

# Between two worlds

## Learnings from early delivery of the Growth Impact Fund

November 2023

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# Overview

## Foreword

“The Growth Impact Fund learning report has come at an opportune moment in time as funders and investors are critically looking at how they can better support more diverse entrepreneurs. This includes challenging the biases that may exist with the way investment funding is accessed by those from diverse backgrounds. This report lays out the honest challenges in making a social investment fund work to solve this problem and the inherent challenges in doing this without challenging the status quo approach that permeates the wider sector. We ask that investors and funders use the report as an opportunity to critically look at the way their processes work and to engage in dialogue both internally and across the sector to bring about changes. We hope this can lead to a fairer and more equitable flow of financing and resources to diverse founders and harder to reach communities.”

- **Amir Rizwan, Growth Impact Fund Impact Advisory Group**

## Acknowledgements

Creating something that looks and acts different in the investment sector takes a leap of faith. We are a small team with big ambitions, and we cannot do this work alone. We’ve been joined by funders, colleagues, partners and founders who all share our vision for an investment sector that works for everyone. This is particularly true for those who have been locked-out of investment so far.

The learnings in this report would not have been possible without the support and contributions of our funders, colleagues and partners. We’d like to thank everyone who has been involved in the development of the Fund, and look forward to welcoming others as we continue to learn and evolve. Get in touch with us by using [this contact form](#) on our website.

## Our vision for the future

This report focuses on some key concepts regarding Equality Impact Investing (EII). EII, as framed by the Equality Impact Investing Project (EIIP) is a “form of social impact investing that explicitly aims to reduce inequality and advance human rights. It applies the equality and human rights movement’s internationally recognised aims, principles and standards to social impact investing goals, strategies and impact measurement across the full spectrum of capital”. Find out more about EII on EIIP’s [website](#).

We hope that these learnings help build foundations and an emerging evidence base for the field of EII in the UK. We want to make a contribution to the ongoing dialogue about the role of investment in addressing inequality. In the short-term, our desire is for peers, investors, equality organisations and the wider sector to collaborate as a shared community of practice, so that many of the existing barriers for diverse-led social purpose organisations can be tackled together. Over



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time, we hope this work can start to move the dial on inequality in both the investor sector and the markets and communities we aim to serve. With this in mind, we seek pluralism over assimilation. Our emerging principles around this, which we'd like to explore with others are:

**Open.** Investors should be able to explore and take different approaches within the EII based on their own context, mission, and investment conditions.

**Accountable.** EII should be accountable to the equality organisations and their wider communities, engaging with stakeholders to explore whether investment approaches are truly working to shift the dial towards equality impact.

**Collaborative.** Where there are overlaps, we should work in collaboration to share learning, and help better define and shape different approaches to EII, supporting increased overall investment into the sector.

## How to engage in these learnings

Our learning reports are “living documents”, because we know that we don't have the answers or solutions to best support founders from underrepresented backgrounds. We can all play a role in contributing to sustainable change to the social impact investing space, and it's critical for diverse voices to be at the table. Please take the time to read what we've learnt, critique our findings, and offer your suggestions on what we could do next or how we can work together.

We recognise that everyone has differing levels of capacity to engage with these learnings, so we've tried to provide different pathways to engage:

- If you'd like to understand a snapshot of the learnings shared within this report in 10-15 minutes, we recommend exploring our learning [here](#).
- If you have 30 minutes to spare, we recommend exploring our executive summary, and/or, engaging in one of the five sections within the report that feels most relevant or interesting to you.
- If you have more time, then please engage in the full report in whatever way(s) you wish.

**If you're an investment peer or enterprise support provider.** We'd love to hear your own experiences of delivering investment or support for earlier stage, diverse-led social purpose organisations, or those focused on equality impact. We'd particularly like to hear from you if you have learnings around investment support, inclusive diligence processes, or have explored models around assessing investment risk for sectors targeting equality impact. Feel free to navigate any of the report learning sections that mirror or align with your own practice.

**If you're interested in the sector more broadly.** Whilst we've written these learnings for audiences who would consider themselves involved or engaged in social investment in some way, we welcome input from those from further afield. We do assume the reader of this learning report has some level of existing knowledge around social investment. If that's not the case, we recommend



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reading [What is Social Investment?](#) by Good Finance or exploring [previous learnings](#) from the Fund before engaging.

## Framing our learnings

This learning report recognises that a) we are still in the early stages of delivery with limited evidence or data to draw true conclusions from and b) we may not be aware of all wider equality impact investing practices in the UK that might build on, challenge, or reframe our own experiences. Importantly, these are experiences of stakeholders sharing honest observations about the Fund. They do not represent the views and opinions of all Fund stakeholders. The learnings are shared from the perspective of the Fund, which has its own needs, motivations and goals, we do not come from a place of neutrality. Despite this, we actively champion differing perspectives across the Fund and wider stakeholders. We won't push for 'neat' answers. We're learning in a complex environment, and recognise we come into this space from different positions. We hope that our learnings can reflect rather than undermine this complexity.

# Executive Summary

## Overview

The Growth Impact Fund is a social investment fund that aims to help address UK inequality. To do this, we take an equity-lens to our work - that is, focusing on what our applicants and their communities need in order to take on investment, and how that might change depending on their own circumstances. Yet the realities of trying to deliver against this have highlighted the fundamental challenges and tensions of pursuing this ambition in a sector where inequality continues to shape the structures and processes we work in. **Our learnings so far speak to an investment fund that is operating “between two worlds” - between the ‘status quo’ of a predominantly inequitable investment sector and the realities of what it takes to support diverse-led organisations looking to deliver equality impact.**

We've seen that the current investment sector can perpetuate practices and norms that reinforce rather than address the root causes of UK inequality. And we consider our work part of a growing field of Equality Impact Investing (EII). This is a subset of social impact investing, committed to mitigating and addressing the root causes of inequality and exploring viable alternatives to current investment norms. Making the transition to an investment operating model that can help truly transform equality outcomes in the UK will take time and a systems-led approach. Our Fund aims to test, pilot, and demonstrate new social investment approaches to support this work. To achieve wider systems change, we will all need to work in collaboration; finding new ways to bring these two worlds together.



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This learning report shares insights that have emerged, trade-offs that have been made, and tensions that have surfaced for the Fund in delivering EII. The Fund experiences these two worlds across a spectrum; sometimes operating in ways that consciously or unconsciously perpetuate inequality, and in other ways, exploring progressive changes that we think could offer a transformative investment future. This learning report aims to surface how and where this shows up across the Fund, what opportunities we have at our disposal to adapt, and potential development areas for the wider sector to consider together.

Please explore [section 1](#) of our report if you'd like to explore how we think about the enabling environment for equality impact investing in the UK.

## Learnings snapshot

### Indicators of progress

- 72% of applicants haven't applied for investment previously
- 50% investees received GIF investment haven't received investment previously
- 100% of our fund portfolio are diverse-led

### 1. Increasing access.

**Fund application data is driving ongoing adaptations to our outreach and support approach. Yet there are limitations to what we can do alone without a sector-wide response to access barriers for diverse-led social purpose organisations.**

The importance of increasing access to investment for those currently marginalised by the investment sector is well documented. Yet, we understand much less about the strategies and approaches that truly work to ensure investment capital goes to those who most need it.

The majority of demand we're seeing in the Fund comes from diverse-led Social Purpose Organisations (SPOs) who have never received investment, but who are already connected and networked within the wider sector. If we want to extend our reach to founders and communities excluded from social investment, we must explore alternative outreach strategies. These include engaging in more targeted digital marketing approaches to excluded audiences, building longer-term relationships with place-based infrastructure bodies, and developing simple, engaging, and accessible information about the Fund.

We've also been learning that our initial model of support may not be flexible or holistic enough to support earlier stage SPOs into our investment process. As a result, we're exploring more tailored support processes that better reflect where

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entrepreneurs are across their journey of raising investment and developing their enterprise.

Explore [section 2](#) of our report if you'd like to explore how we think about improving access to early stage, diverse-led social purpose organisations.

## 2. Improving the experience of taking on investment.

**Our learning suggests that trade-offs will have to be made between having an inclusive investment process and delivering a sustainable investment Fund.**

The experience of actually navigating an investment process, from a user perspective, is often neglected in the sector, despite being central to any Fund's ability to be truly inclusive. Anecdotally, we regularly hear of unsatisfactory and, at times, discriminatory experiences for many of the founders or senior leadership teams who aim to take on investment. Yet with limited budgets, resources, and capacity for UK social investment fund managers, we believe that this is **unlikely to change without considerable adaptations to existing fund operating structures and budgets.**

We're struck by how hard it can be to balance our efforts to make the Fund more inclusive, without creating false or leading expectations about the rigour, intensity, and capacity that is required to receive investment from us. As a result, we're continuing to explore how we can adapt our communication process, and support during investment without setting false or unfeasible expectations for the team to deliver on.

Taking a more relational, flexible approach in how we support individuals to navigate the investment process has been broadly well received. Yet, there are trade-offs between building ongoing dialogue, relationships, and the ability to provide certainty or guarantees around investment timeframes, and to ensure that both parties feel like there is a true value exchange within the investment process. Relational, adaptive, and more enterprise-driven approaches to investment processes are resource intensive and strain our capacity. And we are continuing to explore how we can utilise these in the service of a less extractive process for users, which is better able to balance their needs with those of the Fund itself.

Explore [section 3](#) of our report if you'd like to explore our learnings on the investment process for the Fund.

## 3. Exploring how we make decisions within the Fund

**We need to commit to ongoing learning about how appropriate our approaches to assessing risk and decision-making are in the fund, particularly**



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## **if we are to meet our ambitions towards equality, inclusivity whilst maintaining our mandate to our investors.**

We believe there remains a funding gap in the social investment sector for diverse-led social purpose organisations given their perceived risk of being able to generate a return for investment funds. Yet fund managers reliant on commercial investment are unwilling or unable to adjust their risk appetite to meet this funding gap. For those that do, they will need to consider to **what extent traditional models of assessing risk, return, and impact are fit for purpose** and what adaptations to investment decision-making may be required.

The Growth Impact Fund is by its very nature open to risk. The Fund backs early stage organisations with limited data or track record. We offer investment products that focus on sharing risk, and we work in sectors where there is typically some form of market failure. Yet many of those who've completed our diligence process feel that our present approach to risk assessment can still be at odds with our values as a Fund, particularly when we ask for more detailed information than other funders have requested previously. Working alongside our investment committee to better understand how we manage, mitigate, and consider risk, while still being able to deliver an “inclusive” fund, is an essential part of our ongoing learning inquiry.

Many diverse-led SPOs want to know whether they are being assessed fairly by the Growth Impact Fund. And to achieve this, the Fund has set strong ground rules about how we come to decisions; using consistent assessment frameworks, balancing different types of experiences and stakeholders to support assessment, applying processes to minimise potential bias, and being consistent about how deals get presented. However, for our applicants, this approach can sometimes feel inflexible and unclear, and the decision can often feel outside of their control. We're seeing a need to build greater transparency and confidence for applicants around our decision-making model, and to identify any adaptations needed to meet broader founder needs around transparency, agency and fairness.

Explore [section 4](#) of our report if you'd like to explore our learnings on the investment process for the Fund.

## **Moving forward**

Our learnings within this report feel simultaneously validating and sobering. Many of our learnings reinforce the reason why investment funds like the Growth Impact Fund (and others) are needed. Yet, we're increasingly aware of how our current fund structure impacts our investment process, and ultimately the emerging experiences of applicants engaging with the Fund. We remain a product of an investment world, and despite our efforts to continuously learn and improve, we have to be honest with ourselves about what contribution to addressing inequality we are best placed to make.



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Our learnings demonstrate how much we still don't understand. In many ways, we have more questions than answers. Despite our limitations and constraints, we remain committed to pushing forward practices and approaches to EII. In the coming months, we'll look to make targeted progress across our outreach strategy, investment support, and decision-making approach.

There is also real hope contained within these learnings for the field of EII. The sector in the UK and wider afield is starting to pick up pace, with new ideas, case studies, and approaches that offer real developments on and alternatives to the investment status quo. We believe that in partnership with others, we can bridge the gap between investors, the organisations delivering equality impact and their wider communities. We can't do this alone. We believe there are tangible opportunities for collaboration in designing an investment sector that can, over time, truly work for all.

Explore [section 5](#) of our report if you'd like to engage in and help co-develop some shared activities or initiatives for sector collaboration.



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# Introduction

The Growth Impact Fund is currently a £9.95m investment fund that invests in social purpose organisations (SPOs) in the UK to tackle inequality. This introduction to the report explores how we think about investing for equality and emerging considerations for the broader [Equality Impact Investing](#) field.

## Equality Impact Investing

Inequality speaks to differences within certain people or groups. It seeks to understand and measure how people can access resources or opportunities, engage meaningfully in society and exercise their human rights. Inequality speaks to both the distribution of resources across society (e.g. income distribution between highest earning and lowest earning deciles) and how access to opportunities can result in differing, unequal outcomes. The root causes of these unequal outcomes are shaped by how people experience and are treated within or are marginalised by the processes and structures that make up our society.

At the Fund, we recognise that achieving equality will require taking an equity-lens to our work. This lens acknowledges specific individuals or groups may require greater access to resources, capital or support than others. We apply this lens to our investment making and impact assessment in hopes to ensure people have what *they need* to enjoy full, healthy lives.

[Equality Impact Investing](#) (EII) utilises the aims, principles and standards of the human rights and equality movement to social impact investing. EII looks to explore the different strategies available to use investment as a tool to help tackle inequality. It aims to achieve this in a world where investment tends to perpetuate the world as it is now, which remains deeply unequal. At the Fund, we want to show how the EII field can be a demonstrator of change, and ensure innovative, early stage investment can be used as a driver to tackle, rather than reinforce, the status quo of inequality.

