# Catalog

# Financing Options for Social Enterprises

## -by Mark Cheng – Ashoka & Clifford Lee - DBS

*Ashoka Director and experienced social investor Mark Cheng talks about how to raise social finance for your social enterprise; how to explain your social impact, how do pitch to social investors and what key information social investors are looking for.*

The following are brief notes taken during the class. For more information on social financing, refer the Social investment toolkit ([www.socialinvestmenttoolkit.com](www.socialinvestmenttoolkit.com)) for financial models, legal documents and due process.

Definitions

- What is a social enterprise? An organisation that uses a for-profit business model to achieve a social mission. A charity is not the same as a social enterprise
- What is social finance?
    - Finance that looks at two aspects: for profit and social mission
    - For profit = selling goods and services to someone
    - Revenue made goes into trying to help solve a social mission
- What is a social business?
    - Social businesses seek to be profitable but not necessarily profit-maximising (you can't ignore profit because you must survive and be sustainable, but the organisation does not have a duty to make as much money as possible)
    - Social businesses are impact maximisers subject to being profitable (covering costs)

Why is it hard for social entrepreneurs to raise money?

- Main challenge of SEs is to be able to do both models below, equally well
    - Impact model = do activities to help a cause/certain group of people
    - Business Model = commercial operation selling goods to customers and making money
- They're encountering challenges that come with dual bottom-line models and objectives

- A social investor has two different motivations – they want to see impact, but they also want financial return (this could be anything from 0% to full commercial return)
    - For Social impact: Grants
    - For Financial return: Commercial finance
    - Social investors want both above

<u>Financing options to choose from:</u>

a. Philanthropy (grants, donations) *The grant maker doesn't care about getting the money back
b. Equity
c. Debt
   *Need to have business model that helps you pay back. This business model cannot be reliant on donations. A donor will not allow their money to pay someone else's investment off.

<u>Which option is right for you and can they be blended for the right solution?</u>

Most people go for grants because it's "easier". But once your business grows to a certain level, it's likely that you need to raise more investment. Usually there aren't enough grants for that, so you must raise investment. And investments can only be repaid with a commercial model. Equity and philanthropy can't be mixed in the same vehicle. Only way is a structural separation (a business and a charity sitting side by side doing different things)

<u>How do you pick the right financing option for your organisation?</u>

Two questions you should ask:

a. What kind of cash flow do you generate?
b. Which stage is your business at?

For any organisation, your revenue curve should go up over time. Assume that your costs remain flat over time. Your costs will be more than your revenue when you first start out at which time you need more capital. You'll break even after and then start making profit (revenue > cost). Eventually your profit should be more than funding needs.

- Breakeven period: Before company breaks even
- Repayment period: After breaking even when company starts making profit
- The shape of your cashflow forecast determines the kind of financing that you should be seeking
- If your costs are high and perpetually exceeds revenue, company should immediately seek philanthropy options. Don't waste time looking for investments cause it's near impossible to get in that stage. Raising investments can become a distraction and when you should be focusing on something else. Or it may require a radical change in business model then they won't be doing the same thing anymore.
- If your potential market is huge and your product is in demand, you may potentially have a revenue model that starts off low but has the potential to increase in revenue substantially and quickly.

You should go for: Equity funded model – you can offer investors significant upside (high risk but high growth potential)

Why not debt? Equity has no insolvency risk. You're giving up control of your company, but you have no bankruptcy risk.

- Another common profile would be a model that has no profit in the early years, and this can go on for quite a while, and they'll only become profitable after many years. Can they raise equity? May take too long

They should go for - Hybrid finance: blending different options together at different times/stages

**Case study: Fair Finance**
- Started funding itself through grants
- Social impact: Started giving debt advice to clients who have debt and help them restructure debt to pay them off
- Micro loans: Gives people loans with a much more manageable interest rate
- One activity is a business activity (micro loans) and one is a social activity (debt advice)
- Fair Finance then splits organisation up into two subsidiaries
    o Debt advice stays a charity
    o Micro loaning becomes a commercial business
    o Original organisation becomes parent organisation (one brand) that manages both subsidiaries
- Fair Finance looks for equity investors for the micro loans subsidiary (investors only have to take risk on the business sides of things)
- Micro loans portion gets funding from banks (can go to bank for a loan/credit cause of restructure and donors underwriting risk)
- Debt advice gets grants from donors

Which type of investors should you approach?
- Depends on the stage of the business / life-cycle of business you are in.
- (Prototype --> Standardize --> Scale) - these stages are not prescribed by time but by activity and milestones achieved by your business.
    o The type of funding you're looking for at each stage is radically different
    o One of the main mistakes is that investors pitch for the wrong funder.

- **Prototype stage of business**
    o Find a business model
    o Demonstrate social impact
    o Create a minimum viable product (a stripped-down version of the product you're trying to sell. What's it at its core) what's the one essential feature of this business
    o Find a customer who gives genuine feedback and whose problems are solved by your business / product.
    o Funding options: grants, donations, bootstrap (you fund your own business), 'friends and family' (depends on the size of your networks)
    o There aren't that many funding options at this stage cause of limited pool of donors/investors

- o Size of funding: Up to USD 250,000 (depending on personal networks)

- **Standardize stage of business**
  - o Create 'Core Product(s)': Something that has been perfected to the point where you can describe it very well
  - o Develop a 'standard' product(s)
  - o Establish price point (not negotiating with every customer anymore)
  - o Establish customer base
  - o Positive gross margin (need to cover fixed costs and cost of product. Can you sell enough products to cover your cost?)
  - o Very easy to replicate
  - o Opportunity for Social enterprises: Angel Investors who really believe in your cause/product may give you very good rates for funding. This gives you more opportunities as compared to a normal commercial entity.
  - o Rapidly growing space: More foundations are going into this space instead of just giving grants

- **Scale-up stage of business**
  - o Scale to net profit
  - o Raise investment
  - o Roll out product at scale
  - o Get to break-even and net profit
  - o Funding options: Institutional investors (i.e. funds), angels
  - o Size of funding: EUR 0.5mn – 5mn

## *How to make your perfect pitch: (If you only had 1 minute to pitch, what would you say?)*

- Pick the right 5 things to say and get them in the right order, and pick 2 statistics that make the most sense
- You're telling a story to an audience, and stories have narratives
- You're answering a series of questions in their minds and you should do it in an order that these questions come up:

  1. The social problem
  2. Size of problem, who suffers, what is cost to society? You must help them visualize and understand the problem and the person who is actually suffering.
  3. Cost to society (look for that one number that encapsulates what is the cost to society/the seriousness)
  4. What is your solution?
  5. How does it solve the problem? (Contextualise it against the statistic that was shared earlier)
  6. Impact statement (something to close your argument and bring it together). "$1mn invested in us will enable us to reach XX people and create YY impact"

## Part 2: Discussion with Mark Cheng (MC) & Clifford Lee (CL)

<u>What are some developments and trends in the social financing space?</u>

**CL:** A common misconception is that if you have a sustainability/green bond, you have more investors to bring down the price. The reality is that there aren't enough of those investors to bring down the price, especially in Asia.

Issues to be considered:

1. Borrow on own merits
2. Proceeds don't go into cost savings
3. Playing in an investor field that is quite cold

In Asia, there are funds to be willingly deployed. But investors need to know what you're asking for. Bonds and loans require repayment within a certain period, so you must be able to display that you can do it.

**MC:** Social finance is a new asset class, but it's more complicated than that. All the problems you have with a start-up market multiply with the fact that social issues don't fall within a specific bracket."

**CL:** Professional investors are starting to carve out pockets of their portfolio that they want to put in impact investments. The eternal struggle is whether these investments pass the credit test.

