

UnLtd, reaching out to unleash the energies of people who can make their world better

1000 p a year, first steps to growth and investment

Part of a massive movement for a stronger society and economy in the UK

So you are looking to grow

Your focus is on next steps to grow your social organisation and impact in a sustainable way

What do we and other funders and investors look for to say yes to you?

Starting point is not investment – that's a result not a starting point

Think revenue first – if you have sustainable revenue, you are on the road

Types of revenue – grants from trusts, donations from individuals, trading with public or with businesses, commissioning from public services, many types

All are different and take different skills

Single source or diversified?

Single source is dangerous, so vulnerable to a change of heart of status

But each source takes time, skill and effort – and not all sources will work for you

Test the market – a market test is worth a dozen business plans – what do you customers actually buy?

Next, can you make a margin, a surplus?

We see far too many social organisations where the growth will just be a bigger loss

Yes, you may get economies of scale if you grow, but be realistic

Talk to other social leaders in similar but not competing organisations – how did it work for them?

And can you evidence your social impact – any social investor will demand that

Next, are you tough enough to go through with it?

Growth can be painful

Your current team may not be right for the next stage – do you have the right talent?

You may have to out-compete other social organisations who you know personally

You may need to completely change your model to grow effectively

And there will be moments of terror when it looks like its all going wrong

Are you resilient enough, resourceful enough, tough enough for this journey?

If you can answer these questions

Revenue, margin, impact, talent, toughness

Now, you can think about growth

Few do.

If you look across the whole UK economy – commercial and social

There are 6m organisations in the UK

Only 6k employ more than 250 people

4m only employ the owner

If you want to grow, you face a big and different challenge at every step of growth

From just you as leader, to a team, to multiple sites or programmes, to multiple cities and regions, every step is a new challenge

But you are up for this – you wouldn't be here otherwise!

At this point, I should tell you where I'm coming from

- I've launched a number of new social ventures – here are four:
- One survived, thrived through a mix public service and customer payment income streams, modest size but still going strong many years on

- One survived through grants, thrived through the same mix as the first, scaled up rapidly, and then merged when the specific social need declined and changed
- One survived, grew through contracts, but got beyond my and the team's skill so we exited to another social organisation that had a broader base
- The most recent, survived through a mix of government and venture philanthropy, grew through contracts, but still hasn't found its sustainable resource base, and is a constant challenge – but I believe it in too much to give up
- I've also run larger organisations and built their impact, growth and resilience through organic growth and internal investment
- And then there are the many social entrepreneurs I see through UnLtd
- I'm not telling you anything I haven't directly experienced

So, back to the point, the next consideration

Growing better vs growing bigger vs growing stronger

Better means getting more impact for the same (or less money)

Maybe digital transformation, improving methods, skilling up staff

If you are working for public service commissioning, that's all going to be very important

Bigger means helping more people for more money

Think carefully about the market you are in – is this realistic?

Stronger means building your resilience

Agile teamwork, resilient and resourceful, diverse income streams, building reserves

Which is your priority? Don't say all, that's superhuman and frankly, none of us look good in halos or lycra – none of us are saints or superheroes!

Ok you want to grow, in whichever of these ways

Do you need external investment?

Maybe you can earn your way to growth

You can make enough of a margin not to need any one else's money

Because they will charge you for the privilege

Most organisations don't grow

Most of those that do, do it through this organic investment

Only a minority take external investment

If so for what?

Understand the stage you are at

– seed, angel, growth, mature expansion, modernisation, mergers

Each of these will be of interest to different kinds of investors

From venture philanthropy and crowdfunding

From individual angel investors to institutions

Where are you in this growth path, and which kinds of investors would be relevant?

Investment might be for different purposes too

Most commonly, its loans for assets

- You take on a new building, a new vehicle, machinery, etc

But it could be investment for capacity or new talent

And it could be working capital for a new project

Asset backed investment is relatively common and cheap because there is an asset for the investor to fall back on if you cant pay back

Investment for capacity or working capital is less common and expensive

So how risky are you? That influences investors massively

In the commercial world, early stage, working capital or capacity based investment without asset backing, is largely the preserve of angel investors

They work personally or in syndicates, are usually very sector specific, get hands on, know their stuff and their market, very focused on the quality of the leadership team and a gut feel for the model proposed

The good news is that there is a rapidly growing number of angels who will invest in social ventures – most expecting commercial return, some accepting a more blended return with social impact
ClearlySo is a great place to look

Later stage investors look at track record, income streams, results, margins, business plans – yes the team too, but its much more about formal due diligence and analytical decision making.

Big Society Capital has an excellent listing of UK social investment outfits

Both will demand that you know your stuff, so prepare
– and don't gild the lily

All of them take longer than you could ever think, and it will often feel like you are being taken apart to see how every part of you and your organisation ticks.

If you are up for that, it can give you fantastic insights even if they say no.

If you are not prepared for that, it can be very uncomfortable
Hitchhikers guide to the galaxy – what's wrong with being drunk? – ask a glass of water...

So, some final top tips

- understand where you are
- find others who have done it and what its like
- decide if you really do need external investment, and then
- get real,
- get the numbers,
- show your income, show your results
- get the talent, show your capacity
- be honest
- scan the sector to find relevant investors

- and engage early – if an investor thinks you are seeking money because you are about to run out of it, don't be surprised if the returns they demand go through the roof!
- And know it will be tough – look after yourself, make sure someone is on your side

Thank you for being brave enough and passionate enough to commit to achieving more social benefit – good luck!