## EII at the Growth Impact Fund

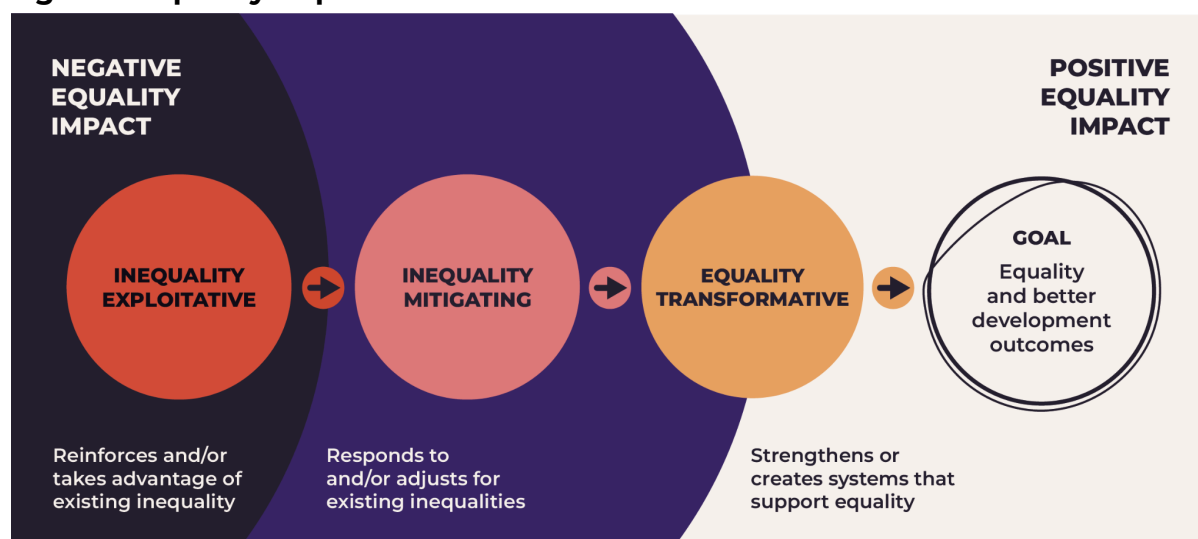
A key aspect of equality impact investing is reviewing your own practices as an investment fund and how that may impact your ability to support inequality initiatives. Our goal as a fund is to move towards inequality mitigating and eventually equality transformative investment. Equality Impact Investing Project ([EIIP](#)) have a useful framework for social investors to gauge where they sit across the spectrum of EII:



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**Figure 1. Equality impact continuum**



*“There is no such thing as an equality “neutral” investor or investee. The impact of investments on inequality will depend on the extent to which investors make conscious choices and efforts to avoid the negative (the red zone in the equality impact continuum below), or support the positive (the orange or green zone).” - **Equality Impact Investing: From Principles to Practice, 2019***

The Fund aspires to be an example of ‘good practice’ for positive equality impact, but we still have work to do. There are very real tensions we are facing that have surfaced from early operations within the Fund, many of which determine what our limitations are to move towards equality transformative impact. We think many investors, including ourselves, perpetuate norms, policies, and practices that contribute simultaneously across the spectrum of both negative and positive equality impact. **We don’t believe that being an equality impact investor is a binary act- there can be both negative and positive equality aspects within any one investor or fund.** This will remain the case until the enabling conditions in the UK have evolved in ways that provide the supporting infrastructure for EII. Until that time, all EII funds will have to make real trade-offs in what they can and cannot deliver across the spectrum of inequality.

**The remainder of this report is broken into the following sections:**

1. [The Fund’s operating context as an EII fund](#)
2. [Increasing access to the Fund](#)
3. [Navigating SPO experiences across our investment process](#)
4. [Our learnings on decision making in the fund](#)
5. [From learning to action](#)

This learning report doesn’t provide answers. It aims to share the very real experiences of an investment fund looking to reduce inequality. We hope that this is seen as an open invitation to continue a sector- wide dialogue on how to best shape and progress EII, something we encourage everyone to participate in.

# Section 1: Operating as an EII fund

**Overview:** This section of the report shares learnings on our approach and strategy towards EII and its potential benefits and limitations when addressing inequality, given the current context and stage of development for EII in the sector.

In this section, we will cover:

1. [Our approach to tackling inequality](#)
2. [Our EII learnings so far](#)

## Wider resources on EII

If you are interested in learning more about Equality Impact Investing, we recommend exploring the [Equality Impact Investing Project \(EIIP\)](#). We particularly recommend exploring their:

- [Equality impact investing strategies](#) - a great introduction to the various equality impact investing approaches investors can employ
- [EII toolkit](#) - a tool that can help investors to develop a step-by-step process to follow to develop an impact thesis and investment processes to tackle inequality.
- [EII resources from the Field](#) - resources that may help investors and practitioners to explore wider practices across the sector or dig into more specific topics related to EII

## Our approach to tackling inequality

The table below outlines our approach to tackling inequality. We've framed these in reference to the five [EII strategies](#) conceptualised by the Equality Impact Investing Project (EIIP). We focus on EII strategies one and five in this learning report and hope to share more about learnings across EII two, three, and four in subsequent learning reports.

**Table 1. EIIP Strategies - GIF's approach**

EII strategy	GIF's approach
1. Capital to marginalised entrepreneurs	Investing in early stage SPOs that have previously been underserved by the investment market or have experienced their personal and/or professional lives. Investing in organisations that identify as diverse-led, at a senior management and/or Board level. The Fund has a particular focus on audiences across

	the intersection of race, gender, class, and sexual orientation.
2. Target ventures with good equality and diversity practice	We only invest in organisations that target equality impact within their business model. We also assess organisations using our equality diversity and inclusion (EDI) toolkit, looking for those that can demonstrate clear commitments to improving their DEI policies, and practices.
3. Target inequality mitigating organisations.	Investing in SPOs whose primary mission is supporting those who currently experience one or compound inequalities. This includes supporting those that experience limited access to appropriate products or services, supporting job growth or sustained employment for individuals typically excluded from the labour market, or those providing new types of programmes or initiatives that directly addresses inequality for a specific audience.
4. Target equality transformative organisations	This strategy explores investments targeting the structural and systemic root causes of inequality. For example, investing in initiatives looking to adapt the way that public sector commissioning occurs in the UK. Whilst the Growth Impact Fund is open to investments in these areas, we're yet to find emerging business models that could support investment from our Fund.
5. Improve investors own makeup and practice	Providing resources to invest in our own practices: Increasing representation within the fund, DEI, accessibility, and equalities training, Internal assessments regarding our investment and equality practices, adapting fund practices based on feedback from stakeholders. We also have learning exchanges to share and adapt our practices based on learning from peer investors.

## Our EII learnings so far

The learnings from these sections have been drawn largely from conversations with other fund managers addressing UK inequality, particularly those working in the social investment or wider impact investing space. Many of these learnings should be opened up to both scrutiny and further exploration as we continue to grow the field and convene a wider range of experiences from fund managers seeking to explore and deliver this work.



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## 1. Despite a clear need for investment to support SPOs addressing inequality in the UK, EII as a field is still developing.

### What tensions arise as a result of this?

- **Unclear market size for EII investment.** There is a lack of data on the number and types of diverse-led SPOs targeting inequality. This leads to questions on where to target outreach activity and how to best support these entrepreneurs. As a result, it can be more difficult to shape effective, targeted fund strategies focused on inequality mitigating or transformative investment.
- **Understanding which business models of equality impact are investable.** Many of the organisations looking to develop business models focusing on equality issues are still emerging. This is especially true of those that are transitioning from grant-funded to hybrid and full trading income models. There is still a need to support the development of established business models and routes to market with grant funding, alongside growing investment.
- **Limited convening space between equality organisations, commissioners, and investors.** We find that established equality organisations still have concerns about the value and risks of taking on investment. We've also found organisations are struggling to determine what constitutes an equality impact organisation (shared in below learnings), lack data on how inequality is present within their own sector, or how addressing inequality could be embedded into their business model. Overall, this may speak to a lack of collaboration between equality organisations, commissioners, SPOs and investors to help identify a shared language around equality impact investing, and where there are opportunities across sectors for EII to best provide investment and support.
- **EII's integration with wider change movements and frameworks.** EII is likely to overlap and integrate with a range of wider investment movements and frameworks focused on changing the existing investment landscape. This includes models of investment localisation such as [Community Wealth Funds](#), social justice capital movements such as [Justice Funders](#) and the [Decolonizing Wealth Project](#), or economy-wide efforts such as [financing the Just Transition](#) and building a [solidarity economy](#). It's currently unclear how these different movements should work in collaboration with EII (if at all) to shape a UK-wide influencing agenda around the future role of capital and other forms of funding to help tackle inequality.

### How do we manage these tensions within the Growth Impact Fund?

- **Developing relational approaches with potential investees.** We have ongoing conversations with a wide range of early stage SPOs to understand if or where there is potential for investment. We often



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encourage many organisations who have spoken to us or applied for the Fund to come back to us as their idea develops, and suggest alternative channels to accessing support if we're unable to support them.

- **Refining business model selection over time.** Since starting the Fund, we've moved away from investing in certain business models. These include consultancy and agency style models or those focused on equality influencing or systems change. These organisations are important in equality movements, particularly to drive long-term transformational changes. Yet we've struggled to build an investment case for these organisations. We will continue to clarify the types of organisations we're well placed to support at the Fund, and where we think other sources of income are more appropriate to sustain equality initiatives.
- **Adjusting portfolio focus as we learn.** Given limited data on the size and focus of equality-focused SPOs, we're investing in areas where we feel well placed to provide investment support. However, taking a sector approach means exploring a wide-lens around identity, community, and lived experience. As a result, we're not representative of all community groups or the different forms of inequality that SPOs applying for the fund engage with. As we continue to receive applications across our different sectors, we will increasingly be able to determine where we are well positioned to provide support to different community groups and SPOs and where we're not.
- **Supporting sector convening.** We support the need for whole-system, multi-dimensional approaches to improving equality in the UK. There are opportunities within our sector and portfolio to encourage collaboration. Where possible, we will connect and convene organisations to identify if and where there are opportunities for sector collaboration.
- **Developing more holistic approaches to understanding and measuring equality impact.** We use an impact framework and equity, diversity, and inclusion toolkit (EDIT) to better understand how inequality manifests across the sectors we work in, and what SPOs are doing to address these challenges. By using our own framing and data collection around UK equality challenges, we're trying to balance improving our knowledge on equality issues without becoming prescriptive or extractive to SPOs.

## 2. There are tensions between EII and traditional investment models

### What tensions arise as a result of this?

- **Pushing EII into current fund models that do not reflect extra costs and roles required to enable EII.** EII requires additional roles, skill sets, experiences and knowledge to deliver investment differently. But, the existing fund and fee structures available to fund managers rarely account for or value this resource.



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- **Risk that fund investors limit manager approaches to EII.** Fund investors may risk the extent to which a fund could qualify as EII. For example, if investors were to use surplus returns to re-invest returns into the 'extractive economy'; these actions may undo any work done within an equality fund. In the UK, fund managers have little influence to shape 'reverse terms' and the type of practices expected of investors. This is especially the case for legal fund agreements where existing investor and fund manager partnership agreements focus on maximising investor control, whilst 'pushing risk downwards' onto the fund, and their investees.
- **Early stage fund managers are expected to 'model' early-stage VC equivalents.** Early stage EII investors are often benchmarked against equivalent venture investments. This includes fund strategy, desired expertise and team makeup, differentiation, and risk-return expectations. This risks EII fund managers moulding their funds and investees to fit existing venture investment, rather than focusing on meeting the needs of their equality-focused SPOs. This is particularly the case when considering 'exit' pathways for equity deals. Without having venture funds committing to EII, there are limited funding pathways that are suitable. As a result, both SPOs and equality investors have to model growth forecasts and delivery plans towards those that will help fulfil expected VC returns to not hamper SPOs in future fundraising efforts.
- **Fund adaptations based on learning are limited within existing fund structures.** We are still learning about what types of SPOs we are well placed to provide investment to. This is both in terms of appropriate product, timeframes and what SPOs need before, during and after investment. Traditional fund partnership agreements limit our ability to act on these learnings. For example, we're unable to invest across a continuum of potential risk or return based on what surfaces through our pipeline, and have limited flexibility in adapting our budgets based on emerging need for both pre and post investment support.

"We are pushing this work [equality impact investing] into a conventional structure because that's how we've done investment in the past, so we know it. It also gives you the highest chance of getting the money. If you are trying to reach out to different investor bases, especially commercial investors, those are still the structures you need. We are pumping these fund structures into the market, mainly because we need money to do this work, and then saying we need to access 'hard to reach' people. And something just doesn't add up. You need something else that's more flexible, maybe even a hub and spoke model, something that treats community partners as more than just outreach costs" - **GIF Impact Group member reflection, 2023**

**How do we manage these tensions at the Growth Impact Fund?**



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- **Adaptable Fund structure.** Our fund structure is evergreen, which means we are not under the same pressure as other investors to liquidate. We've also created a structure that enables investors to come into the fund at different 'tranches', via a philanthropic and commercial layer. We hope that this can attract different types of investors with alternative needs, and give the fund ongoing flexibility.
- **Blended finance model.** The Growth Impact Fund uses a limited partnership fund structure as it remains the most legitimate for fundraising purposes. But we also raised a grant-only technical assistance fund alongside the Fund. The technical assistance fund allows us to provide pre and post investment support to SPOs, and also helps some of our wider learning and influencing work.
- **Convening learning spaces with fund managers and investors.** To help learn about the impact of different fund structures, we've invited investors and fund managers to learning roundtables and will continue to share the extent to which our existing fund model provides enabling conditions and constraints towards EII.