Another way is to work through intermediaries. Instead of pitching to 50 individuals, pitch to 1 who understands the model and wraps it with a guarantee.

**MC:** There's a lot of innovation coming in from social financing. The IIX Women's Livelihood bond is an example of that. There's going to be a lot of change in this space.

<u>Will DBS be a bank that is willing to think creatively about structuring credit?</u>

**CL:** Our intent is to do what we can to help. If the IIX bond model works, we can get the market to participate in a bigger way. I'm encouraged by a few things. I believe there are ample funds in the market to be deployed. I daresay even more monies to be deployed than social enterprises need. Liquidity isn't a problem. The challenge is to package needs in a way that they can invest. DBS has identified championing social enterprises as our cause and have a Foundation to take this further. We mentor SEs, fund them and are also exploring funding them in the form of guarantees. Because Asia continues to be growing, when they see a need that is urgent and big, the investors will start putting aside funds to help. The key is that the effort must be big enough for investors to do that.

Similarly, social enterprises should also clearly articulate why DBS should partner them.

<u>On Crowd funding:</u>

**MC:** There's a lot of interest in crowd funding so the potential is there. It only works if you have a substantial "fan base" out there. People need to know about your work. The best

campaigns usually have a couple of early investors that agree to put in the first 10%. People invest in projects that already have momentum.

<u>Does "social cause" matter:</u>

**MC:** Organisations that boast bigger number of people reached will have benefits. If you're going for depth of impact, make that your selling point. There's nothing stopping you from going out looking for investors. Many of them are looking to invest where their heart is.

**CL:** What type of funding is needed must be very clear, whatever your cause. If you want funds to grow your business, but you can't show the repayment profile clearly, then you're going more for equity financing rather than debt.

# DBS Foundation
# Social Enterprise Summit 2018

# **Financing Options for Social Enterprise**

17th October 2018

MARK CHENG



ASHOKA

www.SocialInvestmentToolkit.com

# Agenda

1. **What is social finance?**

2. **What are your financing options?**

3. **How to pitch**

# Definitions

# What is social enterprise?

# Social enterprise

*an organisation which uses*
*<u>a for-profit business model</u>*
*to achieve a social mission*

Social Businesses seek to be profitable but not necessarily profit-maximizing
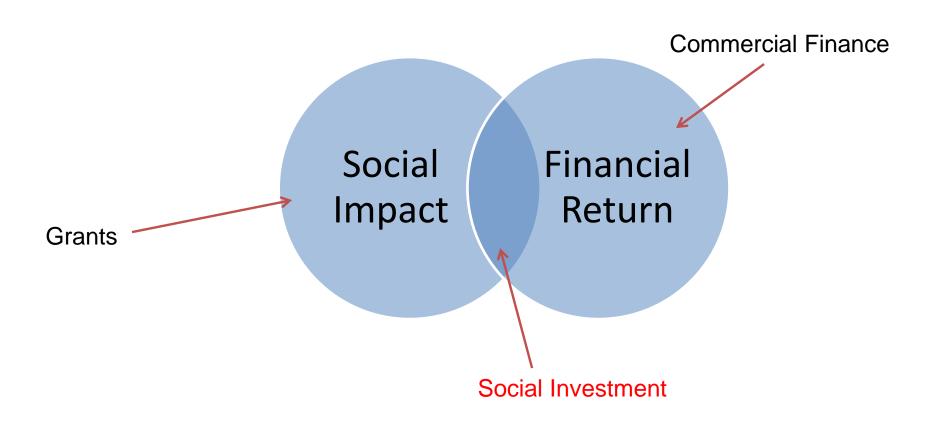
Social Businesses are *impact* maximizers

