The gritty reality of social investment? It's hard work, it's high pressure, and it is certainly no replacement for revenue. However, those doing the work today will reap rewards in the future.

Against a backdrop of slashed grants and falling philanthropy, it's easy to see why social investment is seen by many as a salvation.

The first lesson that we learnt, is that it’s not.

Social investment is a means to an end, a way to unlock opportunity. It isn't a replacement for revenue - obvious, but not always understood. It works when there is a specific and measurable reason for taking on investment, a reason that fits within your organisational strategy. You wouldn't shift your organisational purpose to access grant funding, and you shouldn't take on investment for its own sake either.

Like many in the market we are on a journey to understand the potential of social investment. And we're excited by what can be done. My organisation delivers across public services, in areas not typically associated with innovation, revolution or risk taking. To achieve fundamental transformation (both in ourselves, and our markets) we must look beyond traditional funding sources. Social investment is a key tool to enable this.

Social investment: our gritty reality

For us, social investment acts as an accelerator for three key areas; enterprise (creating and running trading entities that complement our public services work), innovation (working capital to move into new areas, such as Payment by Results), and reform (transforming our organisation, or setting up new partnerships that will help
shape our work).

**Social enterprise**

We look the plunge into social enterprise a few years ago when we set up our first social enterprise, employing apprentices in two service delivery businesses. We also backed a non profit business incubator.

What have we learnt? That it isn't the social investment that is the challenge, but the day to day running.

"Social investment: Not a panacea, not a catch all solution. Rather, an enabler, unlocking potential in organisations with a clear vision of what they want to achieve"

**Setting up a social enterprise will see you face the same challenges as setting up a small business.**

Goodwill and a 'non profit' tagline will only get you so far. Much like any SME, our enterprises are resource intensive and risky. The competitive landscape does not stand still. A non profit model will bring with it limitations and make it hard to reward managers, invest in marketing and drive local sales. On reflection, we should have considered bringing in a corporate partner from the start.

**Innovation**

However virtuous, all organisations respond to business pressures. Social Impact Bonds make it easier to do the right thing – funding the space and infrastructure to deliver innovative services outside of scope. We are currently elbow-deep in the development of relatively complex SIBs, and once again we're finding that our challenge isn't finding the investment, but rather changing culture. In this case we're partnering with commissioners, within local government. It's a massive journey for even the most forward looking commissioner to take on, and they themselves face huge internal obstacles. We hope that we are doing our bit to push the market forward, and that the work we're doing will make it easier for the SIBs that follow.

**Reform**

And finally, reform. To deliver most effectively and to remain stable for our service users, we have to stay ahead of the curve. This means investing in ourselves to ensure we’re fighting fit. It's hard to make the step change, and this comes down to limitations of investment; it's relatively straightforward for a business to raise equity, while charities rely on organic growth or grant funding.

For a charity with a strong transformational business plan, social investment is an increasingly attractive option. That said, securing the investment is just the first piece of the jigsaw. Delivering the transformation, cultural and organisational change; that's the tricky stuff that keeps us awake at night.

Social investment: Not a panacea, not a catch all solution. Rather, an enabler, unlocking potential in organisations with a clear vision of what they want to achieve.

**Last updated** | 22 April 2016