### 3, The UK investment sector relies on limited expertise to deliver on an EII agenda.

#### What tensions arise as a result of this?

- **Limited Learning and Development (L&D) budgets to support investment in sector diversity.** The lack of diversity in the UK's social and impact investment sector is well known, highlighted by ongoing work from the [Diversity Forum](#). But, we've seen little appetite from investors to invest in learning and development budgets to help increase this. As a result, support to help individuals to transfer their skill sets from equality organisations or social businesses to transition into the investment sector will remain limited, particularly for social investment finance intermediaries.
- **Propensity to defer back to existing or conventional investment wisdom.** Despite being essential to the delivery of an investment fund, experience and knowledge of investment is ranked higher than entrepreneurship or equality impact expertise. This leads to the risk that other competencies or skill sets are not valued the same within fund managers, defaulting to 'how it's done' in investment as the status quo. Work to define and support sector roll-out of EII competencies is one of EIIP's current initiatives.
- **Requirements to carefully manage outsourced fund activity.** It's not unusual in investment to use external consultants, particularly during due diligence and contracting terms. But only a minority of consultants are trained in EII, and we've seen a gap in those trained on trauma-informed practice or strengths-based approaches to service delivery.

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- **Knowledge of equality movement building and influencing.** Investment funds tend to not take on a strong influencing role or political agenda- outside of lobbying for or against regulation change that could impact fund performance. But, we would suggest that EII asks investors to take on a more committed and informed role around the impact of current policies on inequality and what role they can play to influence the equality agenda.
- **Challenges building trust with certain community groups.** There is a lack of representation and shared experience between investors and community groups. This is due to investors having few long-term relationships with equality movements and their wider communities, which can mean investors may struggle to build a sense of shared alignment with, knowledge of and commitment to longer-term equality movement building beyond short-term investment strategies.

### How do we aim to address these tensions at the Growth Impact Fund?

- **Fund recruitment and governance.** A key focus for the Fund has been trying to build a representative investment team and committee. Despite these efforts, we still have gaps across some specific ethnic minorities, locations in the UK where inequality is dis-proportionately experienced, and disabled people.
- **Bringing in additional equalities knowledge through partnerships, governance and the due diligence process.** We address any gaps in knowledge or relationships across the team by bringing in specific equalities expertise or partnering with other organisations. This includes working with organisations to support our outreach efforts, speaking to sector experts through our due diligence process, and/or our Impact Advisory Group. The latter serve as impact mentors when they have relevant expertise related to equality impact about a specific deal.
- **Ongoing DEI and equalities support beyond training.** All staff have had DEI training (to differing levels) that speak to equality competencies. But, there is currently no professional standard or ongoing professional development within the investment sector itself. DEI training still tends to focus on recruitment, internal cultures and policies and practices. These are essential to EII, but don't factor in the role of investment as a tool for equality and few speak to sector-specific equality issues. We see it as a responsibility to commit to ongoing learning around our target inequalities and build out our shared knowledge across the Fund over time.
- **Shared feedback with outsourced partners.** We've set up ongoing feedback mechanisms with our partners to explore more equality focused practices and to share back what we're hearing from fund applicants going through our investment process.

## Section 2: Increasing access to the Fund for organisations previously excluded

**Overview:** This section outlines our considerations on increasing access as an investment fund to support those currently underserved within the investment market. This directly speaks to EII strategy one, “Channelling investment capital to entrepreneurs traditionally excluded and marginalised by direct or structural discrimination and inequality.”

Learnings in this section:

- [Learning 1: Existing relationships are integral to Fund access](#)
- [Learning 2: Investment in under-served communities and places require new pathways to access the Fund](#)
- [Learning 3: Flexible models of support to help diverse-led SPOs have their needs met](#)

### Wider resources

If you are interested in learning more about access challenges for under-represented founders and social businesses, we recommend exploring the following:

- [Reclaiming the future. Reforming Social Investment for the Next Decade](#)  
- A report that shares the findings of the Commission on Social Investment set up by Lord Victor Adebawale CBE to investigate the social investment market and share findings to support improvement and growth.
- [Hidden Voices](#) - A series of podcasts by founders who've taken on investment who share more about their journey both positive and challenging
- [Black-led Impact Organisations: The Lived Experience](#) - This report shares open experiences of operating as a black-led organisation in UK civil society, by [Do It Now Now's](#) initiative [Common Call](#). The section on funding shares particular challenges in accessing appropriate funding, including investment.

### Why access matters in EII

Traditional investment considers accessing investment as either the responsibility of the applicant or as part of an investors' differentiation to build a 'proprietary pipeline' to choose investments from. Both of these models bias individuals with prior investment knowledge, typically with socio-economic advantage, residing in 'investable' locations. The barriers experienced by diverse-led SPOs that do not meet this profile are well evidenced; lack of networks, support, exclusionary

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eligibility criteria and application processes, savings to self-fund efforts, pattern-matching bias, and information asymmetries that can limit knowledge and agency.

Fund models drive these barriers, as ‘deal sourcing’ activity has to be covered in the most cost effective ways possible to maximise return, with capped levels of fund expenses often outlined in limited partnership agreements. As a result, it can be hard to build access to SPOs outside of existing sector networks. Despite a desire to provide additional support in the sector to diverse-led SPOs seeking to tackle inequality, the evidence is not well documented on what works to address access barriers, and there is limited development funding available to support field-building activity across equality focused impact investing. We hope that sharing these learnings will help open up additional support budgets to existing EII investors to increase access, new EII investors to address capital gaps, as well as place-based infrastructure or community organisations providing continued enterprise development support.

## **Learning 1: Existing relationships are integral to Fund access**

**Summary:** Fund access is concentrated on those with pre-existing networks or knowledge of investment. Sector partnerships, word of mouth, and existing relationships with applicants is key to driving access to the fund.

### **Founder needs**

Whilst every individual’s journey is different, we’ve consistently heard the following from diverse-led SPOs when navigating their knowledge building journey for investment:

- I need to understand if investment is right for me right now or at all
- I need to find the right type of investment for me [amount, product]
- I need an investor that I can trust and is aligned with my mission
- I need to understand the tradeoffs between different types of investment [and how this differs to grants or contract income]
- I need to understand how to apply to access investment and what I need to prepare in order to complete the application
- I need to understand what will be expected of me in the investment process and how long it will take
- I need to understand what options I have at the end of the initial investment process {e.g. alternative funding streams, investment options}

## Sector referrals and signposting are driving applications to the Fund

Our relationship with other funders and colleagues in the sector who recommend the Fund via word of mouth makes up a strong proportion of our referral pipeline for applications. We think this reflects the work we've done across the sector to build relationships, demonstrate how our offer can address capital gaps, create simple application processes, and increase our exposure and attractiveness to diverse-led SPOs. 71% of the applications referred from other funders (N=31) and 60% (N=63) of referrals from friends or colleagues were diverse-led SPOs applying for investment for the first time.

"We have never accessed investment previously and are solely focussed on trading income. We have used our own funding to set up the business and have taken the slow approach. But we know to reach the impact we want, we need the financial injection and support to grow healthily" - **GIF applicant, 2023**

We've also had investors, incubators, and accelerators within the investment sector refer SPOs to the Growth Impact Fund to support fundraising rounds. This recognises the need to ensure there are effective, joined up referral pathways between investors to help diverse-led SPOs address capital gaps.

"We have secured a grant from Innovate UK as well as 50% match funding from a regional co-investment fund and are now looking to secure the remainder." - **GIF applicant, 2023**

Applications have surfaced opportunities to co-invest with other investors, particularly around equity investments. However, as we've progressed in conversations, different motivations during deal terms and contracting has made it difficult for the Fund to partner with investors who don't share the same goals around equality impact investing. We've only managed to complete one fundraising round with other equity investors, and have dropped out of the process altogether for another. This is particularly true when we are offering more flexible, non-dilutive capital (e.g. RPA) as part of a wider fundraising round.

## The role of existing relationships in increasing Fund access

We've seen a strong referral pipeline from across our own partnership, particularly from accessing non-investment support previously via UnLtd's grant awards. We feel that this early data is beginning to help validate our hypothesis that long-term, direct relationships between SPOs and investors could help increase investment access. There are a range of reasons for this:

- Existing trust means less upfront time is required to determine mission alignment and relationship fit



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- The Fund has information about the history of the organisation and its development in the sector, which can help expedite and de-risk aspects of the diligence and assessment process
- Applicants already have knowledge of what investment could look like, and have waited for an appropriate time to apply
- Applicants have completed similar types of application processes and have an idea of what we are looking for in order to make an assessment
- These organisations are more likely to have accessed support or funding (e.g. enterprise grants) that has better prepared them for the investment process

A key challenge for us is understanding whether we're biased in backing organisations we know, or have supported before. One of the ways we aim to navigate this potential bias is by having individuals in the team who haven't worked with these SPOs, to assess the organisation. But, we still have to understand how the experiences of organisations already known to the Fund differ from those that are new during the investment process.

## **Learning 2: Investment in under-served communities and places require new pathways to access the Fund**

**Summary:** Improving access to the Fund requires new pathways to access investment that are rooted in the experiences and context of SPOs. This means testing more targeted direct marketing strategies and tailored information provision. We'd also like to explore how sector needs such as meeting funding gaps, collaborating with local, place-based organisations who have connections to those furthest away from accessing investment.

### **Engaging new SPOs through direct marketing**

One of the ways that we can aim to address access challenges is via direct fund marketing, which has proven effective at encouraging applications from outside of London. As a result, we've started to target some of our direct marketing towards specific regions, sectors, or products to see if different framing for the fund and targeted outreach strategies can attract new types of diverse-led SPOs.

To support diverse-led SPOs to identify whether we're a good fit, we've started regular information sessions that share more about the Fund. These sessions have been well attended, with 103 SPOs joining 13 sessions since they began in January 2023. This works well for diverse-led founders who have already heard of or considered investment, but require:

- **Better information to make informed decisions about who to apply to.** Applicants have valued our use of common-sense language and our relational approach to introducing our fund and application.



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- **Greater understanding of why the Fund exists and who we want to fund.** Clearly articulating our commitment to equality impact helps founders determine whether we are a good fit for them as a partner.
- **Increased clarity on what the funding process looks like moving forward.** Information sessions have been helpful to share more details about each stage of the process, the types of documents they will be asked for, and to provide space for potential applicants to ask clarifying questions.

In particular, we've found that these sessions allow SPOs to make informed decisions about whether they should continue progressing with the Fund before they've committed extensive time and resources in applying.

"These things are usually very bureaucratic. This didn't feel like that. I got the real sense that the team was really interested in hearing our ideas and then moulding the application progress - [that] it's needs-based." - **Fund applicant**

### **Early stage, diverse-led SPOs need more support than the Fund can provide.**

There's a clear need for early conversations, information sessions and basic signposting to increase knowledge and confidence in talking about investment on founders' own terms. Yet, we do not have the capacity within our fund structure to support a sector-wide need.

"The capacity of funds will be stretched extremely quickly if we have to have 1-to-1 conversations with all early stage SPOs" - **Peer investor, learning roundtable, 2023**

If funds are not currently well placed to provide ongoing support to learn about investment, who is well placed to support?

Free, open resources like [Good Finance](#) are essential for self-directed learning. But, we think that these resources could work best alongside place-based, community support and peer networks for those furthest away from investment. It's going to take time to build up the pathways between equality investors and place based infrastructure to ensure that these SPOs are well supported. Many of the place-based organisations we've spoken to lack capacity and funding to help link organisations within their local communities to funding sources. Some local organisations don't feel well placed to help their communities navigate the complex language, process, and options available in social investment. Others don't feel that the investment available in the sector is appropriate for their community.

Place-based, community organisations, if well resourced, may be well placed to provide support because of pre-existing trust of and knowledge within their communities, which allows them to:



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- adapt 'investment jargon' in a way that makes sense to their community
- have a closer understanding of community-specific funding barriers
- create ongoing networks for peer convening, learning, and discussions around experiences of fundraising to support community capacity building
- have more established partnerships or access to local funders, including grant-making bodies, councils, and businesses that can help build knowledge of local trading and fundraising opportunities alongside investment

We also hope that better connections between EII investors and community organisations will lead to more diverse-led SPOs building out their local networks. Currently, we've found it difficult to provide effective referrals, but it's a key aspect of providing value to organisations when we can't offer funding or further support. There are several national, large-scale, and competitive accelerator and incubator programmes that we can signpost or refer into but few of these programmes focus on equality impact. Many still uphold barriers that make it difficult to apply or get onto these programmes. We're encouraged by the [Enterprise Development Programme \(EDP\)](#) and other efforts in the sector focused on supporting equality-focused organisations to develop trading income. However, cohort-based models with time-bound applications can make it difficult to ensure there are reliable, ongoing referral mechanisms in place across the sector.

### **Continued need to help build organisational capacity for trading income**

The current operating context for diverse-led SPOs is impacting demand for social investment within the Fund. Many applicants have spoken about fundraising challenges since the pandemic and cost of living crisis. This is particularly true for organisations competing for contracts with larger organisations that have a greater track record, or can deliver contracts more cheaply. Many early stage applicants are still looking for funding to test their proposition in the market, often having piloted or prototyped their service, and now looking for funding to explore product-market fit. As a result diverse-led SPOs are exploring alternative sources of income, including investment.

The makeup of income from our applicants varies considerably. Around 10% of our applicants are reliant on grants, 23% on mixed trading and grants, and 67% on traded income. Applicants outside of London have been more likely to be utilising both grants and trading income - and we've found it challenging to forecast the income growth required to justify investment from the Fund from some of the income generating models. Our application data (N=515 excluding non-responses) suggests that 62% of non-London based applicants have business models focused on trading income, compared to 71% in London.

