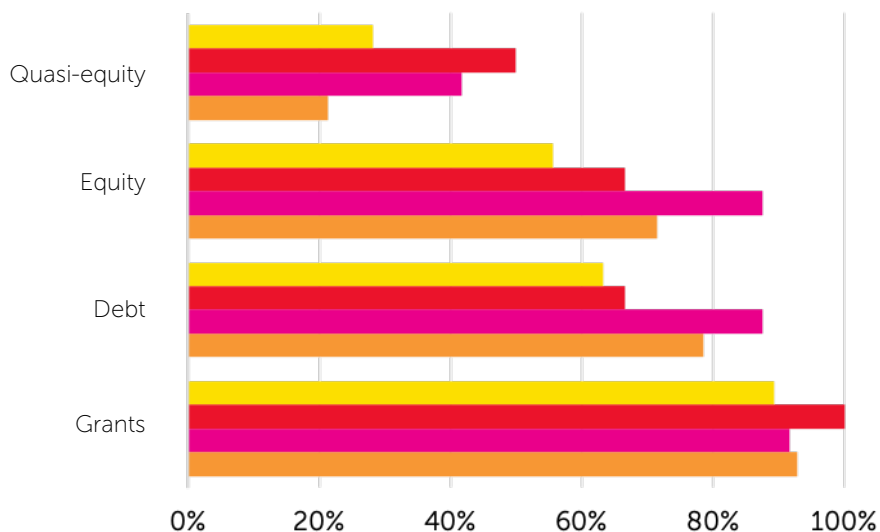
Purpose of capital

We asked SPOs what they predominantly needed funding for, and could select multiple items. All of the segments, especially Innovate and Scale, were looking to invest in new products or services, supporting SEUK's survey data on social enterprises. Scale organisations were also looking to increase sales, marketing, and delivery capabilities, and the Deepen segment were most likely to need funding to support existing delivery. Further research could help clarify how SPOs use funding, and how easy it is to distinguish desired capital amount and type for specific funding needs, especially for organisations testing new ideas or delivery functions.



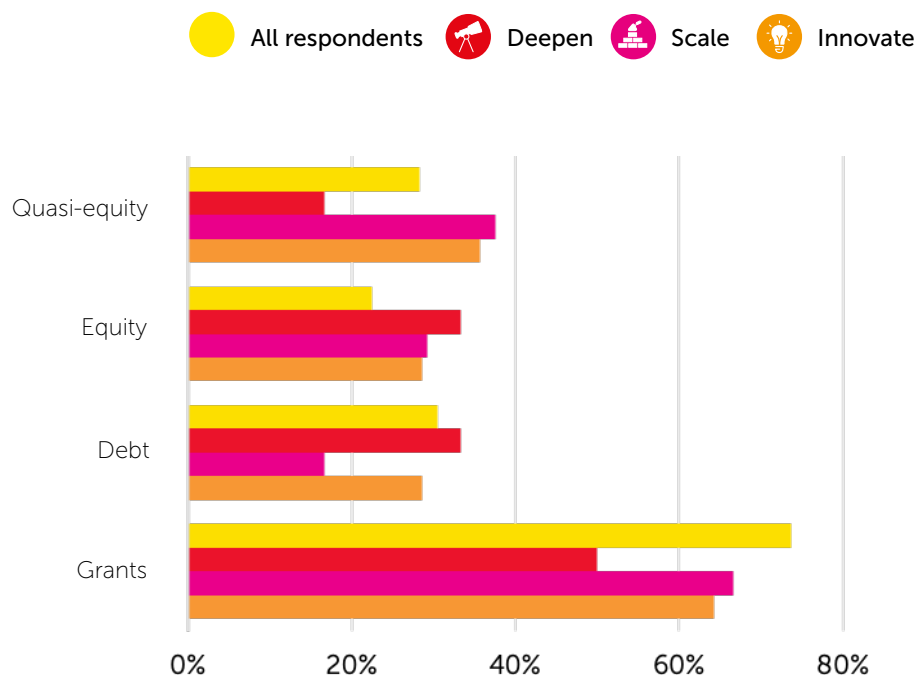
Awareness of funding types

We asked organisations whether they were aware of each funding type existing in the sector (each type was defined prior to these questions for clarity). Unsurprisingly, grant funding is by far the most well known, with 89% of SPOs aware of it. Quasi-equity was the least well known. Further research could explore how awareness levels impact demand, but our hypothesis assumes a strong correlation between awareness of funding type and resulting demand application levels in the sector.