# Social enterprise = Impact + Business

# What is social finance?

# Social Finance or 'Impact Investing'

# 3 financing options

1. **Philanthropy (grants, donations)**

2. **Equity**
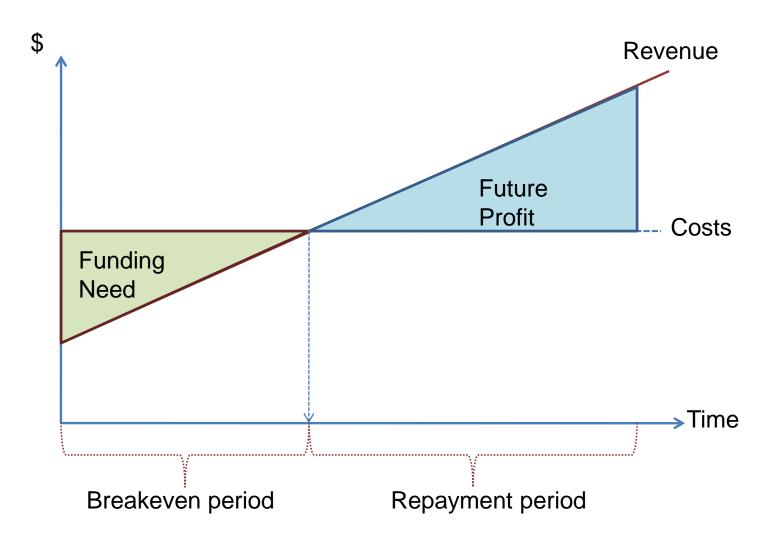
3. **Debt**

# Which financing option should you choose?
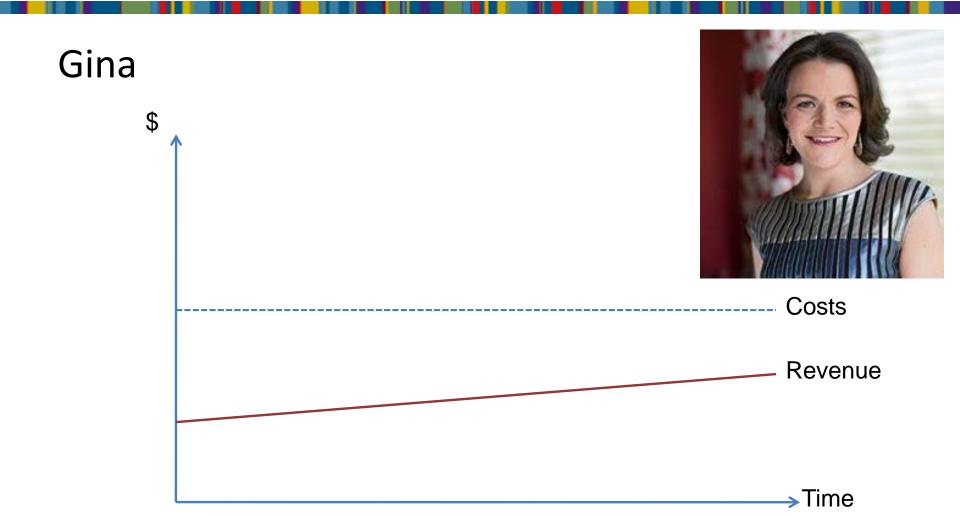
# Meet three entrepreneurs...
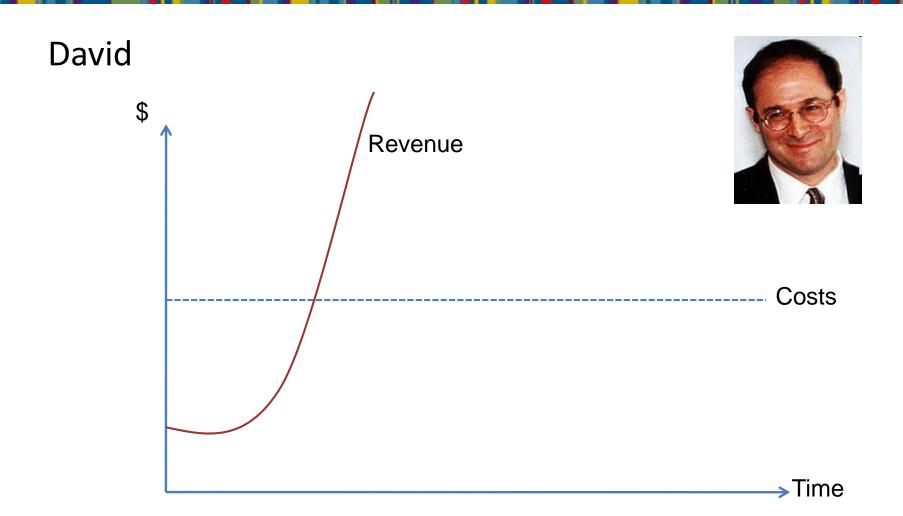
# Profit = Revenue - Costs
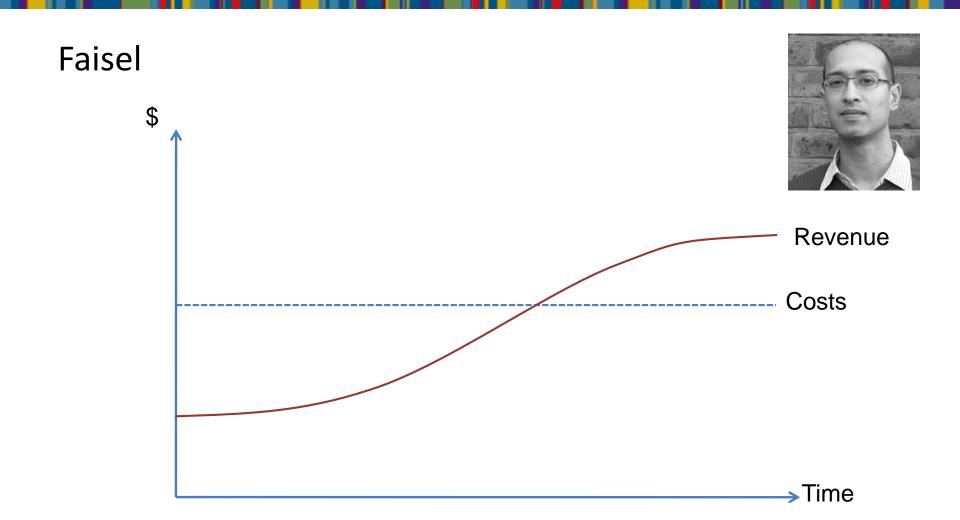
The shape of your cashflow forecast determines the kind of financing that you should be seeking

# Gina



$

- - - - - - - Costs

Revenue

Time

## *Philanthropy*

# David



$

Revenue

Costs

Time

*Equity*

# Faisel



*Hybrid finance*

# Faisel Rahman
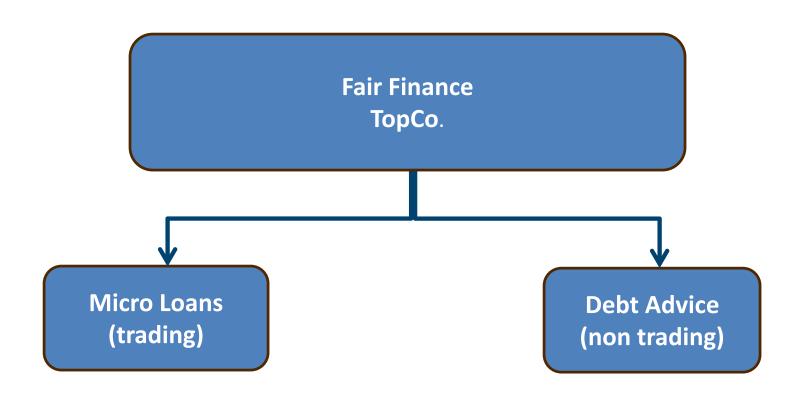
# Example: Fair Finance
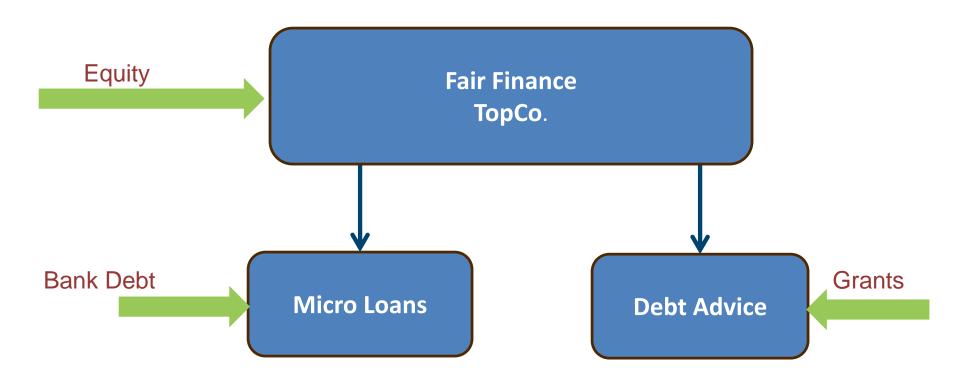
Micro-Lender / UK Fellow Faisel Rahman

# Separate business from non-business activities…

# ...to raise the right kind of finance for each part

Equity →

**Fair Finance TopCo.**

Bank Debt →

**Micro Loans**

**Debt Advice**

← Grants

# Which stage of the business life-cycle are you in?

# 3 Stages in the Lifecycle of a Business Model

**Prototype** → **Standardize** → **Scale**

# 3 Stages in the Lifecycle of a Business Model

Goal:   **Find a business model**

**Prototype**

- Demonstrate social impact
- Create a **Minimum Viable Product**
- Find a customer

Funding options:   Grants, Donations, Bootstrap (i.e. you), 'friends and family'
Size of funding:    Up to USD 250,000  (depending on personal networks)

# 3 Stages in the Lifecycle of a Business Model

Goal:   Create 'Core Product(s)'

**Standardize**

- Develop a 'standard' product(s)
- Establish Price point
- Establish customer base
- Positive gross margin
- Very easy to replicate

# 3 Stages in the Lifecycle of a Business Model
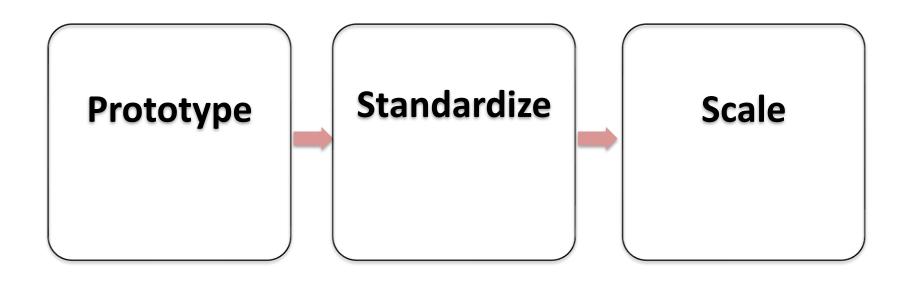
Goal:        Scale to Net Profit

**Scale**

- Raise investment
- Roll out product at scale
- Get to break-even and net profit

Funding options:    Institutional Investors (i.e. funds), angels
Size of funding:       EUR 0.5mn – 5mn

# 3 Stages in the Lifecycle of a Business Model

**Prototype** → **Standardize** → **Scale**

# How to make the Perfect Pitch

# If you only had 1 minute to pitch…

what would you say?