**Table 2. GIF Application data, income type by UK region**



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	<b>Grants</b>	<b>Traded Income</b>	<b>Grants and Traded income</b>	<b>Total</b>
East England	1	12	4	<b>17</b>
East Midlands	0	9	5	<b>14</b>
London	22	178	49	<b>249</b>
North East	0	6	7	<b>13</b>
North West	5	22	10	<b>37</b>
Northern Ireland	1	1	2	<b>4</b>
Scotland	2	22	9	<b>33</b>
South East	3	38	8	<b>49</b>
South West	4	12	12	<b>28</b>
Wales	2	8	3	<b>13</b>
West Midlands	2	18	7	<b>27</b>
Yorkshire Humber	1	11	12	<b>24</b>
Not sure	0	5	2	<b>7</b>
Blank/ missing data	26	105	23	<b>154</b>
<b>Totals</b>	<b>69</b>	<b>447</b>	<b>153</b>	<b>669</b>

We have to be careful not to draw conclusions from our application data alone. Yet based on anecdotal data from our applicants, there may be two emerging capital gaps for SPOs focused on tackling inequality:

- Unrestricted grant funding to support internal capacity development that may provide breathing space required to develop new fundraising routes. This type of core funding continues to be in short supply in the UK.
- Enterprise finance; likely a combination of grant and repayable finance (e.g. blended finance) that helps organisations pilot income generating ideas and test assumptions about their propensity for trading income before taking on full investment.

We'd like to explore how we could better collect and share data with our peers to make a case for identifying and addressing funding gaps across the sector.

“[We are] Looking at options across equity, revenue share and working capital. Potentially available in stages as we prove revenue generating potential” - **GIF applicant**

“At the moment we want a grant then we can decide which investment might be suitable.” - **GIF applicant**

### Learning 3: Flexible models of support to help diverse-led SPOs have their needs met

**Summary:** A ‘one-size-fits-all’ approach to support earlier stage diverse-led SPOs does not support the breadth of their needs. We’re adapting support towards more holistic, enterprise development support for earlier stage diverse-led SPOs to build their capacity. We’re also exploring more targeted support during the investment application itself for the SPOs with increased confidence, capacity, and clarity on the type of support they need.

**Table 3. Budget allocation and type of support of GIF Technical assistance**

Support type		Allocation of existing budget
<b>Financial support</b>	Individuals providing support on Growth plans, financial modelling, market analysis, and pricing strategies.	<b>54%</b>
<b>Impact support</b>	Developing a change model that links to inequality impact, identifying and supporting specific beneficiaries in need and articulating or evidencing social impact.	<b>5%</b>
<b>Organisational support</b>	Supporting applicants to develop HR practices, recruitment plans, governance policies and operational frameworks.	<b>8%</b>
<b>Founder capacity (e.g. childcare)</b>	Support for the founder to engage in support, particularly time to engage with consultants of in-house portfolio managers. This includes covering costs for child care or backfilling time for the founder.	<b>33%</b>

The Fund has approved grants totalling £204,309 to 18 ventures from when our pre-investment support started to the end of September 2023. When we started our pre-investment support, we developed a time-bound, ‘diagnostic’ model, with

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predetermined budgets using a support plan that we co-developed with the founders. We hoped that 3-6 months of support using external consultants would be enough for SPOs to then be referred back into the investment team, who received monthly updates on how each organisation was progressing.

In reality, this prescriptive approach has proved unrealistic for our current support portfolio. There are many reasons why it can be difficult to create more one-size-fits-all, time-bound support plan to access investment:

- **The capacity of diverse-led organisations vary.** Many of the individuals we've supported have had limited capacity to take on support. Even with their time back-filled, many diverse-led founders reference the challenges of stepping back from day-to-day responsibilities, and speak to either needing more time to complete support plans or trying to complete the support in 'stages' over weekends or evenings. Adding any more workload to diverse-led SPOs has been considered carefully, with the wellbeing of the founder or team taken into account to ensure support plans are completed at a pace that suits them.
- **Founders engage in the support process differently.** Diverse-led SPOs are by no means a 'homogenous' group and their own preferences for how they like to learn, engage with people, and control parts of the process all differ. Many of these individuals are still exploring their role as a founder, aspirations for growing an organisation, and maintaining their own work-life balance. Some founders are also influenced by support they've experienced previously, and have different attitudes towards how valuable external support can be.
- **Early stage SPOs can experience significant change to the business during support.** There are many things that can change over the course of six months for early stage organisations. We've seen trading models pivot, changes within leadership, and adaptations to delivery models across our support portfolio. As a result, often the support plan needs to adapt alongside these changes, to make sure that the support provided is still relevant to the need of diverse-led SPOs. These changes inevitably take time.

"Only thing I can think to improve would be to offer something like a residency to onboard all the support - I'd have got much more done over a weekend in Wales, than I have done over the past four weeks - there's always something to do" - **GIF support recipient, 2023**

"Sometimes there are lots of income threads they are following. They are also running their business so they may not always be able to stick to our [support]"



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times. We need to factor all of these things into the way we run our support.” - **GIF portfolio team, 2023**

“She suggested that she take some time to step back and digest what direction she wants to go in. We need to encourage that, even if that means stepping away from taking on investment. - **GIF portfolio team, 2023**

### Exploring alternative models of investment support for those early stage

As a result of this learning we’ve been adapting our pre-investment support within the Fund. The first thing we’ve focused on is increasing the range of support we can offer our earlier stage SPOs. One of the benefits of having in-house investment support is learning what different SPOs need over time, across a range of support needs, and working to adapt our support mechanisms to help meet these needs.

**Table 4. Sector support models for pre and post investment support**

	<b>Founder support</b>	<b>Organisational support</b>	<b>Fundraising support</b>	<b>Ecosystem support</b>
<b>Typical support model(s)</b>	Leadership mentors, coaching, typically one-to-one, or group peer support	Expert advisors providing direct support, targeted, convenors/ link workers, mentorship, or cohort training	Incubators or accelerators or investment advisory services, typically cohort model	Forms of sector ecosystem ‘venture building’ models that provide ongoing support via networks and support platforms
<b>Typical aim</b>	To build founder knowledge, confidence and capacity	To build organisational expertise and capacity	To support founders to connect with, prepare for, and access investment	Supporting organisations to address specific market failure or sector-specific barriers
<b>Auxiliary support</b>	Resources, templates, and access to e-learning or other self-directed support			

How support is provided is almost just as important as what capacity support diverse-led SPOs need. For social investment ‘readiness’ the most common form we have come across in the UK is matching SPOs to consultants or advisors with

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'technical expertise'. In this model, in-house or external consultants are brought in to complete discrete tasks alongside or on behalf of the organisation. The tasks are often determined between investors and the SPO, and typically focus on support to bolster a specific investment application. We understand this model can be beneficial, especially when:

- There is alignment between all organisations on the support needed
- Support providers are well placed to provide support and are able to build or already have good relationships with the organisation
- Organisations have capacity to engage in conversations about their support needs and the process to selecting a consultant

We've experienced the following risks to adopting this model in isolation for diverse-led organisations that are earlier stage or 'further away' from investment from the fund:

- SPOs need time to identify exactly what their support needs are in order to make the most of external expertise available.
- Consultants may not have the capacity [or budget available] to get to know the market, founder or organisation, which can limit trust building.
- Not all support consultants are used to working with diverse-led early stage organisations, and it takes time to adapt an approach that can build capacity of the founder or team alongside delivering a desired support 'output'.
- Diverse-led SPOs have limited capacity to engage in the support process, which means it can be hard to build internal capacity during or after support ends.
- It's challenging to match consultants who have a) knowledge of the sector (e.g. Education), b) a closeness to the social issue, and c) appropriate expertise to help early stages of growth and an emerging business model.

Given these challenges, we've had to adapt our support to provide a more holistic and flexible offer for the earlier stage organisations we're supporting. In particular, we've increased internal resources and capacity to offer up more mentorship and coaching support specifically with founders alongside the support from consultants to help build organisational capacity. We've also adapted our approach to working with consultants to make sure that we're better aligned on what we all want to achieve from the support that's being provided. Most importantly, we've allowed founders to go at their own pace and as much as possible and engage in support on their own terms. We want to continue learning about the range of different support approaches that we could utilise across the fund, and how to ensure that SPOs are best matched up with appropriate, flexible, efficient support within the sector.

"I have felt really supported, there have been some areas I haven't had the time to look into and [my portfolio manager] has been able to do for me, so it wasn't



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just advice she actually went and delivered some of the tasks which was really helpful."- **GIF support recipient, 2023**

## Measuring outcomes beyond investment

Not all of the earlier stage SPOs within our support portfolio will progress to investment. Currently, only about half of the organisations we've supported are in advanced conversations regarding investment with ourselves or another early-stage investor. As a fund, we're trying to make sure that we have ongoing conversations with SPOs about their current status and whether investment still feels appropriate or wanted. These conversations need to balance an SPOs agency to decide what they feel 'ready for' alongside our own assessment about whether we think it's appropriate for them to apply to the Fund, another investor, or even if we think their model might be suited to alternative funding sources. For example, one of the organisations we supported last year ended up receiving multi-year granting funding instead of investment, and we would still consider that a successful outcome.

We think that EII should explore a wider range of appropriate outcomes around developmental support for equality focused organisations. Not all trading models will be appropriate for investment. Yet capacity building can deliver a range of wider outcomes that could help build the ecosystem for equality impact organisations. If technical assistance only focuses on those closest to investment, or those with measurable outputs by the end of support, we risk excluding those who've not received support before, or need a wider-range of support before entering the investment process. We also risk focusing on more established organisations with capacity to take on 'consultancy' style support. These are typically organisations with 'well trodden' business models that the sector can easily assess and 'match' consultancy support for.

## Support during the application process itself

Our learning suggests that we need to think of ways to further develop our pre-investment support offer to a wider range of applicants. These approaches need to be cost effective and efficient, particularly for those who feel well prepared for investment. For example, two of the more established diverse-led SPOs who received capacity building support, felt that the support timeframes were inefficient given their desired timeframes and specific needs for taking on investment. Instead, they requested more targeted support to navigate the process within the Fund, rather than setting up with a portfolio manager to develop a support plan and get matched with capacity-building expertise.



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“There is really important learning that a) we weren’t being discrete enough about what they needed to do and b) our model was not cost efficient, taking lots of time - so are there ways to create a more efficient model that makes better use of the budget?” - **GIF portfolio team, June 2023**

A benefit of having in-house pre-investment support is being able to use data from our investment applications to understand support needs. For example, 63% of GIF applications have requested support within their initial application, but only 28 have been referred into the technical assistance fund. This gap reflects the fact the Fund focuses its pre-investment support on diverse-led organisations that are at an earlier stage in their trading journey or haven’t received support before.

The data suggests that a key area of support for diverse-led SPOs is during the application stage itself. In particular, many of the organisations we see lack the confidence to provide a financial model and present their growth plan to investors to better apply for investment and navigate the process itself. This would reinforce similar findings from the [Reach Fund](#).

There are some emerging conditions about what we’ve learned:

- These SPOs are typically **looking for investment in the next few months** and have good knowledge of the investment product and amount.
- These SPOs **have limited capacity** due to their current fundraising efforts, so need timely and relevant support in short timeframes. They don’t have the time to navigate another ‘process’ in order to access support.
- These SPOs **want ‘application readiness’ support** which is directly relevant to progressing their application with the Fund. They also want a quick rejection to focus on other investment opportunities if the Fund is not appropriate.

It’s not surprising that this is where a support need is surfacing. For many of the organisations applying to investment as opposed to grant funding, requests for financial models and growth plans are new.. This presents a key access gap for the Fund to respond to. As of September 2023, 162 of the 479 applications (that we have data on) were not able to immediately provide a financial model when requested.

“Attached is the draft we had created for [a UK investor] which we did not get. We would request your help with reviewing this and enabling us to undertake further refinement to create the pitch deck application you stipulate.” - **GIF applicant, 2023**



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To support these organisations, we're currently developing a new approach. As part of this, we will provide a range of fund-specific templates, workshops with our portfolio managers to complete these documents, and additional support to ensure that applicants are able to use these resources independently. We hope that this model can support a higher number of diverse founders and improve the overall experience for diverse-led SPOs applying to the Fund.

We also want to explore whether adapting our support can make sure we are more responsive to Fund needs. One of the challenges we've experienced in providing longer-term investment support is that the priorities of the Fund are often changing. Factors that determine this include, the current portfolio, our fundraising efforts and sector learning about where we're well placed to offer support. This can be challenging to ensure we're well aligned across our support and investment priorities. By better combining our technical assistance support into the investment process itself, we hope to see increased alignment between who we support and Fund priorities at any given time.

## Section 3: Improving user experience within the fund

**Overview:** This section explores what we're learning about the experiences of SPOs moving through our investment process. We share some of the challenges we've found in meeting user needs, alongside opportunities we see to improve both as a Fund and as a sector.

Learnings in this section:

- [Learning 1: Working to be inclusive can challenge our ability to set realistic expectations for founders](#)
- [Learning 2: We can't fully tailor our investment process and still meet the core delivery needs of a £9.95m fund](#)
- [Learning 3: Tailoring needs to recognise the fundamentally extractive nature of traditional investment processes.](#)

### Wider resources

If you are interested in learning more about the investment process and challenges for social businesses to engage, we recommend exploring the following:

- [Nothing About Us Without Us Lived Experience Insight & Social Investment](#) - a research report by the [Young Foundation](#) which explores how user voice can be embedded across the investment process and governance structures
- [Process Metrics that Analyze Power Dynamics in Investing](#) - shares a series of potential metrics (e.g. output data) that investors can use across



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the investment process to explore power held and or distributed and levels of inclusion

- [Guidance and Best Practice Examples for VCs, Private Equity and Institutional Investors](#) - provides guidance from the VC space on practices to work with under-represented audiences within venture capital.