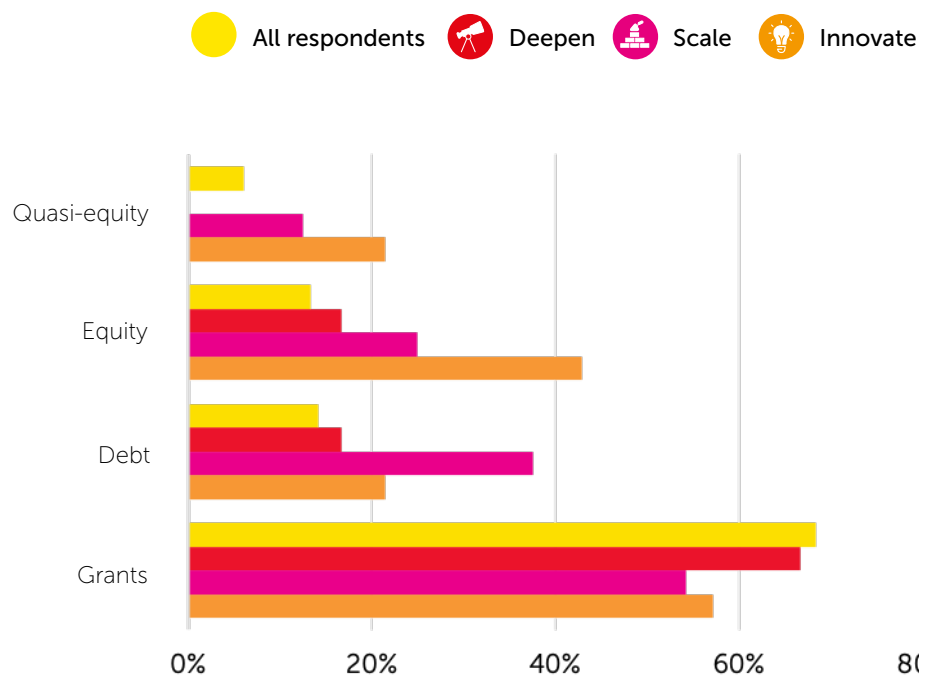
Preference of funding types

We asked organisations to rank funding types in order of preference, with the top two represented here as a source of preferred funding. Once again grant funding came out on top, with almost 75% of SPO's ranking grant funding in their first two choices. It was interesting to see that the overall preference for quasi-equity (28%) and debt (31%) were similar, despite higher levels of awareness of debt in the market. This was especially true for Innovate and Scale organisations who prefer quasi-equity above debt or equity funding. Preferences for equity were lower, but all three of our segments preferred equity higher than non-segment respondents. The findings on funding preferences warrant further exploration. Many organisations expressed a preference due to perceived eligibility, others around perceived availability in the sector, and many more around potential cost of capital. There were also considerations around the internal organisation's risk appetite, impact alignment with investors, and internal skillset to manage the funding. Further research could explore the criteria around funding preferences and how that in turn translates into expressed (applied) demand.