The
social
*problem*
Who are the
Beneficiaries?
Our
Solution
Our team
Growth plan
Marketing
Social IMPACT
CVs
The amazing board

Where we work
Our founder's story
*Our Cool logo!*
$$ Financials
Our tech
*Debt or equity?*
Massive Financial Return
What are exit options?
Customer testimonial

# The Social Problem

Size of problem
Who suffers?
What is cost to society?

# Your Solution

What is your solution?
How does it solve the problem?

# Impact Statement

"$1mn invested in us will enable us to reach XX people and create YY impact"

## Masterclass – Impact measurement for Social Enterprises

## Calvin Chu, Eden Strategy Institute

*Social enterprises need to measure, track, and communicate their impact, to win the support of*
*their grantors, staff, beneficiaries, and partners. In this masterclass, participants examined impact frameworks and concepts such as IRIS, SROI and Theory of Change, and take a step-by-step approach to customise the right impact measurement strategy that will sustain your social enterprise model.*

The following are brief notes taken during the class.

### Context setting:

- It can be hard to talk about impact while we remain fuzzy on our social enterprise value and business model.
- "When talking to investors, it's important to dovetail the societal impact with the economic impact you are creating."
- Calvin cited the example of Playpump, a social enterprise concept that uses a merry-go-round mechanism to harness the energy of children playing to pump groundwater in Africa to illustrate the importance of creating real outcomes. It took 27 hours of constant turning to pump enough water for a single village.
- "Oftentimes, we are in love with the innovation and the beneficiaries we are serving, but if we don't carefully look at the economics of how things work, the mission will be lost all together."
- It's also important not to confuse outputs and outcomes. For example, Visionspring had provided 5 million clients with vision screening and of these, 2 million had purchased eyeglasses. The outcome is that it created an estimated economic impact $756 mil of increased productivity made possible by improved vision. In fact, displaying the economic impact now makes your social enterprise attractive to governments too, a stakeholder group you may not have thought of earlier.
- You should pick and choose the parts of each tool/framework that you're comfortable with and having that versatility.
- "We have to make sure that the positive impacts created are attributable to the work that we're doing."

### Why track impact?

- Simply put, it will help you understand, manage and communicate the value of your social enterprise.

**Masterclass on Effectively Measuring Social Impact**

1. To gain wider outreach to market SE
2. Win new contracts
3. Secure existing funders and customers
4. Attract quality talent and grow staff morale
5. Develop activities to better cater to beneficiary needs and drive impact
6. Improve resource allocation
7. Prevent mission drift

- "We need to look at impact from a learning perspective, not just as a static component of your enterprise"
- The audience gave their thoughts on why they measure impact.
    - For scale, to replicate models, because social impact will help your branding and investors and potential shareholders, to be answerable to investors/ beneficiaries.

## Principles and issues in impact measurement

1. Reliability & Objectivity
    a. Ensuring data integrity for shareholders and also having an objective third-party, or audit committee or volunteers or even local universities tracking your impact data.
2. Reality
    a. Ensure that you reflect true reality with participatory research, rather than pre-set expectations
    b. It's about proving and disproving
3. Universality
    a. Applicability across different markets, geographies
    b. If you have no basis of comparison, or if you don't know if this can be transposed to a different context or country, it can be a huge challenge when you try to scale your business
4. Additionality
    a. Whether an intervention has an actual effect when compared to a baseline
    b. "Did I actually have an incremental contribution, or would it happen anyway?"
5. Materiality
    a. Relevance, significance authority of data
6. Context
    a. Balancing standardised comparisons with the need to customise each situation
7. Power
    a. Shift from p-down judgement to continual joint learning and improvement
8. Interdependence
    a. Appreciation of the holistic impact on a broader set of stakeholders beyond immediate beneficiaries
9. Sustainability
    a. Keeping costs of impact measurement manageable (from a cost and resource perspective)
10. Comparability
    a. Using consistent tools to produce comparable data

## Frameworks

- These frameworks have been evolving from input- and activity-based reporting to a system-level of inquiry of impact.

- "In the past, it was about how much of the $1 I've spent/donated has reached the end user, now it's about how you've created human capital, economic capital and so on."
- "Case studies are a great way to show your transformation story and shine the spotlight on your beneficiaries and how you have created positive impact.
- These can take any format like a touching video, an in-depth report with comprehensive data. Keep in mind who your audience is and what they're looking for.
- However, one drawback is that they mostly include anecdotal evidence with limited applicability."
- The "Theory of Change" model is a systematic map of shorter-term and intermediate outcomes, which are required to achieve long-term goals.
- Calvin gave the example of tai chi classes for dementia patients as an evaluative logic model of the Theory of Change:
  - Activities: tai chi classes, number of trainers
  - Output: number of classes, repeat visits
  - Short-term outcomes: relapse rates reduced
  - Intermediate outcomes: Workforce integration
  - Objectives: working with other partners towards…
  - Ultimate goal: dementia can be cured
- (-) Accurate attribution may be tricky as it is a linear process

## SROI

- Quantifies the dollar value of work (i.e. the worth created)
- Citing Conjunct Consulting, a local SE that offers consulting services to SEs and charities. They quantified a dollar value based on the time rendered (i.e. manhours).
- Another example cited is the subsidised services model, which is the delta (i.e. the social value is the dollar value saved – the difference between subsidised fees vs market rates)
- In contrast, if you're an advocacy organisation, you might be looking at the monetisation value as the media or PR value of a half-page story in the newspaper article you were featured in.
- Why do we have to quantify the dollar value?
  - For investors, you can clearly state that for example, for every $1 you invest, we create $5 of impact.
  - It's a great 'currency' and indicator that is universal across beneficiary groups, geographies etc.
- "Rather than an exercise in isolation, see impact measurement as an opportunity to collaborate with your key stakeholder groups to ascertain what it is they are looking for."
- (-) However, not all outcomes can be accurately monetized.

## Quasi-experimental or experimental methods

- These offer robust cause-and-effect attributions and demonstrate additionality of impact.
- A create example of randomised control trials where some patients are given a placebo, and some are given the actual drug and the results are compared between the intervention group and the 'control' group, also similar to A/B variable testing.
- (-) However, these are not suitable in cases where there are many extrinsic variables, and such experiments are not practical in real life.
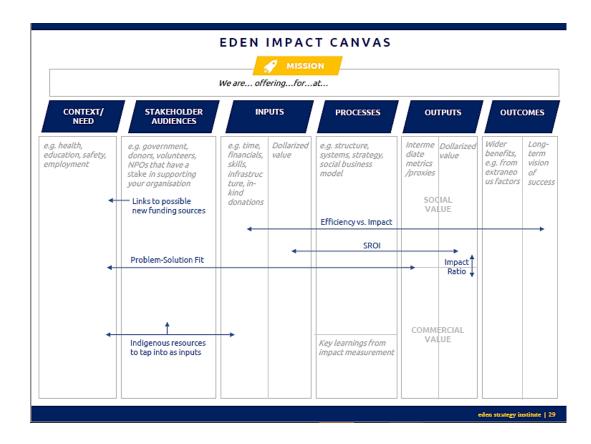
## Social business models

- It works like a simple decision tree, which was developed by Eden. There are 6 basic social business models:
  - Where the beneficiaries are customers and pay a full fee – commercial (1) beneficiary product
  - Where the beneficiaries are customers and pay a subsidised fee – (2) subsidised beneficiary product

  - Are beneficiaries staff that are employees – (3) work integrator
  - Are beneficiaries staff that are trainees – (4) training integrator

  - Where beneficiaries that are not part of staff, and you do not raise funds for your beneficiaries – (5) cause marketing
  - Where beneficiaries are staff and you raise funds for them - (6) donation catalyst
- At this point, it is important to distinguish between a social need and an unmet social need.
- For instance, traditional businesses see profit as their primary objective and everything else as externalities.
- Calvin gave the example of Mcdonalds hiring hard-to-hire beneficiaries versus a small business that is doing the same. Who is the social enterprise here? They're both doing work integration, but in terms raw numbers, Mcdonalds is clearly able to hire more hard-to-hire beneficiaries.
- In order for us to fundamentally understand if we are an SE, we have to look beyond impact unless we also talk about the economic impact.
- In this example, McDonalds pays $100 million in salaries to these beneficiaries, but if you look at the character of McDonalds, in Singapore they made 4 billion dollars.
- It's not just about impact, but it's about intentionality and the character of businesses as defined by the value exchanges and what is built into your business.
  - Therefore, it is important to track your impact ratio of economic to societal impact.