## Why user experience matters in EII

The experience of SPOs within the investment process is an under-developed aspect of social investment. For many investors, success is determined by impact or investment returns, and not the experience founders and their teams go through to help realise them. Investors rarely have accountability mechanisms in place to encourage them to improve experiences for investees or share feedback about poor experiences. This can lead to the process feeling extractive and limits incentives for investors to adapt existing processes. Overall, there appears to be a lack of clarity around how to better meet founder needs and improve the user experience for diverse-led, early-stage organisations to ensure more inclusive, enjoyable experiences of receiving investment and ensuring strong foundations for long-term relationships.

### Founder needs within the investment process:

- I need funding within a timeline that suits my growth plans, and clarity on whether this is possible.
- I need to clarify my chances of successfully raising investment.
- I need to meet with a language that I understand.
- I need to move through the process at a pace that suits my own capacity and to access any further engagement support needs I have.
- I need to feel clear on my next steps, and avoid significant discouragement, if I'm told I can't get investment through the Fund.

As a Fund, we're not yet aligned with applicants' expectations of what an "inclusive investment process" looks like. We need to recognise the nuances of founder experiences and can't expect an inclusive process to emerge by treating everyone the same. The relational approach we've taken to tailoring our user experience is still limited, and in tension with our multi-stakeholder engagement model. And we've identified the following areas that EII funds can work on to improve user experiences:

- **Clear expectations:** There is a lack of accessible information for potential applicants to understand if they are a good fit for investment funds and what they need to navigate the process. EII funds can reflect on how to do this in a way that



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minimises self-selection out of the investment space, while progressing those founders realistically equipped to take on investment.

- **Tailored, relational processes:** Existing fund models often lead to founders having to fit themselves into rigid processes that don't suit their own needs and investment timelines. EII funds can serve inclusion by offering more tailored, flexible processes that better meet investee timescales and surface and respond to the real needs of SPOs seeking investment.

- **Equal value exchanges:** For those SPOs who don't receive investment, EII funds should explore what an equal value exchange should look like. Founders may have to invest more time across an application than funds put into assessment and support. They have to do this whilst also maintaining their organisation operations, or during wider fundraising efforts. Funds also have a broad range of options (applicants) to select between, while founders are realistically restricted by the time demands of applications, information asymmetries, their investment networks, and the availability of early-stage investment capital.

Given the sector's current development, we are still seeing trade-offs in our ability to deliver against the above, which we bring out in the learnings below.

## Learning 1 - Working to be inclusive can challenge our ability to set realistic expectations for founders

**Summary:** We've not yet found the right balance between an emphasis on inclusion in Fund messaging and an ability to set the right expectations around our investment process. Founders are often coming in anticipating a fundamentally easier or less competitive process than they have experienced elsewhere in the investment sector.

### Tailoring our process to support inclusion

Tailoring our process for individuals is essential, given the diversity of who applies to the Fund. Despite some groups identifying similarly, and having similar needs, how they want those needs met can also be very different. For groups excluded from finance these include:

- Their previous experience engaging with institutional services - particularly if they've experienced forms of discrimination in the past.
- Their previous experiences fundraising, particularly whether they've received 'rejection' when trying to raise funds with little feedback, support, or access to alternative funding.
- How individual, familial, or community perspectives towards finance impact perceptions towards investment.
- How reliant they are on investment over other fundraising opportunities to grow, and the implications at a personal and organisational level if they don't receive funding.

**Table 5. Fund investment pipeline data, April 2022 to September 2023**

Stage	Definition	Number	Conversion %
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Website visitors	Those who visit the Growth Impact Fund website	36,430	N/A
Applied	Those who complete the Growth Impact Fund application form (previously known as enquiry form)	669 (excluding duplicates)	1.8%
Introduction	Those not immediately disqualified due to eligibility criteria (e.g. not being in the UK etc.)	506	76%
Screening	Earliest stage of due diligence, where organisations are 'screened' using assessment criteria for the Fund	89	18%
Pre due diligence	Detailed assessment, reviewing detailed internal documents and plans alongside the applicant	43	48%
Due diligence	Final stage assessment, investment structuring and proposal development	14	33%
Approved	Those who have been approved by the investment committee	6	43%

Having a tailored approach that reflects the experiences of our applicants takes an ongoing dialogue between us and the applicant. It can also take time to surface these needs working with organisations who are still considering to what extent they can trust us as an investor. Yet this is a crucial aspect of delivering a service, and fundamental to the experience of those engaging with the Fund.

We've clearly identified effective ways to tailor early on in our process - specifically around how we frame and share information about the Fund in the service of inclusion and access at the application stage (see *Section 2: Access*). However, we've seen that this can challenge our ability to set realistic expectations around the Fund's investment process itself. Feedback is showing that many founders are coming into the process anticipating it to be fundamentally easier or less competitive than comparable funds in the sector.

Given limited resources, and the fundraising environment for EII funds, most are operating on competitive application models, where only a small number of those applying can go on to receive funding. But we've seen that our inclusive messaging has diluted the extent to which this is coming across to founders, many of whom are still unclear about how we think about building a balanced portfolio. It also doesn't align with other experiences that SPOs have of fundraising for earlier-stage investment or grantmaking.

“[Only after application,] I realised that this is a competition. But that was not how the fund had been presented before. They told me that some businesses hadn't made it as far as we had. I took that as a positive thing, but then suddenly I felt like I was pitching against other companies - it was all very mixed messaging” - **GIF applicant**

“We got the impression from the materials that the process would be easier”- **GIF applicant**

## **Addressing misalignment: communicating our requirements as an investor**

As a fund, we must be comfortable with the commercial viability of organisations to invest in them. Moreover, we are operating in a sector that:

- Is driven by investor demands and regulatory standards in order to fundraise and deliver an investment fund
- Is at an early stage of development, where demand outstrips supply
- Is still learning what enterprise models can be invested in, meaning we need to bring a wide range of SPOs into our application processes

Taken together, this means that our process is always going to involve a degree of rigour and competition, with low success rates if we want to maintain an open approach on who can apply. The alternative is adjusting our eligibility criteria, such as using proxy measures (e.g. at least one year of financial accounts) to ensure that only certain types of SPOs apply for the fund from the first instance. This approach, despite being more transparent, was challenged by SPOs in our early feasibility research for the Fund as a legitimate approach to supporting inclusivity.

We need to be careful about how we communicate success rates and the requests we'll make in our investment process. Some individuals use this information to self-select out. This is typically based on their own perceived rather than actual ability to take on investment, based on what's asked or shared during the application process. On the other hand, increased transparency around success rates is useful and important information for founders to self-determine how to spend their limited resources within their wider efforts to fundraise in the sector, and can harm user experiences if this isn't clear as they move through the process with the fund. We're still trying to work out how to balance these needs appropriately.

Beyond success rates, we are also re-considering how we communicate our commitment to equality impact as a fund. We focus on organisations looking to tackle inequality directly in their business model, rather than focusing on wealth redistribution via investment. Framing ourselves around equality impact requires greater clarity on what it means to us across various sectors and reflecting this when sharing our eligibility criteria. It's also essential when individuals are not successful in the application process. For those SPOs who identify as diverse-led and identify their organisation as tackling inequality, an unsuccessful application can be particularly deflating. Moving forward, we will look to better position



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ourselves around inequality impact, providing greater clarity on our approach to impact assessment, without harming founder confidence in their value as an individual or mission of their organisation.

## **Learning 2: We can't fully tailor our investment process and still meet the core delivery needs of a £9.95m fund**

**Summary:** Relational approaches to investment are helping us tailor our process in ways that are valued by both founders and the Fund. However, these can take longer and are often in tension with founder timelines and broader Fund needs.

### **The limits of relational approaches**

Our primary method for tailoring our process has been adopting a relational approach. This prioritises early conversations with eligible founders to understand their convictions around growth, equality and impact. We're reluctant to use fixed reference points on what we will and won't invest in when sector business models are still emerging and existing market data will likely skew against these teams. We also want to use conversations to help unpack and overcome their obstacles to investment together. This is recognised by founders and our team as a way to strengthen deals coming through:

"[This approach] helps us tailor deals, the pre and post investment support we can offer, and our way of communicating with founders, to meet the authentic challenges founders are facing – challenges which might not surface when there are poor relationships and less transparency." - **GIF investment team**

"The questions that were being asked [in due diligence, were] very searching, but it was great [...] I appreciated it a lot because it helped to really focus our minds on [...] Where did we want to grow? What were our strengths? [...] That was really good." - **GIF investee**

The rate of deployment we need to achieve as a fund will always limit how far we can build relationships and achieve the benefits above. We're also aware of the tensions brought about by taking a relational approach. Prioritising conversations is time intensive. It means that the Fund can take longer than others to come to decisions, challenging our ability to give a "quick no" to SPOs. Ultimately, it means we cannot easily flex to meet different founder timelines for investment, and our decision process can be unpredictable. Our due-diligence model means that the investment team is always working with multiple SPOs at different stages in the investment process, with resources pivoting on the basis of ongoing conversations and emerging information. This means it can be hard to give founders clarity on timescales for investment, as the speed at which individual deals make it through to committee is influenced by how other deals in our pipeline are progressing. This can give founders the feeling of lacking control over the process:



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“Unlike with [another fund], where they shared upcoming investment committees we might put things to, I haven't got that here - I don't know what will happen in terms of the decision later down the line” - **GIF applicant**

### **The challenge of relationships in a multi-stakeholder model**

We've seen that relational approaches are also in tension with our multi-stakeholder model for due-diligence and contracting. Our desire to bring in a range of expertise in the investment process and provide external support for (see also *Section 2: Access*), founders often need to form several new connections, which can challenge our ability to build strong relationships.

“The understanding and the relationship was already there with [one of the fund partners] who'd known us from [earlier in our growth journey] - that rapport was there. But the people we were working with changed halfway through, so we had to go through the same process [of explaining our business] over and over again.” - **Fund investee**

This challenge to relationships shows up especially at the contracting stage. We provide SPOs approved by our committee with free legal support to help redress power and knowledge imbalances usually present in legal negotiations. We're seeing that founders value the skills they can call upon here.

“[In the contracting stage,] we learned a lot and I did personally [...] We would have been lost on legals and with a big bill without the pro-bono legal support” - **GIF investee**

However, this approach challenges both timelines and the relationship with the Fund itself. Ensuring fair legal representation means the process for agreeing contracts can lengthen to and agree that Fund and founders had not anticipated.

“It never occurred to me that [agreeing contracts] would take that long.” - **GIF investee**

And when founders form new relationships in contracting, the dynamic with the Fund can change, becoming less relational and more adversarial to fit the norms of legal negotiations:

“We wanted to take on investment to bring in people really aligned with us and our mission - not just the right policies, but the right way of being, way of working from start to end. When it got to the legals, we didn't get this [...] Things went from warm and fuzzy to cold and boardroom-like.” - **GIF investee.**

We're seeing a need to give greater clarity upfront about this new dynamic, how to navigate it, and how any changes in tone from the Fund don't change a fundamental commitment to partnering with SPOs in their mission.

### **Learning 3: Tailoring needs to recognise the fundamentally extractive nature of traditional investment processes.**

**Summary:** There is an imbalanced value exchange for applicants who don't go onto receive investment. Providing a less extractive investment service requires sector collaboration, especially for founders progressing further into diligence processes.

#### **Shared value exchanges in application processes**

One of our ambitions is creating greater shared value exchange between our applicants and us as a Fund. We've found that, at times, we've been able to offer founders value earlier in the application stage even if it's not investment. Our commitment to investing time with SPOs in the early stages of our process may serve to differentiate us from other investors:

"It felt different to other funds. The tone of [early exchanges with the fund] showed you didn't need [application documents] to be polished. I liked that you said "just send us what you have and don't worry - we'll work on it together."-

**GIF applicant**

#### **Asymmetries of information: challenges in our ability to offer value to SPOs**

It's harder to avoid asymmetries of information, time and opportunity, as people move further into our investment process. Our commitment to building relationships in due-diligence has to be sensitive to the fact that the time our team spends with founders is salaried and costed into our fund model (at least, in theory). On the other hand, the time SPOs spend with us is usually not. Founders also have to take a greater amount of time away from their day-to-day business, which itself challenges the organisations' ability to sustain itself. We also recognise that there is an opportunity cost, as other funding opportunities may have to be de-prioritised during the investment process with the Fund. In reality, a relational approach alone will struggle to provide equal exchanges of value:



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“In the spirit of honesty, it was probably the biggest distraction I could have had [...] We had multiple calls for an hour or an hour and a half. Each one was some sort of research gathering. [With] other conversations we had with VC firms, they either liked it or didn't like it. So I kept asking whether this was something [Growth Impact Fund] wanted to pursue because otherwise I would commit to other engagements.” - **Unsuccessful GIF applicant, 2023**

## **Fairer, more equitable future: the need for sector collaboration and development**

We're particularly challenged in our ability to provide a fair experience for founders when we have to reject organisations who have spent a long time with us in due diligence. In the absence of the ability to compensate founders for their time, one way to make progress here is to support founder's onward journeys through effective sector referrals.

This requires sector-wide collaboration to be effective. EII funds need to know who they can refer to and know they will support and be prioritised by investment peers. We're working alongside peer investors to develop a “warm referrals” tool and accompanying code of conduct. This will allow us to provide applicants who've invested more time with us tailored and personalised support for raising investment outside the Fund. Those signed up and using the tool can identify better suited investors and accelerators for applicants and coordinate direct referrals to speed up processes for founders.

However, it will remain difficult to ensure processes don't feel extractive when we are operating in a limited supply market. Even with all the steps we've taken to be inclusive, we are still the only viable option for some founders and it can be hard to feel on a truly level playing field when few funding alternatives exist. We've learnt that this means founders often feel pressured to go along with processes that might not suit them, especially when they've already invested a great deal of time into a fund. We've seen the “illusion of choice” emerge when agreeing contracts at the end of our process and pressure to get investment over the line:

“There's quite a lot of stuff that we ended up agreeing to just because we've gone so far down the track [...] so that was tricky.” - **GIF investee**

# **Section 4: Our approach to making investment decisions**

**Overview:** This section outlines what we're learning about how we make decisions in the Fund. We share our approach to risk and bias, the challenges in



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taking a multi-stakeholder approach to these, along with opportunities we see to improve.