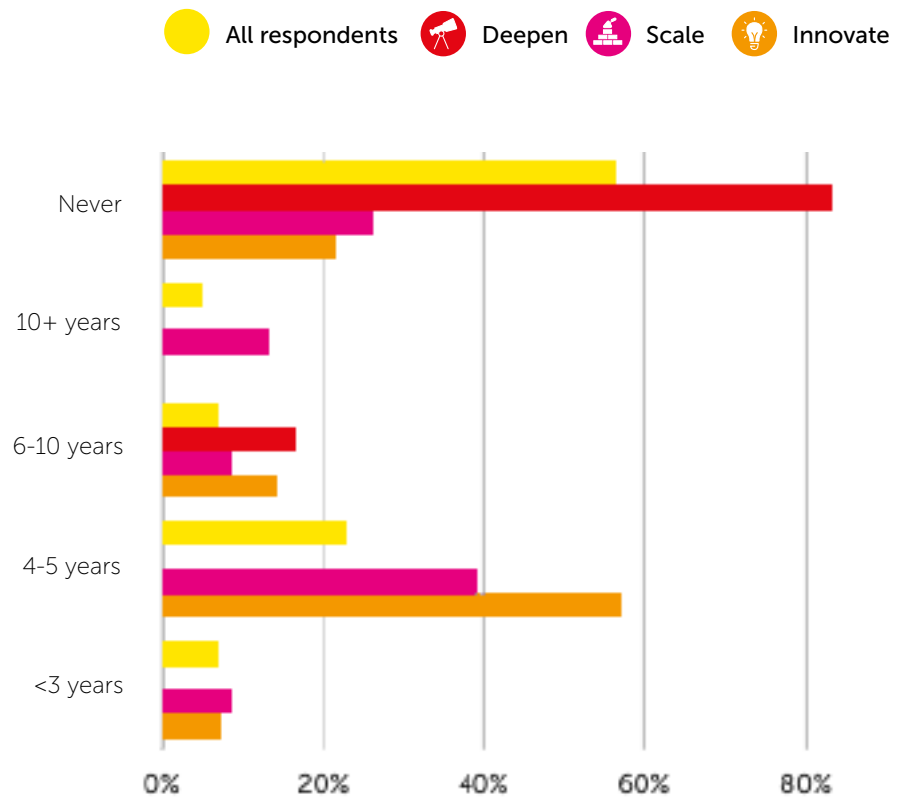
Application demand of funding types

Finally we asked respondents what they had applied for in the market. Grant funding closely mirrored preferences, suggesting that those who desire this type of funding are likely to go on and apply for it. However, the results vary for different funding types. Despite high preferences for quasi-equity funding, very few organizations had gone on to apply for it. Debt and Equity both had a reduction from preference for funding to those who translated that desire into an expressed demand. There may be a number of reasons for this: organisations suggested funding was not available to them; products in the market were not meeting their needs as an organisation; there was a perceived low chance of application success; or limited internal resources to meet the overall length or complexity of funding applications. Further research could explore these barriers in depth and identify new solutions to help increase the rates of those who prefer various types of external funding to go on and apply for it.