- Working with corporates beyond 'superficial' volunteering or CSR and really integrating into their products, because that's where the big business and money lies.



- In a time where 'pivoting' is commonplace amongst start-ups, it is important that we avoid mission drift.
- You can use either organisational profit or revenue to calculate your social value and commercial value.
- If you're looking at qualitative outcomes that are not easily quantifiable like 'dignity', you can also supplement this with surveys and even randomised trials to create a 'baseline' that you can compare this with.

**Conclusion**

- The context and need should be framed/geared towards your audience (e.g. potential investors should be on the same page about the societal need you're seeking to address).
- There is no one fixed methodology you need to follow, the key takeaway is to see the linkages and finding out what your investors want, as well as what needs to be quantified and what does not.
- When you have the real numbers for social value and commercial value and when you compare the ratios, the social value should definitely be a key part of the equation, though there is no hard benchmark.

# Impact measurement for social enterprises

DBS FOUNDATION

17 OCTOBER 2018

eden
strategy
institute

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# Eden Strategy Institute.

Asia's Leader in Social Innovation.

"The Eden team showed good understanding of MSF research requirements and also went the extra mile to help us glean practical and useful insights of the sector, to help our work in developing social enterprises at next stage. Thank you Calvin and team!"

**Chloe Huang, Assistant Director / Social Enterprises, ComCare and Social Support Division (CSSD),**
**Ministry of Social and Family Development**



Speaking at TEDx

With B-Corp founder Bart Houlahan

Addressing ASEAN

Social Enterprise Accelerator

S'poreans happiest people in Asia: Social media index

With co-author Yves Pigneur

Ministerial panel

# We have partnered with a diverse range of public and private sector organizations to create social and economic impact across Asia

Social innovation to reinvigorate the Social Sciences among UN member states

Public service transformation for UN member states

Non-profit fundraising in China, Cambodia, and Singapore

eHealth systems to reduce unnecessary tests in Korea

Regional Bank Foundation strategy

Energy efficient conveyor systems, diesel engines, and telecoms in Malaysia, Indonesia, Thailand, and Korea

Personal sensor systems to prevent elder falls in Japan

Improving hospital productivity in the Middle-East

Reducing hospital overcrowding in Vietnam

Novel diagnostic equipment for early stage lung cancer detection in China, India, and Korea

Innovations to bring consumption to the Emerging Middle Class in Indonesia, Vietnam, Philippines, and India

Enhancing the efficacy of grant schemes in Singapore

Developing Singapore's social enterprise sector

Healthcare IoT in Singapore

New elder care business models in Singapore

Retained surgical instruments in Australia

Public sector research commercialization in Australia

"As a result of our work with Eden, GE Healthcare is now able to bring a breakthrough social innovation to market that meaningfully addresses the changing needs of Japan's elderly population."

**Gabriel Sim, Business Analysis Manager, General Electric Healthcare**

# Our proprietary curriculum and networks have led to our appointment as a Singapore Centre for Social Enterprise Accelerator Partner



## MENTEE NETWORKS

"Eden was chosen amongst various other research and consulting agencies due to their quick understanding of the subject matter, strategic approach, and robust methodologies… the project by Eden has become a reference and best practice not just for Asia, but also throughout the other Emerging Markets."

**Cristan Yang Zhigang | Regional Marketing Manager, Asia, Early Technologies Group Covidien Pte Ltd**

## PORTFOLIO

"Kata Foundation initiated the Suitable for Markets in Asia project to support Danish companies in growing their businesses in India, Indonesia, Thailand and The Philippines. Eden was engaged to support the participating companies in adapting their business model to the local context, and is credited for their ability to create a trustful learning environment where the companies shared and discussed their business models."

**Thomas Aakjær Jensen | Senior Innovation Specialist Kata Fonden**

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# What are the real outcomes you hope to achieve?

*"Just assuming that a well-intentioned venture will automatically have the intended positive impact is not appropriate. We need to rigorously evaluate whether the impact does get realised."*

**Jasjit Singh | Co-director | INSEAD Social Entrepreneurship Programme**

# What do you understand about what your stakeholders care about?

## OUTPUTS

- ✓ 5 million clients had vision screening

- ✓ 2 million purchased eyeglasses

## OUTCOMES

- ✓ Economic impact estimated at $756 million due to increased productivity made possible by corrected vision

# How will you know if your work is truly making a difference?

✓ Collects ongoing monitoring information on its impact (surveys and feedback from staff

✓ Longer term research to pin down whether the service is having a statistically significant effect

# Measuring your social impact will help you to understand, manage, and communicate the value of your SE



**Why track impact?**

Gain wider outreach to market SE

Win new contracts

Secure existing funders and customers

Attract quality talent and grow staff morale

Develop activities and programmes to better cater to the needs of the beneficiaries and drive impact

Improve resource allocation

Prevent mission drift

# Today, there exists hundreds of impact investment frameworks

# ...and numerous organizations active in this space

# Principles and issues in impact measurement

**1  RELIABILITY & OBJECTIVITY**
Ensuring high integrity of data

**2  REALITY**
Reflecting true reality with participatory research, rather than pre-set expectations

**3  UNIVERSALITY**
Applicability across different markets, geographies, etc.

**4  ADDITIONALITY**
Whether an intervention has an actual effect, especially compared to a baseline

**5  MATERIALITY**
The relevance, significance, and authority of data

**6  CONTEXT**
Balancing the need for standardized comparisons with the need to customize and understand each situation

**7  POWER**
Shifting from top-down judgement to continual joint learning and improvement

**8  INTERDEPENDENCE**
Appreciating the holistic impact on a broader set of stakeholders beyond immediate beneficiaries

**9  SUSTAINABILITY**
Keeping the costs of measuring impact manageable

**10  COMPARABILITY**
Collecting comparable data by using consistent methods

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# The state-of-the-art has been evolving from input- and activity-based reporting, to system-level inquiries of impact

| | MEASURING | RATING | ASSESSMENT | MANAGEMENT | DESCRIPTION |
|---|---|---|---|---|---|
| IRIS | █ | | | | Measurement Indicators |
| THEORY OF CHANGE | █ | | | | Measurement across impact value chain |
| B IMPACT ASSESSMENT | | █ | | | Online survey to measure social performance |
| GIIRS | | | █ | | External company rating |
| BALANCED SCORECARD | | | | █ | Holistic measurement of a company's outcomes |
| ATKISSON COMPASS | | ██ | | | Uses metrics to identify improvement potential |
| PROGRESS OUT OF POVERTY INDEX | | ██ | | | Survey to assess efficacy of collective efforts |
| SOCIAL ACCOUNTING AND AUDIT | | | ██ | | Assesses and helps report social value created |
| OASIS | | | ██ | | Database to collect metrics on ongoing basis |
| SROI | | | ██ | | Monetizes impact and measures its materiality |
| PULSE | ████ | | | | Management system to measure and rate impact |

# Case studies are holistic portraits of a specific context that illustrates the effectiveness of a particular approach

**Client background**

**Problem faced by client, and what they tried doing before**

**Reason for choosing Eden**

**Unique approach**

**Client impact and journey with Eden**

## Capacity building to help Social Enterprises foster 3P Partnerships

The Ministry of Social and Family Development (MSF) is a ministry of the Government of Singapore that focuses on nurturing resilient individuals, strong families, and a caring society in the country. MSF oversees the development of Singapore's Social sector. In 2013, MSF appointed Eden Strategy Institute to perform a stocktake of the Social Enterprise (SE) sector and glean insights on the factors needed to create a thriving SE ecosystem in Singapore.