Learning in this Section:

- [Learning 1: We're homing in on ways to navigate risk at a deal, Fund and sector level simultaneously.](#)
- [Learning 2: Embedding lived experience across equality impact funds requires ongoing resourcing and fund adaptation](#)
- [Learning 3: Consistency in assessment gives us greater confidence in avoiding bias in decisions, yet risks founder agency in the process](#)

"The GIF team is uniquely thoughtful around eliminating bias in decision-making. There is a high focus on accurately representing GIF applicants; appropriately valuing the lived experience of SPO founders; and appropriately weighting social impact alongside traditional investment metrics. The learning culture at GIF means that every iteration of the decision-making process is a seismic improvement." - **Fund committee member**

### Wider resources

If you are interested in learning more about investment decision making we recommend exploring the following:

- [Participatory Investment Learning Hub](#) - Transform Finance have set up a range of case studies within the US that explores how more participatory approaches working with Grassroots organisations in the US
- [Just Transition Investment Framework](#) - Justice Funder's have put together a framework for exploring approaches that shift power to frontline (in this case BIPOC communities), focused on regenerative economies.
- [Fostering impact: An investor guide for engaging communities in place-based impact investing](#) - This guide provides an overview of the practical approaches and practices for investors to embed community voice into their investments.
- [EIIP, Equalising Deal Terms](#) - This initiative is currently exploring power imbalances that can occur between impact investors and investees that,

especially during the processes when negotiating investment terms and reviewing legal documents.

## Why decision-making matters in EII

Social investment has traditionally seen diverse-led, early-stage SPOs as “high risk” investments, based on understanding risk in terms of perceived gaps or unknowns in potential deals. However, by definition, EII funds are looking to invest in SPOs working in emerging or under-served markets, or with leadership teams and business models that are different to what investors are familiar with. We’re seeing that this requires EII funds to explore alternative approaches to decision-making which can:

- Assess, mitigate and balance risk in a way that doesn’t disadvantage diverse founders from the outset
- Explore information asymmetries and prioritise data on a focused market sub-segment
- Tailor decision-processes to use both lived and learned experience available, aligned to internal expertise and resources
- Minimise bias while protecting founder agency and confidence

## Applicant needs around decision-making

There are also a range of needs that have surfaced for SPOs as they navigate the decision making process for the fund

- I need to know how decisions are made in the fund
- I need to understand the decisions that are made
- I need to know that decisions have been made without bias
- I need to know that decisions made fairly reflect my business
- I need to be able to influence decisions made about my organisation
- I need the Fund’s assessment processes to fit my capacity to engage

## Learning 1: We’re honing in on ways to navigate risk at a deal, Fund and sector level

**Summary:** As a Fund, we call upon a wide diversity of views and experiences to support a more balanced assessment of risk - the risks associated with individual

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deals alongside broader risks as a fund working in this sector. We're still learning how to navigate the complexity this brings and how to balance risks specific to SPOs in individual deals against our own needs as a fund trying to grow EII.

## Tensions within a multi-stakeholder approach

By design, the fund's decision-making processes make use of multiple and diverse stakeholder groups to minimise biases, provide healthy checks and balances, and deliver a more holistic assessment of risk, return and impact. By bringing together a range of stakeholders in any one deal– an investment team, portfolio team, impact advisory group, and diverse investment committee– we have a wide range of attitudes towards risk in the Fund, based on previous experiences of receiving or providing investment.

There are healthy tensions between the stakeholder groups supporting decision making in the Fund. For example, the investment team is still navigating how to provide market data to the Investment Committee when these markets are typically still emerging or nascent. Investment committees are navigating their own experiences of providing investment in other contexts and reflecting on the extent to which previous investment or sector experience is pertinent to the investment deal given the lens of equality impact investment. We don't expect all our stakeholder groups to agree. They all come to this space with different experiences and expertise, and navigating these tensions is an essential aspect of our learning inquiry. Yet, as a result, it can mean that it takes longer to reach a consensus on the types of deals and investments that are an appropriate fit for the Fund portfolio. Some risks discussed in these interactions are shared below, which the investment team and committee are constantly navigating to identify an appropriate and balanced portfolio for the Fund.

**Table 6. Different types of risk assessment across the Growth Impact Fund**

Enterprise-level risk	Fund- level risk
<b>Business model risk:</b> models reliant on tight margins, often focused on a targeted customer or user group to deliver impact, and limited flexibility around growth or cost targets in order to invest in desired impact aims.	<b>Reputational risk:</b> If organisations GIF invests in start to fail, we know that this can impact broader confidence in the viability of the EII market as a whole. GIF decision-makers feel a responsibility to prove unmet potential in the sector.
<b>Competition risk:</b> SPOs are competing against established actors	<b>Fundraising risk:</b> If SPOs we invest in early don't deliver, we risk impacting

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who have better access to resources, networks, and funding, particularly if sector barriers due to discrimination still exist for diverse-led organisations.	our ability to bring further capital into the Fund.
<b>Macroeconomic risk:</b> SPOs are operating in a tough macro-economic climate, with expectations of economic growth impacting customer purchasing behaviour	<b>Portfolio risk:</b> We need to balance our portfolio with a range of SPOs that mitigates over exposure to specific risks - we're seeking to build a portfolio with different types of diverse-led SPOs, sectors, stages of growth and product.
<b>Funding risks:</b> SPOs are likely to require follow-on funding to support continued growth, and need to be supported with finance that can enable additional capital to be brought into the organisation. Traditional actors who provide further fundraising may not value models that target populations affected by inequality.	<b>Exit risk:</b> In order to generate a return, the Fund needs to be able to liquidate its position across the portfolio. This is particularly higher risk for equity investments, which require an alternative investor to 'buy' the Fund's shares in the organisation.
<b>Impact risk:</b> As many of the SPOs are newly established, they rarely have long-form, externally validated impact data and are still developing their impact delivery model	

Some of the enterprise risks surfacing in our due diligence align with the reasons the traditional investment sector would consider early-stage deals 'risky'. If we want to invest in organisations previously excluded, we will have to find new ways to take risks that other investors are not willing to take, find those risks we are best placed to mitigate, and assign equal value to social impact investment criteria in these decisions. We also need to live by our conviction around the benefits of lived-experience in an SPOs leadership.

However, there still is an understandable hesitancy to take risks that may look or seem atypical to traditional investment decisions. Decision-makers on the Fund feel a responsibility to ensure that they leverage their experience in making investments, and offer advice to ensure SPOs are not 'set up to fail', backing organisations without a realistic growth plan that would support an investment or causing harm to either the organisation or the Fund. Finding the right ways to assess and mitigate risk in these contexts is a key focus for learning.

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"I believe a part of our role is to ensure promising founders are receiving the necessary support to overcome the barriers they face in being investment-ready. Our support should set them up for success, considering these barriers, but be firm where the investment case is not strong. Commercial viability must remain a primary consideration."

- **GIF committee member**

Despite navigating the above complexity in assessing risk, we've still been able to meet our goal of investing in diverse-led social purpose organisations. This gives us confidence that the strategy we are taking can serve to deliver our ambitions as a fund - channelling capital to diverse, early-stage funds previously excluded from the sector.

**Table 7. Our investment portfolio based in identity characteristics**

	<b>Ethnically diverse</b>	<b>Female</b>	<b>Disabled</b>	<b>Low Socio Economic Background</b>	<b>LGBTQI+</b>	<b>Outside London and South East</b>
% of GIF Portfolio by founder	83%	83%	17%	0%	0%	17%
% of GIF portfolio by SMT*	50%	83%	17%	0%	0%	17%

\*To count for SMT, at least 50% of the SMT identify this way.

\*\*Our socio economic background data is based on a question regarding provision of free school meals as a child. However, we've received limited responses to this question. We need to re-assess whether this is an appropriate question, or explore alternative approaches to understanding our founder/ team's socio-economic background.

When the SMT team is just the founder, we used founder characteristics

### Refining our approach to risk

We will continue to monitor the portfolio based on where we have exposure to risk, and adapt based on our portfolio performance. We expect to hone the right approaches to risk management by learning more about both specific sector opportunities as well as develop an increased understanding in which business models are demonstrating sustainable growth when aiming to tackle inequality.

Recent discussions internally have also revealed ways that we might adapt our approach to risk by being more sensitive to the risk profile of individual products. Team reflection sessions have surfaced the benefits of more clearly distinguishing approaches to diligence across debt and equity, to better surface relevant information, decision-making criteria, and to better serve our audience:

"It will be helpful to change the investment paper template slightly to account for differences in deals in terms of whether they are equity or debt. Equity deals require a different set of analyses than debt deals do so our papers should reflect that and help the IC to have a clear view on the mindset we need to adopt for the deal we are making." - **GIF committee member**

We've also been able to adjust our risk-tolerance in decisions around equity investments, based on early experiences in the fund, and re-focus around those that we feel the organisation is particularly well placed to mitigate through post-investment support and team expertise:

"Halfway through the year we had to re-calibrate our equity portfolio. Many of the deals were at a risk level of where we would invest £50k but they were asking for a lot more [than £50k], so we've had to explore changing our risk profile so that we could do any equity deals [coming through] at all." - **GIF investment team**

## Strategies for balancing risks in EII

Investing in only diverse-led SPOs, focused on equality impact, has led us to create a fund structure geared towards organisations under-served in investment. As a result, standard risk mitigating strategies to balance risk in investment portfolios are less available for us. For example, the Fund does not mirror the same portfolio construction of venture capital firms, who might expect a small percentage of their businesses to provide returns that cover any losses from portfolio organisations that go on to fold. Alternatively, debt providers may balance out their level of secured or unsecured investment, or only focus on well-trodden business models that can better guarantee regular, ongoing secured income.

To balance risk within the Growth Impact Fund, we were expecting a greater percentage of later-stage debt investments to help us manage risk in the portfolio. Yet, debt investments at a later stage have yet to materialise. This is likely because we've promoted the fund as an early-stage investor providing products outside of just debt. We also recognise the market has more debt investment available than equity or revenue sharing products. As a result, we're still being careful about what level of risk exposure the Fund can take at such an early stage. This may be impacting the level of rigour that founders are experiencing during the investment process. This is particularly the case for founders who are used to engaging with grant funders or pre-seed investors who have funding models designed to take on greater levels of risk.



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"[I was surprised by] the instance of the investment team to speak to every advisor or mentor we were engaging with. [It] felt as if the team wanted to do character references and background checks on us and how competent we were. [We] felt the sentiment of 'they were backing people that other people didn't want to back', but treating them as riskier, and under more scrutiny, so basically the same as everyone else." - **GIF applicant**

## **Learning 2: Embedding lived experience across equality impact funds requires ongoing resourcing and fund adaptation**

**Summary:** Bringing lived experience into the fund's decision-making process is showing tangible benefits for both the Fund and to founders. However, this is challenging to do consistently across our investment process. We're seeing a need to draw more broadly on the lived expertise of our wider stakeholders and a need to better understand the most effective channels and moments for both lived and learned expertise to shape our decisions.

### **The advantages of lived experience in decision-making**

We've seen value in matching SPOs to team members with aligned lived-experience within assessment, as part of the broader diversity of experiences we can call upon within the fund:

"It's really hard to understand the mental health effects of being LGBTQ+ without living it [...] I will never understand the lived experience of black men in Britain and someone else won't understand being a queer person of colour. Having other members of the team who do identify that way allowed us to ask more intelligent questions. Having team members who don't identify that way challenged our bias. Overall, we are able to interrogate that [deal] better" - **GIF Investment team**

Where there is not a fit from the deal team, we've utilised lived and sector experience in our impact advisory group through a new "impact guide" role. This allows specific members with experience of an SPOs sector or audience to work in partnership with the investment team within due diligence, to better interrogate and articulate the impact of deals going to committee:

"The best use of the Impact Advisory Group has been on a deal-by-deal basis. When members have been asked to contribute to deal diligence and sector strategies, they have been excellent in their insights and helping the deal team moving forward" - **GIF portfolio team**



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Feedback shows that founders value being met with people who share their own experiences, as it gives them confidence that we are assessing their business fairly, especially early in the assessment process, which we've not always been able to offer:

"I might suggest that if the Growth Impact Fund is truly committed to supporting disabled founders addressing complex issues, it could be beneficial to consider the appointment of a disabled Investment Analyst or Manager. This may provide unique insights and strengthen the organisation's understanding of the challenges and opportunities in this particular realm." - **GIF applicant.**

### **The limits and pressure of representation**

As a fund with a diverse range of audiences and issue-areas, we will never be representative of all intersecting identities in our core team. And even when we can do that, we've seen this bring its own challenges. Just as diverse founders can feel the pressure of "representing" their background when applying to the Fund, our investment team can face similar pressures when assigned to deals to match founder backgrounds. This can bring an uncomfortable sense of conflicting loyalties - a challenge in balancing a sense of objectivity around risk-return-impact assessment, with the emotional weight of obligation to an SPOs community:

"We can feel beholden to two masters—the founder and the fund—and the only advice I've been given from outside the fund has been to put more distance between myself and user, which undermines the relational approach we think is important for our audience" - **GIF investment team**

We've seen a need to better understand how we can mobilise the value of lived experience in evaluating SPOs without overburdening our team, and identifying the right moments to bring in external support, for example, through external DEI market analyses to build team confidence in deals in the absence of direct lived experience. We're keen to experiment with this further and hear what other EII funds are doing to meet the same challenges.

