

BIG SOCIETY CAPITAL

The Social Impact Investment Sector
Perspectives and Priorities

June 2021

Background

In early 2021, Big Society Capital engaged Windsoredge Research and Phoenix MRC to undertake an independent study of the Social Impact Investment Sector (SII), including those involved as investors, investees or in intermediary or facilitator roles.

This brief report summarises the views, experiences and priorities of those working within the sector, including their views on the progress made over the last few years, what aspects of the sector are working well and the challenges and difficulties they encounter.

We would like to thank all of those who gave their time and contributed so helpfully to this study. We are delighted to be able to share these insights and hope they are useful in setting the context for moving the sector forward and driving more social impact investment.

Overview

Our findings show that the SII sector has become considerably more established and settled over the last 2-3 years, with good levels of confidence and knowhow reported amongst most of those involved in the investment process and a growing sense that SII is becoming more achievable and accessible. There is also widespread recognition and agreement that the sector is making progress in achieving its aims. However, that is matched by a strong, prevailing view that there is a lot more to be done and the majority still recognise significant challenges and difficulties. This research highlights distinct areas for improvement for the SII sector, as set out in this report.

- Understanding of Social Impact Investment has grown significantly - **65% are very familiar** (compared to 37% in 2018)
- Confidence about SII has improved - **56% feel confident about the sector** (compared to 10% in 2018)
- Participants feel better informed about SII - **53% feel well informed about SII** (compared to 10% in 2018)

BUT...

- Majority find Social Impact Investment difficult **63% say process is 'challenging and difficult'** across investors, Intermediaries and investees
- Networks and partnerships still need improvement **24% disagreed** that it is easy to find the right contacts and partners, rising to 36% amongst investees
- Investees have less confidence than other groups **57% have low to mid confidence** (compared to 31% among investors)

1. Employer/organisation and individual roles

The SII sector is extremely diverse and complex, covering a very wide range of organisation types and individual roles.

This diversity has been well represented in the survey response which came from individuals across the social impact investment spectrum: investor, intermediary and investee roles; as well as from a wide range of organisations, including Charities, Social Enterprises and Foundations; Banks and Fund Managers; Educational Institutes and Local Authorities; so a very broad mix of organisations with any involvement in social impact investment, was reflected.

Those responding were asked to specify their own role with regard to SII and that of the organisation they are part of. 53% classified their organisation as an investor; 44% as an intermediary or facilitator organisation, and 26% as a receiver of social impact investment. Just under a quarter said their organisation had multiple roles, with all combinations being mentioned.

Individual roles were skewed more to intermediary and facilitator positions (49%), with 39% saying their own role was as an investor and 19% as a receiver of investment. Multiple roles were far less prevalent for individuals, with just 7% saying their role covered more than one aspect. The vast majority (84%), did however, say their role matched that of their organisation (or matched one of their organisation's roles, where there is more than one).

2. Levels of confidence and feeling informed about SII

Those working in the sector reported increasing levels of confidence when dealing with SII, with 56% of respondents rating their own confidence as 'high', at 8,9 or 10 out of 10. (This compares to very low claimed confidence in a similar study back in 2018, when only 1 in 10 gave responses which amounted to feeling 'highly confident').

Feeling well informed about the sector was also at similar levels, with 53% rating how well informed they felt as 8,9 or 10 out of 10. Feeling 'well informed' correlated highly with ratings of confidence (79% gave the same rating for both), suggesting that the two measures are very interdependent: if you feel well informed, it leads to high confidence. However, that was not the case for everyone: 12% felt more confident than they did informed and 9% felt more informed than confident.

Those with an investor role were the most confident (69% highly) and well informed (66%), along with well over half of those in intermediary or facilitator roles (60% highly confident and 56% well informed). However, those receiving investment (investees) were far less confident or informed, with only around 4 in 10 of this group reporting the top levels (43% and 42% respectively). Indeed, 22% of investees rated their confidence as 4 or lower out of 10.

Employers and organisations play a very key role in individuals' confidence and feeling well informed. It is notable that a majority of those responding (76%) said they felt empowered and equipped by their organisation to fulfil their role in SII. Furthermore, those who felt empowered and equipped were much more likely to rate themselves well informed (62%) and highly confident (68%).

3. The SII process and outcomes so far

Nearly 4 out of 5 of those responding to the survey, said they had recent active experience of SII (78%) and although many were highly satisfied with their experience, there was also a lot of muted response, or even dissatisfaction, especially amongst those receiving SII.