Eden took a holistic approach by engaging with a wide range of stakeholders – SEs, enablers, financing bodies, corporations, non-profit organizations and related government organizations. Eden conducted in-depth interviews, focus group discussions, and a quantitative survey to surface the key challenges faced by SEs.

In so doing, the poor perception and a lack of clear SE definition surfaced as the most commonly shared challenges for SEs. Corporations further highlighted that the lack of legitimacy of SE's social impact makes it difficult to invest resources in SEs in comparison to the NPOs that exhibit a clearer and larger social impact. Redundant policy initiatives and unclear mandate of the different government organizations further exacerbates the confusion in the sector.

These issues evidence the need for a Whole-of-Government approach towards different SE initiatives, with a tighter integration with the private and people sector. To support this, Eden developed various Social Enterprise business models as well as Corporate Social Partnership models that best sustain the introduction of new, self-sustaining Private-Public Partnerships.

**Client:**
Ministry of Social and Family Development
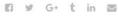
**Categories:**
Government & Non-Profit

**Practice Areas:**
Resilient Operations
Social Capital
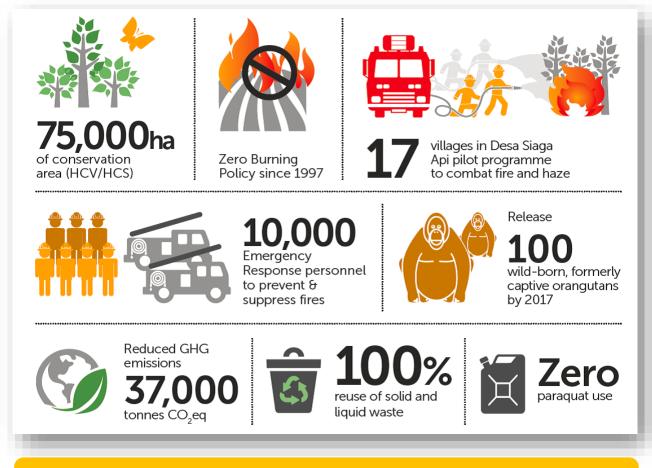
👁 71 views   ♡ 8

**Anecdotal evidence with limited applicability to new situations**

# The Global Reporting Initiative offers a structured approach to help organizations report on their critical sustainability issues



**75,000ha** of conservation area (HCV/HCS)

**Zero Burning** Policy since 1997

**17** villages in Desa Siaga Api pilot programme to combat fire and haze

**10,000** Emergency Response personnel to prevent & suppress fires

Release **100** wild-born, formerly captive orangutans by 2017

Reduced GHG emissions **37,000** tonnes $CO_2$eq

**100%** reuse of solid and liquid waste

**Zero** paraquat use

Encourages more corporations to report but may not produce actionable insight that improves social impact

# IRIS offers standardized data-driven metrics that measure, describe, and compare social impact to improve industry standards

## TOP 10 MOST POPULAR METRICS

| Rank | Registered users | Metric | Type |
|------|------------------|--------|------|
| 1 | 57 | Client Individuals | Social |
| 2 | 50 | Full-time Employees | Operational/HR |
| 3 | 44 | Jobs created at directly supported/ financed enterprises | Social |
| 4 | 42 | Permanent employees | Operational/HR |
| 5 | 41 | EBITDA | Financial |
| 6 | 41 | Net Income | Financial |
| 7 | 37 | Client Individuals : Female | Social |
| 8 | 30 | Net Income before donations | Financial |
| 9 | 30 | Units/Volume sold | Social |
| 10 | 29 | Part-time employees | Operational/HR |

**Offers limited comparability or insight across different impact models, even within the same sector**

# A Theory of Change is a systematic map of shorter-term and intermediate outcomes, required to achieve long-term goals



**EVALUATIVE LOGIC MODEL**

ACTIVITIES → OUTPUTS → SHORT-RUN OUTCOMES → INTERMEDIATE OUTCOMES → OBJECTIVES → ULTIMATE GOAL

**GROUP A**
- Activity 1 → Output 1 → Outcome A → Int-outcome A → Objective 1
- Activity 2 → Output 2

**GROUP B**
- Activity 3 → Output 3 → Outcome B
- Activity 4 → Output 4 → Outcome C → Int-outcome B → Objective 2 → GOAL

**GROUP C**
- Activity 5 → Output 5 → Outcome D → Int-outcome C → Objective 3
- Activity 6 → Output 6

Offers linear pathways of how we expect things to happen, and accurate attribution may be tricky
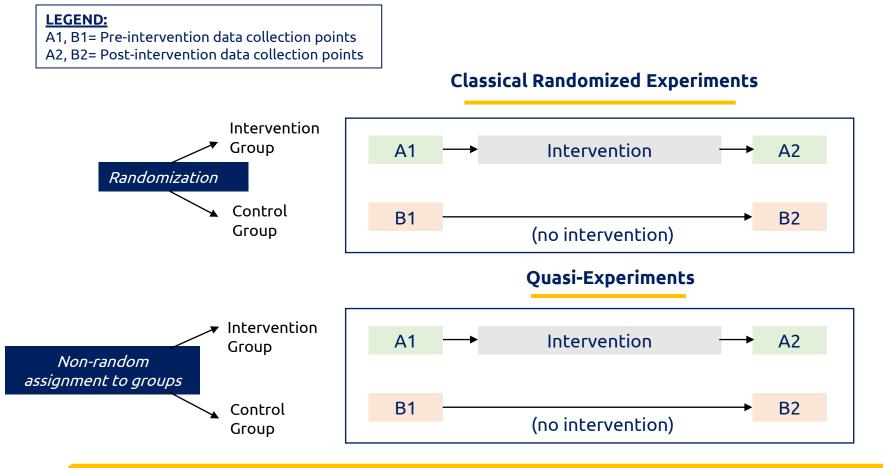
# SROI objectively quantifies the dollar value of social outcomes, to help make decisions especially where externalities are involved

> **"Wheels-to-meals" objective:** *Provide health and social benefits to elderly local residents, by encouraging physical activity and opportunities to interact via a luncheon club*

| Stakeholders | Intended/ Unintended changes | Inputs (# and $) | Outputs (# and $) | Outcomes | Outcomes (what changes) | |
|---|---|---|---|---|---|---|
| *Who affects us? Who do we affect?* | *What will change for them?* | *What do they invest?* | *Summary of activities* | *How would you describe the change?* | *How do you measure?* | *What proxy do you use?* |
| Elderly / disabled residents | Elderly go out of the house more and have fewer falls | Costs of providing:<br><br>Transport for 30 people<br><br>7,500 hot meals annually<br><br>Group activities | 30 elderly local residents interacting 5 days a week over 50 weeks | Exercise sessions made residents fitter<br><br>Nurse-led group sessions helped them manage their health better and make new friends | Fewer falls<br><br>Fewer doctor consultations<br><br>New clubs/group activities joined during year and report feeling less isolated | Geriatric assessment/ Accident/Emergency records<br><br>Avg. annual club membership cost |
| Wheels-to-Meals volunteers (retired) | Keep active | Volunteer management programme | Time (at min wage) = 4 volunteers x 3 hrs x 5 days x 50 wks x £6 (forecast) = £18,000 | Healthier retired volunteers, with reinforced sense of self-esteem | Volunteers report ave. 3 additional hours of weekly physical activity since they began volunteering | Annual elderly residents swimming pass |