### **Learning 3: Consistency in assessment gives us greater confidence in avoiding bias in decisions, yet risks founder agency in the process**

**Summary:** We've seen that consistency in assessment through tools and agreed processes gives our team confidence in avoiding bias in decisions. However, this approach can be in tension with founders' own desires to articulate their organisation in ways they feel are authentic, and which may speak to different values than are embedded in Fund processes.



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## The rationale for consistent tools and processes

We know that diverse founders face a [range of biases](#) in venture capital and many are believed to [show up in the social investment space](#) and influence how finance is allocated, including:

- **Using proxy indicators to make assessments** - In the absence of sufficient data, many investors judge by “proxy” often through ‘gut feel’ intuitions.
- **Selecting based on (displays of) gender** - [Evidence suggests](#) that entrepreneurship, for most people, is an intrinsically “masculine” role. Female entrepreneurs are more likely to face unfavourable judgements in screening due to a mismatch (incongruity) between the traditional female gender role and an occupational role that’s traditionally masculine.
- **Asking disproportionate questions or for disproportionate adaptations to get ‘comfortable’ with risk.** Investors’ lack of exposure to diverse demographics and product/market contexts can lead them to perceive higher risk and to ask a different or more detailed set of questions to women and minorities (see [here](#)).

These are a small subset of biases for EII funds to be aware of which make it important to explore how consistent decision-processes can be implemented to protect against unfair assessment of diverse-led SPOs.

A central message from the literature in decision-making bias is the need to move beyond attempts to “de-bias” individual actors through interventions like unconscious bias training. Instead, the evidence suggests taking a more organisational and “process based” approach to tackling the problem (see [here](#)). While training that focuses on individual actions has value, it’s crucial to support investors with a decision-making context that:

- (1) points to clear criteria for decisions to be made
- (2) is formalised to allow for cross-case consistency
- (3) provides a diverse range of appropriate people the chance to inform decisions at multiple stages

We are doing this in the Fund through a multi-stakeholder approach to decision-making, and tools like our Equality, Diversity and Inclusion Toolkit (EDIT) and Impact Assessment Framework. The latter are helping our investment team to compare impact across deals more fairly, and provide consistent presentations of key information to our committee. Our learning team is also using a committee observation template to track the kinds of questions asked of SPOs and compare these against topics raised in papers. We think such tools are important throughout the investment process, from screening deals, all the way into the final stages of diligence - and we know that there are spaces on this journey where further such mechanisms might help us.

## Tools and processes build in our own values.

Set against the above, we know consistent processes embed the fund's own assumptions about what is important in assessment, along with what counts as impact, or how which information is important to evidence - assumptions that aren't always shared by founders. And this can cause frustration with founders who want to articulate the value of their business or impact in different terms, especially if tools seem too rigid or focused on selected topics:

"They kept digging into my impact reporting, which we were happy to do, but it felt like a paper shuffling exercise [...] I wanted to engage with other members of the fund" - **GIF applicant**

We're still exploring when and where uniform tools and processes are important to mitigate biases, and when more flexible relational, entrepreneur-led approaches are needed to surface relevant information. We've seen this question surface most strongly (and repeatedly) around our process for taking deals to committee. We take a representative approach at this point, in which our investment team presents a deal on behalf of the founder, using a standardised paper across all deals. We have taken this approach knowing that direct pitches from founders can risk non material factors influencing decisions:

"We don't want founder confidence alone to mean something gets invested in" - **Peer investor**

However, we're seeing that lack of founder presence at such decision-points can feel non-transparent, and lead founders to question how fair our process is:

"I asked what the next stage was, and [why] you can't present. They said because you present yourself well, you might put others at a disadvantage. But I said you don't know my business and the questions you've asked me don't capture my business. I wanted to present, I felt like that was unfair" - **GIF applicant**

Moving forward, we need to explore how we can build an SPOs' confidence in our approach to decision-making. We want to better understand how we can support founders to feel assured that they will get a fair assessment at the investment committee, and have their business articulated in a way that's representative of their own understanding of their growth plan, impact model, and market opportunity.

# Section 5: From learning to action

The learnings we've shared reveal a number of areas in which we think there is opportunity to explore more equitable and inclusive practice to better reach and support diverse-led SPOs tackling inequality.

We've broken down opportunities for improvement into three areas:

- What we can do within our own Fund and want to test over the coming months to explore improved, adapted, or alternative approaches to our investment approach
- New models of support that we'd like sector actors to collaborate on together, or share learnings about, as a community of practice
- Recommendations for sector wide exploration to help build the EII field in the UK

We hope that collectively, discussing and exploring these opportunities will allow the EII sector as a whole to surface improvements and better serve the shared ambitions of EII.

## **Opportunities for continuous improvement within the Growth Impact Fund**

Our first commitments focus on our own practices. Many of these speak to tweaks in our existing processes and practices rather than transformational adaptations:

- We're exploring ways we can increase access to the Fund with a focus on introductory sessions and marketing strategies. We'll also be testing video formats on our website as an accessible way to provide founders with the information they need.
- We'll be testing our new investment support approach, particularly for later stage diverse-led SPOs who need quick, tailored support during the investment process itself.
- We'll be testing our referral database with peer investors and understanding if it has merits to continue or if alternative approaches are required.
- We'll be exploring the feasibility of multiple due-diligence tracks that allow founders to move through our investment process at different speeds.
- We'll be considering how to differentiate our support provision that focuses on increasing access from our investment process, to give more clarity and transparency around success rates based on who is eligible for our funding.
- We will be exploring more ways to build confidence for founders and ensuring that we assess SPOs fairly at all stages of due-diligence.



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- We will be interrogating how we can negotiate legal red lines in a way that is reflective of the Fund's values, especially when co-investing with other funds who have different processes and ambitions to ourselves.

## Sector opportunities to test or collaborate within EII

EII must embrace partnership and collaboration across the sector. Whether working within fund models that focus on more localised, grassroots investment managers or building more effective sector relationships, EII as a movement should collectively explore how we can work in partnership. To support these efforts, we'd like to continue to engage with EII investors. We recognise that the [EII's UK Task Force](#) is a great place to support convening stakeholders across the field and have identified a number of areas that may be useful starting points for collaboration:

- **Experimenting with alternative approaches to increase investment access.** There are a range of suggestions to increase access for diverse-led SPOs. These include a 'common application' within social investment, alternative ways to respond and provide feedback on applications, less rigid eligibility criteria and more relational approaches for SPOs to get to know investors before applying. We also need to improve outreach effectiveness for those new to the investment sector, and explore how individuals can share more about their business and identity in a way that is less prescriptive and 'box ticking' during applications themselves. We'd like to see how collaboration between equality organisations, place-based infrastructure and investors could help scope and test a range of different approaches to do this work.
- **Exploring ecosystem pathways for capacity building support.** There are a range of capacity building organisations across the sector that share similar goals. Yet capacity building in the sector can sometimes feel like it's happening in a vacuum, with limited progression pathways of support from idea creation through to investment or wider support. We'd like to explore how different types of diverse-led SPOs can be better connected into support pathways that are truly fit for purpose for their own needs and aspirations, rather than just seeking 'readiness for investment'.
- **New models of shared value exchange.** We want to explore how we can provide value reflective of the time founder's invest in applications. We also want to meet a duty of care for founders who come to the end of a long process without accessing investment. This includes how we collectively provide better aftercare for founders unsuccessful in applications, exploring compensation for time spent on the process, support to reuse application materials, and offer real opportunities for unsuccessful applicants to be referred into the wider funding landscape.



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- Managing expectations in competitive models.** We've seen that diverse founders who've been excluded from finance can feel misled and underprepared if fund messaging and applications don't fully reflect the competitive nature of investment. The EII sector can explore how we might better meet founder's needs to find an investor who feels truly aligned with their mission, *all the way through an investment process* and adapt messaging to reflect this, without founders self-selecting out. We're keen to discuss how far this is possible in competitive models, and whether we can adapt to more collaborative approaches where diverse-led SPOs work together to identify which organisations in their own sector should progress to investment and what alternative sources of funding are required to support the wider movement. This may include making space for more participatory, shared governance models within the sector.
- Inclusive legal negotiations.** Legal and contracting stages are a significant pain point for equitable and inclusive investment practice. Given the opposing and often inflexible nature of these processes, we see an opportunity for EII funds to explore how they might adapt processes to redress power imbalances, whilst protecting founder timelines, and relationships with the fund. We've seen that providing access to pro-bono support can unexpectedly challenge expected investment timelines, and relationships with the fund, and we've seen a need to adapt messaging around this to better meet founder needs. We want to bring legal firms together to discuss more inclusive approaches to running contracting processes, the barriers to this, and any changes to investment processes themselves that funds can make to address those issues. In the first instance, we hope to work with others to act on the findings from the [Equalising Deal Terms initiative](#), run in partnership with EIIP and [Bates wells](#).
- Remodelling due-diligence.** EII fund's aren't always able to take founders through the investment process in a way that suits the founder's needs and their timelines for investment. We're keen to explore how we might explore different models for due diligence that allow us to meet the particular needs of diverse-led founders. Given our fund constraints, we're limited to what extent we can significantly adapt our due diligence model, but we'd happily explore alternative approaches if we can align them to our current budget and the resources we have available in the fund. If not, then we'd happily share learnings for other fund managers who have more flexibility than us to explore alternative diligence approaches.
- Finding the right place for lived experience in assessment.** We've seen that founder's value working with investment teams who share their own lived experiences, in terms of building trust and understanding in their business. However, many EII funds are working with broad audiences, small teams, and the knowledge that individual judgements can leave decisions open to bias. We also think the EII sector more broadly can benefit from unpacking the place for lived-experience in making quick decisions early in the diligence process. This is especially valued by founders working with a short runway, and how we can take a consistent and intentional approach to reducing biases throughout our process, which also embrace the

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diversity, experience and expertise of our investment teams and decision-making committees.

- **Protecting the founder's voice.** Like many other EII funds, we have sought to minimise biases in the assessment by removing founder presence in committees, so nonmaterial factors don't impact fund decisions. But we've seen that this can leave founders feeling without a voice, and apprehensive about whether or not they will be given a fair representation by our team. We want to explore other approaches peer investors are taking to give founders a greater feeling of agency and trust around the presentation of their own investment case, while minimising any possibility of increased bias in decision-making.

## Supporting the infrastructure of EII

In order to support collaboration, EII will need continued resourcing and infrastructure support across the sector. Despite increasing maturity of the wider social and impact investing sector, EII is still relatively new. This is an important distinction to make because it changes the types of roles required to help build the enabling infrastructure of EII. EII should be differentiated from the wider impact investing and social impact investing fields. Whilst we recognise that EII could be considered a subset of these investment fields, we believe that it is materially different in the following ways:

- EII recognises that structural inequality can be a result of the investment sector itself and asks investors to explore less extractive, more inclusive models of investment. This includes recognising the limitations of current investment models, and what new or adapted fund structures look like to better support EII.
- EII recognises that the sector may require alternative roles, stakeholder partnerships, and expertise not currently present in traditional or impact investment to deliver EII.
- EII recognises that equality activity should be considered holistically, and understand the potential contribution of equality investment beyond the deal itself (e.g. exploring sector-wide, movement defined outcomes)

We've identified a number of areas that we think would help drive effective EII in the UK. We'd like to convene wholesalers, fund managers, and a range of audiences to discuss whether these align with other needs:

- **Exploring and costing new fund model structures focused on EII.** It's essential that when scoping new EII funds, the additional costs associated with inclusive due diligence, training and SPO support are factored in. Part of the discussion must be what is an appropriate management fee that can help EII fund managers to absorb these costs and sustain ongoing fund operations, but also wider considerations in terms of practices and assessing EII fund managers with different lenses. We're particularly interested in whether an adapted model of [Due Diligence 2.0](#) used in the US could be explored within a UK context to better support and enable EII fund managers when looking to fundraise.



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- Field building role for wholesalers.** We'd like to see more clarity on the role wholesalers will play to build the EII market. We're encouraged by the development of the [Pathway Fund](#) and initiatives that actively aim to build the market and learn more about equality impact business models. But what role could all wholesalers play in connecting equality movements to investors to help co-design a pipeline of ongoing opportunities? How might wholesalers support new fund construction and fundraising models- especially given the relative paucity (or desire to invest in fund managers) of available philanthropic capital in the UK to scale EII funds, and challenges of getting a seat at the table with commercial investors? It currently feels unclear what role(s) wholesalers are assuming to help drive effective collaboration and collective action across the sector.
- Engaging local infrastructure organisations actively supporting equality organisations.** As we've previously outlined in this report, local infrastructure bodies, working with diverse-led SPOs, are an essential part of the support ecosystem. We'd like to see further convening spaces between EII investors and local infrastructure bodies to identify more effective ways to engage communities in the potential and appropriateness of investment in ways that create lasting, ongoing partnerships to provide more effective and joined up support.
- Sector-level research would help distinguish investable business models.** We think there is a research and data gathering role that could help identify where investment is best placed to support equality movements, and where growth opportunities for trading income are across various customer groups. We particularly want to engage with enterprise development partners working with equality organisations to identify which trading models are proving effective through current prototyping or pilots currently being engaged within the sector, and which are delivering (or have potential) to deliver strong equality impact outcomes. This research could be explored with multiple stakeholders to support shared, thematic investment strategies at a sector level.
- Increase in place-based Fund Managers to address capital gaps.** Identifying capital gaps can be challenging - organisations can't demand something that isn't currently available in the market. However, we'd like to see an increase in place-based local investors, supporting early-stage, diverse-led SPOs. We'd like to see how partnerships between local and national investors can better build a sustainable pathway of funding for equality organisations to scale. This includes supporting local investor's existing portfolio to provide follow-on investment to diverse-led social purpose organisations now seeking to grow their business outside of their local place. We'd also want to explore co-investment opportunities with local funders who identify opportunities to support diverse-led SPOs looking to grow, who need more capital than they are able to offer alone.