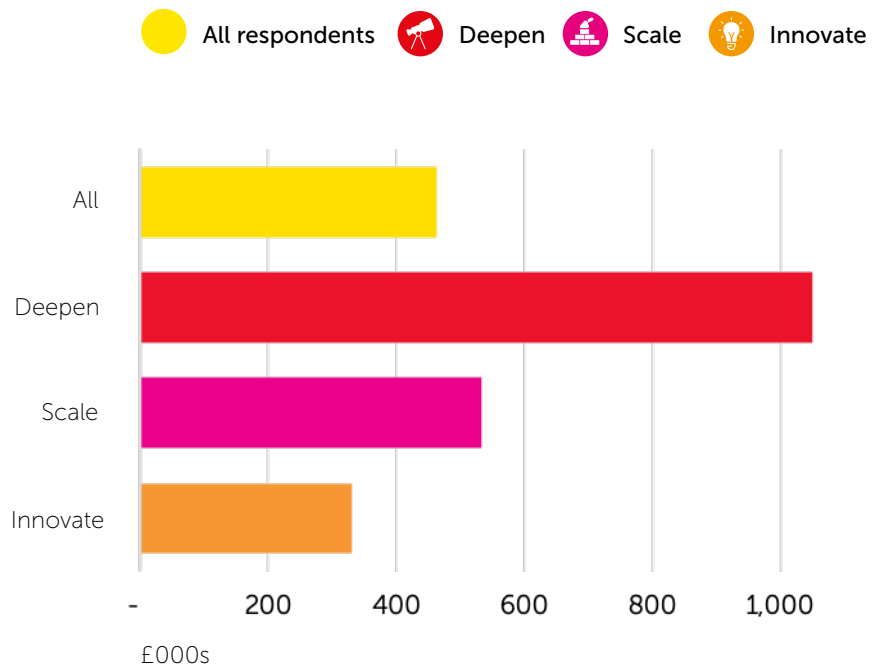
Ability to repay

We asked SPOs within each segment whether they would be able to repay the funding and, if so, how long it would take. 75% of the Innovate and Scale segments suggested that they would be able to repay the funding, significantly more than our surveyed population as a whole. However, SPOs that felt they could repay the funding felt they needed a long period of time to do so, with the vast majority needing at least 4-5 years. This finding brings at least some confidence that SPOs believe they can provide capital returns for investors, however, it reinforces the need for risk capital to be patient in the sector, giving SPOs the time they need to generate the necessary income to repay the investment. The findings suggest that organisations within the Deepen segment were much less confident in their ability to repay the funding, with more than 80% believing they could never pay the capital back. Further research could explore why this is the case, as well as what data and scrutiny each segment type is using to help inform their assessments of repayment ability, and how this develops over time with increased funding experience.



Capital need

We asked organisations, regardless of funding type, how much funding they required to achieve their goals over the next three years. The response data follows a predictable trajectory that the capital needed increases with organisation stage. Surprisingly, the average capital required is higher than previous survey data in the sector, with average total need of £462k, with a higher average of £554k for organisations within the patient risk-bearing segments. We believe this provides an interesting area to explore moving forward, especially relating to how organisations respond to questions relating to capital need unencumbered compared to application levels. For example, SPOs may adjust their capital preferences based on funding amounts available in the market, varying use cases for capital at the time, or based on the perceived probability of funding success.



Appendix E

Segment summaries

It's important to note that our sample size for each segment was comparatively low and therefore findings should only be considered indicative and reviewed with caution. Over time, we believe our segmentation profiles can be tested, challenged and refined with improved and greater data to draw from, enabling a more robust segmentation to take place.

Innovate

The Innovate segment is the second largest, with 6% of SPOs meeting the Innovate criteria from the survey. The segment is largely made up of more recently established organisations, following similar trends in the private sector. A majority of these organisations were either CICs or CLSs, and further work could explore how newer SPOs go about selecting an appropriate legal type in the sector. Perhaps predictably, considering their size, these organisations had the smallest capital need of the three segments, requiring £330k on average. Innovate organisations were also the most confident of the three segments that they would be able to repay the funding, with a majority believing they could pay back this capital within 4-5 years. Innovate organisations were typically much more aware of equity funding than quasi-equity funding, despite similar levels of preference for each type of funding. However, the preference for equity funding was less than the amount received for Innovate organisations. Further research could explore if this holds true with a larger data set and, if so, what challenges the Innovate segment has had in taking on equity funding. How to increase overall awareness levels for Quasi-equity funding as a potential alternative could also be investigated.

Scale

The Scale segment is the largest, with 9% of SPOs meeting the Scale criteria from the survey. The segment comprises a broad mixture of Registered Charities, Community Interest Companies, and Companies Limited by Shares. Scale organisations on average were looking for just over £500k – to invest in new products or services, increase sales capacity, or improve delivery capability. Scale organisations were the most aware of equity funding, and had higher levels of quasi-equity experience than both the Innovate or Deepen segments, although this was still limited. Despite low levels of preference for debt funding, Scale organisations had applied for this type of funding the most beyond grant funding. Further research could explore the discrepancy between funding preferences and funding applications for funding for the Scale segment, and what combination of funding source may be best placed to support them in meeting their funding needs.

Deepen

The Deepen segment represents the smallest of the three segments, with only 3% of responding SPOs falling into this segment. The segment is largely made up of established, charitable organisations struggling to generate surplus income. The segment on average requires £1 million to fund their goals over the next three years, mainly looking to invest in their current delivery model or new products and services. The findings suggest that organisations within the Deepen segment were much less confident in their ability to repay the funding, with more than 80% believing they could never repay the capital. Their levels of confidence may be due to better data or experience in taking on new sources of funding, but may also be a result of their current income mix or confidence in developing new, diverse sources of income. Further research could explore why this is the case in order to identify the most appropriate funding instrument and investment terms for each segment based on their respective funding needs.

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Authors



Duncan Brown

Commercial Director
Shift

duncan.brown@shiftdesign.org



Duncan Fogg

Commercial Lead
Shift

duncan.fogg@shiftdesign.org

Shift

71 St John Street
London
EC1M 4NJ
@shift_org
shiftdesign.org

Registered Charity Number 1134546
Company limited by guarantee registered in
England and Wales 065181174