> **Assumes that the market price is a right representation of value, and that all outcomes can be correctly monetized**

# Experimental and Quasi-experimental methods allow for robust cause-and-effect attributions and demonstrate additionality of impact

**LEGEND:**
A1, B1= Pre-intervention data collection points
A2, B2= Post-intervention data collection points

## Classical Randomized Experiments

Randomization → Intervention Group / Control Group

| A1 | → | Intervention | → | A2 |
| B1 | → | (no intervention) | → | B2 |

## Quasi-Experiments

Non-random assignment to groups → Intervention Group / Control Group

| A1 | → | Intervention | → | A2 |
| B1 | → | (no intervention) | → | B2 |

Less suitable for interventions that are highly-dependent on extrinsic variables and cannot be controlled, and may be resource-intensive

# Most recently, Acumen's Lean Data technique uses lean principles for low-cost and targeted impact measurement

**EXAMPLE**

**1**

**IMPACT QUESTION**
To clarify objectives and assess risks

*Which factors explain the success of Edubridge trainees?*

**2**

**ENABLING TECHNOLOGY/ INSTRUMENT**
To communicate quickly and gather high-quality data from customers

*Phone call-based survey by EduBrIdge's multi-lingual call centre staff*

**3**

**EXECUTION**
To consider duration, costs, and touch-points

*One hour/day to complete 650 calls in total, over 4 months*

**4**

**LEARNING**
To analyse insights on your customers, products, or services

*Better urban social networks and lower levels of poverty led to higher job placement rates*

**5**

**ACTION**
To respond to the results of the project

*Better data segmentation to improve match between training and trainee needs*

*4 months*

However, SEs may find compliance costs high to track financial, social as well as systemic changes with piecemeal methods

# Contents Page
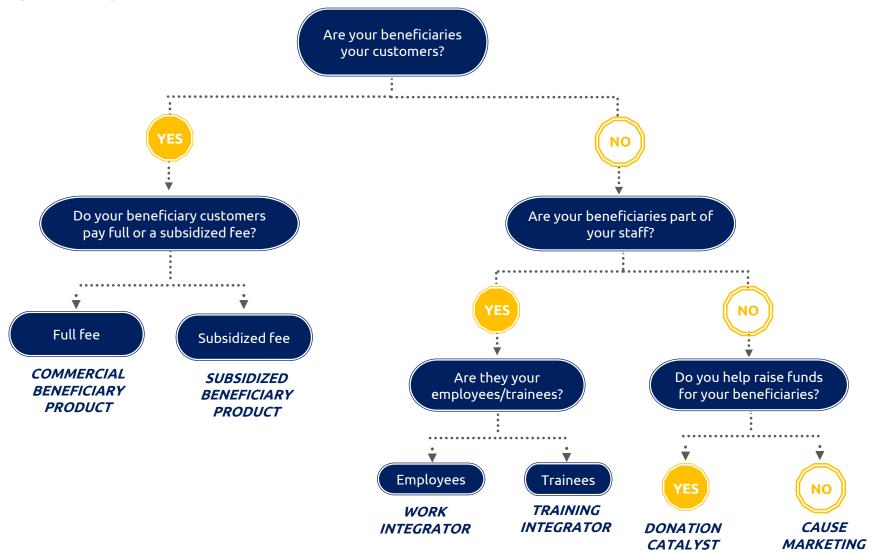
**Consider not the most suitable tool, but the most economical design of a series of tools to optimize social impact creation**
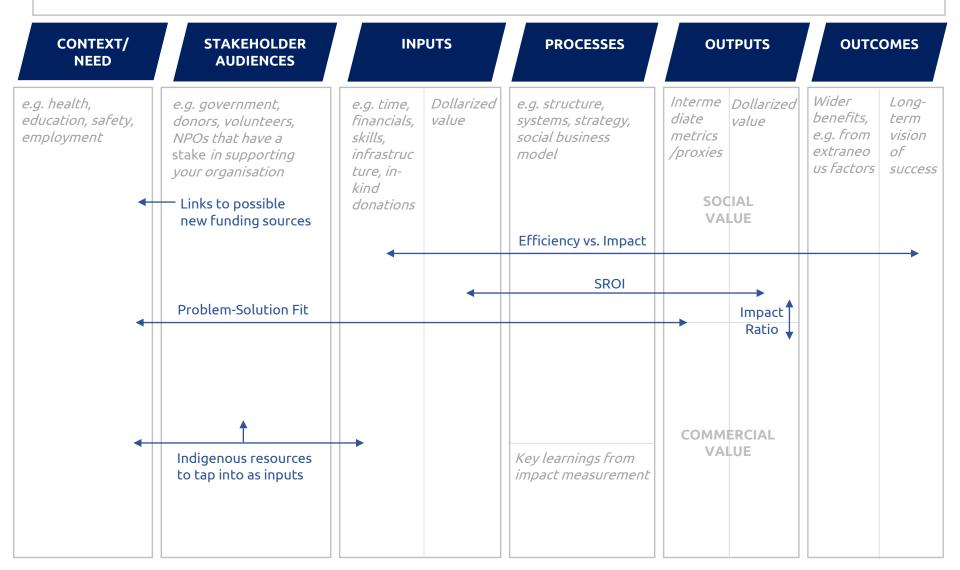
# Thinking clearly about your social business model will lead to the "right" impact metrics to track

Are your beneficiaries your customers?

**YES**

**NO**

Do your beneficiary customers pay full or a subsidized fee?

Are your beneficiaries part of your staff?

Full fee

Subsidized fee

**COMMERCIAL BENEFICIARY PRODUCT**

**SUBSIDIZED BENEFICIARY PRODUCT**

**YES**

**NO**

Are they your employees/trainees?

Do you help raise funds for your beneficiaries?

Employees

Trainees

**YES**

**NO**

**WORK INTEGRATOR**

**TRAINING INTEGRATOR**

**DONATION CATALYST**

**CAUSE MARKETING**

# EDEN IMPACT CANVAS

🚀 **MISSION**

*We are... offering...for...at...*

| CONTEXT/ NEED | STAKEHOLDER AUDIENCES | INPUTS | | PROCESSES | OUTPUTS | | OUTCOMES | |
|---|---|---|---|---|---|---|---|---|
| *e.g. health, education, safety, employment* | *e.g. government, donors, volunteers, NPOs that have a stake in supporting your organisation* | *e.g. time, financials, skills, infrastructure, in-kind donations* | *Dollarized value* | *e.g. structure, systems, strategy, social business model* | *Intermediate metrics /proxies* | *Dollarized value* | *Wider benefits, e.g. from extraneous factors* | *Long-term vision of success* |

Links to possible new funding sources ◄

**SOCIAL VALUE**

Efficiency vs. Impact ◄————————————————►

SROI ◄————————————►

Problem-Solution Fit ◄——————————————►

Impact Ratio ↕

**COMMERCIAL VALUE**

Indigenous resources to tap into as inputs ◄————↑————►

*Key learnings from impact measurement*

# EDEN IMPACT CANVAS

| CONTEXT/ NEED | STAKEHOLDER AUDIENCES | INPUTS | PROCESSES | OUTPUTS | | OUTCOMES | |
|---|---|---|---|---|---|---|---|
| | | *Dollarized value* | | *Intermediate metrics /proxies* | *Dollarized value* | *Wider benefits, e.g. from extraneous factors* | *Long-term vision of success* |
| | | | | **SOCIAL VALUE** | | | |
| | | | *Key learnings from impact measurement* | **COMMERCIAL VALUE** | | | |

# Thank you

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eden
strategy
institute

# Human Resource planning for Social enterprises.

- **Pratima Krishnan, Executive Director – HR, DBS Bank**

The following are brief notes taken during the class.