- **Engaging commissioners to increase transparency around funding equality movements.** Outside of consumer markets, business and public sector commissioning remain key customer groups that equality organisations target for income. Despite this, we see significant discrepancies between funders who demonstrate a clear need to fund equality impact, and the types of organisations commissioned across a range of sectors. We hope that bringing commissioners closer to the types of organisations best suited to support local communities will open up space for alternative commissioning structures and new routes to market for diverse-led SPOs.
- **Creating new frameworks and approaches to learning and equality impact.** Taking a siloed approach to impact measurement is insufficient to drive reduced inequality. Investment does not occur in isolation, and inequality isn't tackled via single-market solutions. SPOs themselves typically don't operate in a bubble to achieve their goals. They work in collaboration as part of wider inequality movements all with shared aims and complementary or competing efforts based on what they think resources and activity is needed or where they think they are well placed to drive change. We think EII should challenge investors to embrace this complexity, and to rethink its role as 'performance', 'evaluation', or 'learning' partners. We're excited to see an increasing movement towards more equitable evaluation approaches, such as the [equitable evaluation initiative](#), which recognises and challenges the norms of the who and how 'impact' is determined.



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# Appendix

## A. Our approach to tackling inequality

The Growth Impact Fund has a simple hypothesis of tackling inequality across three levels:

1. **Tackle Inequality in investment:** Increasing investment towards social purpose organisations previously excluded from or under-resourced within existing social investment

*In order to*

2. **Tackle sector inequality:** Social purpose organisations are better resourced and supported to respond to tackling inequality in their sector

*In order to*

3. **Tackle social inequality:** Social purpose organisations are able to support their intended audiences to realise improved, more equitable outcomes for UK communities

### What assumptions do we need to prove?

There are some integral assumptions embedded into this hypothesis or model for change:

1. **Internal change:** As a fund, we are able to change existing investment policies and practices in order to increase reach and move investment towards diverse-led, equality tackling, social purpose organisations. This includes adaptations within the fund and within the wider sector.
2. **Investment support:** As a fund, we are able to provide relevant and appropriate support, so that those organisations are able to both access and take on investment.
3. **Address sector barriers:** The support we provide supports SPOs to address sector barriers to growth they experience in their own sector
4. **Deliver growth:** SPOs themselves are able to utilise investment and support provided to deliver on their growth and impact goals, delivering short-term outcomes to the groups who support them
5. **Wider determinants:** Individuals who receive support provided by SPOs are able to experience desired longer-term outcomes, and are not restricted by wider social factors or determinants which reinforce inequality structures.

### Where does the fund focus on inequality?



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How we think about equality investing for the Growth Impact Fund. This has been adapted from the framework used by the [Equality Impact Investing Project \(EIIP\)](#), to reflect our own focus across:

- **Sector.** At the fund we currently focus on sectors where inequalities are experienced and where we feel well placed to provide support including Consumer business, Education and learning, Employment and training, and Health and Social Care.
- **Characteristics and experiences.** We focus on diverse-led SPOs with characteristics or experiences which investment has typically under-served; communities experiencing racial inequality, disabled people, women, and the LGBTQIA+ community. We also explore the intersection of these characteristics alongside socio-economic data as well as any experiences of the social challenge that may increase likelihood of discrimination or harm.
- **EDI and equality practices.** We explore how organisations think about equality, diversity and inclusivity across their own organisation and business model. This ensures that we're understanding how the organisation is set up to support ongoing equality activity and practice.
- **Equality Outcomes.** Our impact outcomes focus on a wider spread of different inequalities from inequality of treatment (or experience), access (or opportunity), and life outcomes. We tend to focus less on investments targeting political equality, and membership/ participation in society - although we recognise the importance of this equality approach.

## B. Our approach to continuous learning

In the social investment sector, learning is often viewed as something that happens *retrospectively* - in the form of a summative evaluation of fund activity. While these are valuable ways of capturing insights and ensuring accountability, this approach is poorly suited to real-time innovation and change. It can take many years before learnings actually translate into practical changes in fund models. Meanwhile, learning remains remote from operational teams, who are unable to make small changes to refine ongoing fund activities.

Given that the Growth Impact Fund is self-consciously doing something new, we know that this won't be perfect from the start, and we need to learn more quickly and more leanly to adapt as we go. Instead, we are taking a "test and learn" approach to surfacing insights and improvements, led by Shift, supported by Big Issue and UnLtd's research and impact evaluation teams.

We learn by identifying key assumptions that underpin our product/service, framing the most important of these as "hypotheses". We can then test these hypotheses concretely in the real world, along with the assumptions underpinning them. By testing directly with users and other stakeholders, we get real-time data (feedback) that we use to make rapid, iterative improvements throughout the fund's lifecycle.



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Structuring our learning around key hypotheses also allows us to reorient quickly in our learning, so we can focus tests on riskiest assumptions and the areas of highest potential impact. Meanwhile, our data-driven approach to learning means that we can take bolder design steps, knowing that we can get quick feedback on these to limit the risks of negative/unintended effects.

The below diagram outlines the hypotheses we've made when building the Growth Impact Fund.

1. **Our brand.** A dedicated, inclusive, and accessible brand for the fund will support increased trust and engagement with potential applicants.
2. **Our user experience.** A simple, transparent, and relational user experience will ensure applicants can learn about social investment, access support and funding, and be fairly and equitably treated.
3. **Our outreach partnerships.** Tapping into already existing and trusted networks with diverse led SPOs will allow the Fund to build a better supported and relevant pipeline of applicants .
4. **Our support.** In-house pre-investment support for early stage founders, which takes into account personal and organisational context, adapting support accordingly, will help applicants to better access investment capital.
5. **Our decision-making.** By working directly with the applicant throughout the process, the way investment risk is assessed will better take into account the realities for applicants from under-represented communities and as a result, the Fund will back high potential SPOs that would previously have been discounted.
6. **Our products.** By offering a wider and more flexible range of financial products, we will better serve the financing needs of early stage, diverse SPOs in the UK.
7. **Our fund structure.** By developing an evergreen fund that utilises appropriate capital 'blends' we will be able to create a sustainable fund model that enables us to resource and support SPOs appropriately throughout the Fund's lifetime.



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## C. Our approach to continuous learning

We've been trialling a range of different learning methods, with mixed levels of success as part of a continuous learning approach. We want a broad range of learning methods, but we are careful not to inundate fund stakeholders with requests regarding data collection, feedback, or learning sessions given capacity constraints of stakeholders engaging in the Fund.

In practice, we also have to be careful of what type of information we ask for and how we use it throughout our learning process to ensure it is proportional and appropriate. Over the last six months, we've captured learnings from a range of different methods and sources.

Learning source	Quantitative	Qualitative	Reviewed	Limitations
Website analytics	Captures analytics on time spent across the website and areas where individuals fall out of the application process	We occasionally receive qualitative feedback from individuals around the accessibility of the website or additional improvements that can be made	Ad-hoc basis	Current analytics can only tell us so much about key challenges in the user experience and where / how applicants are reaching the fund
Feedback interviews with SPOs	N/A	Provides an assessment of their experiences of the Fund	Quarterly call out for unsuccessful applicants and after each successful Fund investment.	Unsuccessful or current applicants have limited incentive to engage in feedback mechanisms
Fund application data	Captures data on applications regarding investment need, organisational data, and DEI data	Applicants share insights regarding why they are applying to the fund	Quarterly	Iterating our application form means we have different sample sizes for some data points
Salesforce CRM data	Captures what types of SPOs progress across the investment process,	N/A	Quarterly	Rejection reasons are course and can't always capture the reality

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	reasons for rejection and where we may have significant barriers/ access challenges			of an SPOs situation
Impact/ organisational data	Captures outcomes data on end users / customers of our portfolio (e.g. people reached, trained, employed)	Storytelling, reflections on inequality impact and case study development	Annually at a minimum	Difficult to quantify and capture the vast range of positive impacts of an organisation, emphasis usually on capturing positive impacts that align with the Fund goals.
Reflection sessions with team	N/A	We capture regular reflections from the learning team about their experience in delivering the Fund's services	Bi- Weekly	These are often general collective processing moments, which might not feel appropriate to share personal, sensitive or private reflections
Sector learning sessions	We use sector learning sessions to share key fund metrics with peer investors, where appropriate	We surface peer reflections in roundtable discussions and sector workshops	Quarterly	Investors have limited capacity to engage in the learning process
Sprint 'tests'	We pull out issue-specific data (not continuous) that helps us determine whether we can validate an assumption	We capture reflections from stakeholders in 1:1 interviews, surveys and workshops around a theme	After each learning sprint	Limited capacity in the Fund for broader teams to engage in learning activities

**Challenge of data integration across fund partnership.** Given that we are in the early stages of our fund partnership, we have been working from multiple data-sets and data systems across the three organisations. We've been working to standardise our data collection to capture all monitoring and evaluation data in a single source of truth for MEL outputs. Specific data points within this report show different sample sizes, given that we've iterated different versions of our application form since Fund launch. We've developed a live dashboard since early

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2023, that can help us aggregate, visualise and report on Fund data. We will be building new features into this dashboard in the months ahead that help us to surface more nuanced learnings and integrate a wider range of data for easy centralised usage.

**Sector benchmarks for what “good” looks like are still unclear.** Since the Growth Impact Fund is treading new ground in its ambition to widen access to investment finance, we’re unaware of sector benchmarks that help us compare to other investors in the sector. For example, what measures truly constitute increased access? What is an appropriate indicator for experience? As a result, we’ve had to lean on wider data sets and have prioritised qualitative research methods to answer learning questions. In the future, we’d like to work with the sector to agree shared benchmarks to be aiming towards, adapting to context and supporting shared accountability on public reporting.

**Bias within our feedback.** The processes we have in place for soliciting and surfacing investee feedback skew towards those who self-select in our learning process as well as people who have made it further into the investment process. Our application funnel reveals a steep fall in people progressing straight after application and we haven’t picked up on this in a representative way through feedback channels to date - this has been identified by the team as a priority for our next learning cycle. We are also aware that our learnings are biased towards those who continue to engage with us and we want to explore new ways to encourage feedback from a broader variety of sources (see below)

**Valid feedback mechanisms.** It’s been challenging to build in live feedback mechanisms during the investment process that show good levels of engagement and can surface representative thoughts and feelings from those engaging the Fund. There is limited incentive for founders to give feedback, even when prompted. And many founders may feel pressured not to share negative feedback when still engaged in our process. We’ve been working to communicate our ambitions as a “learning fund” keen to adapt against negative feedback in a live way. Though, capacity challenges within the Fund (especially the deal and portfolio teams) still limit our ability to embody this most effectively..

## D. Glossary of terms

[A full glossary of definitions](#) is available on the Good Finance website. For further information regarding terms used regarding Equality Impact Investing, please review a glossary of terms at the bottom of [this EIIP resource](#).

### Investee

An organisation that has received investment from an investor or fund manager.

### Investment product

Refers to the structure of investment offered by an investor. In the social investment sector, the most common investment product on offer is debt. The Growth Impact Fund can provide three types of investment: equity, revenue share and debt.



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## **Investors**

In this case the investor is someone who invests into an investment fund to generate an investment return. However, in other resources, investors may be a broad term which can include both investors who invest into other fund or directly into organisations.

## **Fund Managers**

Fund manager is any organisation that manages capital on behalf of other investors.

## **Social Purpose Organisation (SPO)**

An organisation whose primary mission is to deliver social or environmental benefit. This can include charities, non-profit organisations, and social enterprises (registered as e.g. Community Interest Companies, cooperatives or Industrial and Provident Societies, limited companies).

## **Capacity building**

Capacity-building is defined as the process of developing and strengthening the skills, instincts, abilities, processes and resources that organisations and communities need to survive, adapt, and thrive in a fast-changing world.

## **Evergreen**

An evergreen fund is an investment fund with an open-ended structure. This allows investors to enter and exit as they please throughout the life of the fund. Evergreen funds have no termination date.

## **Venture funds**

Venture funds are investment funds that manage the money of investors who seek private equity stakes in startups and small- to medium-sized enterprises with strong growth potential. These investments are generally characterised as very high-risk/high-return opportunities.

## **Accelerator**

Designed to fast track the learning and execution of an idea in the most efficient and effective manner. It focuses on teaching and supports the founder/entrepreneur with all that is necessary for success.

## **Debt**

Debt is a type of investment with the expectation of repayment (usually with interest). Debt finance usually takes the form of loans, both secured and unsecured, as well as overdrafts and standby facilities (e.g., bonds or loan notes). Generally, debt financing requires a borrower to repay the amount borrowed along with some form of interest, and sometimes an arrangement or other fee.

## **RPA**



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Revenue participation agreement, also known as quasi equity or revenue share funding is a hybrid of equity and debt investment. Equity investment may not be possible if an organisation is not structured to issue shares. RPA investment allows an investor to benefit from the future revenues of an organisation through a royalty payment which is a fixed percentage of revenue. This is similar to a conventional equity investment but does not require an organisation to issue shares.

## **Equity funding**

Equity funding is investment in exchange for a stake in an organisation, usually in the form of shares. Each share represents ownership of a proportion of the value of the company and typically provides the shareholder with voting and dividend rights. Equity finance is permanently invested in the organisation which has no legal obligation to repay the amount invested or to pay interest. Equity investors expect to receive dividends paid out of the organisation's earnings available for distribution and/or capital gain on the sale of the organisation or on selling their shares to other investors.

## **Early stage**

An emerging business that generally has a tested prototype or service model and has developed a business plan. The venture is generating early-stage revenue but might not be profitable yet. Differing from growth stage businesses which are in operation with solid pipeline and traction and have existing customers.

## **Equality Impact**

Impact outcomes that help either mitigate inequality or address the root causes of inequality.



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