Just over half of those who have recently gone through the SII process reported being just somewhat satisfied (42%; 5 to 7 out of 10) or dissatisfied (9%; 1 to 4 out of 10). This was higher amongst those in intermediary or investee roles and clearly indicates there is room for improvement, as shown in the table below:

	<i>How satisfied were you with the process you went through?</i>			
	TOTAL (283)	Investors (125)	Intermediaries (143)	Investees (40)
Dissatisfied (1-4)	9%	8%	8%	15%
Somewhat satisfied (5-7)	42%	41%	45%	38%
Highly satisfied (8-10)	41%	48%	38%	38%
Too soon to tell	8%	3%	9%	10%

Caution: low base for investees

NB Respondents can have more than one role, so sub bases add to more than 283

There is more positivity when considering the outcomes of SII investments, with more people highly satisfied than not, including well over half of those receiving investments (although caution: low base). 1 in 4 intermediaries and 1 in 5 investors felt it is too early to tell, being naturally less close to the outcomes than those receiving investment. Similarly, there is more positivity when thinking about the actual impact investments are having, with the highest levels of high satisfaction (45% overall). As with outcomes, intermediaries feel less close to the impact, so are most likely to think it is too early to tell.

	<i>How satisfied were you with the outcome(s) of the investment?</i>			
	TOTAL (283)	Investors (125)	Intermediaries (143)	Investees (40)
Dissatisfied (1-4)	4%	4%	6%	5%
Somewhat satisfied (5-7)	29%	34%	23%	30%
Highly satisfied (8-10)	44%	42%	46%	55%
Too soon to tell	24%	21%	25%	10%

	<i>How satisfied were you with the actual impact of the investment?</i>			
	TOTAL (283)	Investors (125)	Intermediaries (143)	Investees (40)
Dissatisfied (1-4)	4%	3%	4%	3%
Somewhat satisfied (5-7)	29%	29%	28%	30%
Highly satisfied (8-10)	45%	50%	42%	55%
Too soon to tell	23%	18%	26%	13%

Caution: low base for investees
NB Respondents can have more than one role, so sub bases add to more than 283

4. SII areas for improvement






Although confident and well informed, those working in SII do feel there are still barriers to be overcome and improvements to be made, if the sector is to work optimally to impact people's lives. 63% agreed with the statement: The process involved in making social impact investment happen is challenging and difficult, with almost 1 in 5 agreeing strongly (19%).

When asked about the ease of specific aspects of SII, 1 in 4 disagreed that it is easy for me to find the right contacts and partners in social impact investment (24%), whilst nearly as many did not feel it is easy to get useful advice and support concerning social impact investment (22%); and it is easy for me to identify the right opportunities (21%).

	<i>Please indicate for each [statement] how much you agree or disagree, from your experience of the social impact investment sector?</i>			
	TOTAL (364)	Investors (143)	Intermediaries (178)	Investees (69)
% AGREE: The process involved in making social impact investment happen is challenging & difficult	63% (19% strongly)	63% (17% strongly)	62% (22% strongly)	62% (23% strongly)
% DISAGREE: It is easy to get useful advice and support concerning social impact investment	22%	19%	25%	23%
% DISAGREE: It is easy for me to find the right contacts and partners in social impact investment	24%	19%	22%	36%
% DISAGREE: It is easy for me to identify the right opportunities	21%	20%	17%	28%

Caution: low base for investees
NB Respondents can have more than one role, so sub bases add to more than 364

Those responding to the survey were asked to say, in their own words, what changes they would like to see happen that would make a positive difference to them. The main themes arising were around the following areas:

	Clear, transparent communication	<p>Increase clarity and transparency in all communications and expressions of the sector e.g. in how people talk about the sector, the terminology and definitions used etc. to foster better understanding and further knowledge.</p>
	Standardisation of approach & process	<p>Greater standardisation and consolidation across the sector, with more consistency in approach and process. This would lead to more harmony in the physical constructs involved in SII, to measure and evaluate investments and cross compare.</p>
	Flexible funding models	<p>More flexible funding models - more effective, creative and sensitive use of funding models to broaden access and opportunities across the sector.</p>
	Effective knowledge & data sharing	<p>More effective and proactive knowledge sharing e.g. via portal, one-stop-shop platform to access shared data, information and case studies etc.</p>
	Building relationships & networking	<p>Better networking - encouragement of collaboration, cross-pollination, interaction and relationship building.</p>

The future

Big Society Capital will be working to understand better the issues highlighted in the research and how to address them; and is committed to driving the sector forward, so that greater levels of investment are deployed to impact people's lives for the better.

It is planned to repeat this research on an annual basis to understand the prevailing sentiment within the sector and its progress in growing social impact investment, as well as to identify any problems or barriers which need to be overcome.