## Taking inspiration from Amazon's 14 Leadership Principles

- Customer Obsession – every decision made should be in service of improving customer experience.
- Ownership – Pratima emphasised that even in a larger organisation, everything should be our job. Willingness to serve the company as a whole, even if it means doing things outside your job scope.
- Invent and simplify – your services and products should undergo consistent reinvention to become simpler for both staff and the end user.
- Leaders should know when to do a 180. "Sometimes as a leader we need to understand where to cut out losses, even if we want things to work out. Always keep the big picture in mind: what is the goal of this company?"
- Learn and be curious. There is always a better way to conduct your processes.
- Hire and develop the best. "This doesn't mean hiring perfect people. But hire for attitude and aptitude then build for skills."
- Think big. Set standards and you need to understand why the standard serves the message. Be prepared to reinvent your standards if there is a need.
- Bias for Action
- Frugality. How can I achieve more with less? Real leadership involves getting the best use out of our resources.
- Earn trust
- Dive deep
- Have a backbone: consult others, but never forget that the decision is ultimately yours. You can disagree but commit.
- Deliver results.

**Masterclass on Human Resource Planning for Social Enterprises**

**Leadership Principles**

- Prepare to expand your horizons! There is a wealth of information out there you can learn on. Even our DBS LinkedIn has valuable practical knowledge.
- Have a backbone: consult others, but never forget that the decision is ultimately yours. You can disagree but commit.
- There is nothing wrong with having your own brand of priorities, so ensure they are reflected in your company statement. These values should be transparent. Makes it easier to measure impact, get alignment among your staff and get the job done. Piyush meets with his staff once a year to agree on the shared purpose. "Communicate, communicate, communicate!"
- For DBS, there is PRIDE: Purpose, Relationship, Innovative, Decisive, Everything fun.
- Remember to set a strong company vision. You are your employee's role model, so ensure your purpose aligns to the company's purpose.
- Build a pipeline of people. You don't need to personally mentor everyone, but you need to ensure that everyone is being mentored.

**Employee Lifecycle**

- Simply put, it will help you understand, manage and communicate the value of your social enterprise. Here are the five stages of an employee's presence in a company:

  1. Recruitment
  2. Onboarding
  3. Development
  4. Retention
  5. Exit

  "Your HR personnel needs to ensure that every stage of an employee is well-managed and taken care of."

**The Hiring Process**

- In your job descriptions, make it detailed so potential candidates know and understand the job scope clearly. Spend at least a paragraph elaborating on each.
- If a candidate has secondary roles to fulfil, make it explicit in the job description. Don't spring it as a surprise later.
- Should you use psychometric tests? It's up to you. It isn't illegal but then you must ask yourself if you're willing to let go of a promising candidate just based on that test result.
- Always keep a copy of your acceptance letter to your candidates.
- In an interview, write down essential questions that every interviewer should ask. This is to remove some personal bias from the interviewing process and ensure that everyone is asked certain key questions. This creates a better standard of comparison between your candidates.

**Caring for your employee**

- At DBS we use the GROW model. We use it for all performance conversations. It is used to agree on objectives and to set long term aims for each individual. Our role is to look at the context behind the staff's questions and hear them out.
- Remember to give timely feedback. If you bring it up later then the context is lost.

- Listen 80% of the time and speak only 20%!

## The GROW Model

- G is for Goal. What is the purpose of your meeting with your employee? Have a clear direction in mind during your talk.
- R is reality. Where is your employee currently? This is the stage where listening is important. Hear their side of the story and how they feel about their current position.
- O is for options. After hearing them out, provide solutions. "Give a man a fish and he'll eat for a day. Teach a man to fish and he'll eat for a lifetime." Still, it's easy to talk too much. When coaching, ask questions then step back. If your employee blames policies or external factors beyond your control, tell them this: "The policy was set to develop a culture. You can't change that culture, but you can help you with your habits and behaviours." During this time, remember that a sense of fairness and equity is at the heart of most employee concerns. So be transparent about your criteria for promotions, goals, etc.
- W is for wrap-up. These are actionable things that your employee and their mentor can do to improve performance.

## Nurturing your Employees

- How employees grow within a job: 10% of it is development and learning, 20% exposure, mentoring and coaching, and 70% is a stretch assignment or job.
- This includes shadowing another employee in a similar role or a senior leader.
- If the employee can see a career path, they will be motivated.
- Be sure to have around 3 functions that your employees can shift around.
- It is good if your employee grows, even if it means they are transferred out of your department. It shows that your employees have good fruits.

## Dealing with problems

- If an employee isn't doing well, we need to address it. If we don't do anything about bad performance, it will demotivate the employees who are working hard.
- Even if it comes to firing an employee, that should be a last resort. This is because firing an employee wastes the time and money invested into them.
- Be sure to give adequate advice when firing someone.
- To give adequate advice, constantly monitoring your employees is important.
- By constantly monitoring employees, problem behaviours can be arrested early and it reduces the chance of needing to fire that person.

## Goal Setting

- This is important to do regularly. Be sure to set SMART goals:
    - **Specific**
    - **Measurable**
    - **Achievable**
    - **Relevant**
    - **Time-bound**

**Masterclass on Human Resource Planning for Social Enterprises**

- Goal setting can be self-evident (KPIs like number of sales) or more tenuous (increased cooperation and communication). Regardless of the type of goal, ensure that it can be measured by SMART.

### Miscellaneous

- Don't let a small group of troublemakers occupy most of your time.
- Have a 3-4-page code of conduct so that employees know exactly what is expected of them.
- Promotion criteria should be made available so that promotions don't appear ad hoc and unfair to others.
- It is a good investment of your time to have one on one conversations with the disenfranchised and disgruntled.
- In the end, while gen z employees want more touchpoints with their mentors and baby boomers can be left alone more often, they want similar things like mentorship, job security and the option for career growth. You can engage with anyone without being afraid of generational differences.
- The golden size for a SE is 120 people, and as a founder, try to know everybody. When you know everything about your people, it is easy to manage them.
- Camaraderie is important for your workplace. Envelope them as your family and everyone will work hard for the company and for each other.

### Useful Resources

- Stamford Social Innovation Review
- DBS FB and LinkedIn posts

Pratima encouraged the class to refer to the toolkit from Cornerstone OnDemand Foundation and CHS Alliance - "**Human Resources (HR) Toolkit for Small and Medium, social and non-profit businesses**" which provides the Building Blocks to Strengthen Your HR Framework. You can view and download the PDF here

# Amazon's 14 leadership principles

1.  Customer Obession
2.  Ownership – always prioritise long term over short term and always act on behalf of the team and the company as a whole- "Everything is your job"
3.  Invent & simplify
4.  Leaders should be able to look at the big picture and be able and willing to do a 180 if necessary
5.  Learn and be curious
6.  Hire and develop the best
7.  Insist on the highest standards
8.  Think big
9.  Bias for Action
10. Frugality
11. Earn trust
12. Dive deep
13. Have backbone, disagree & commit
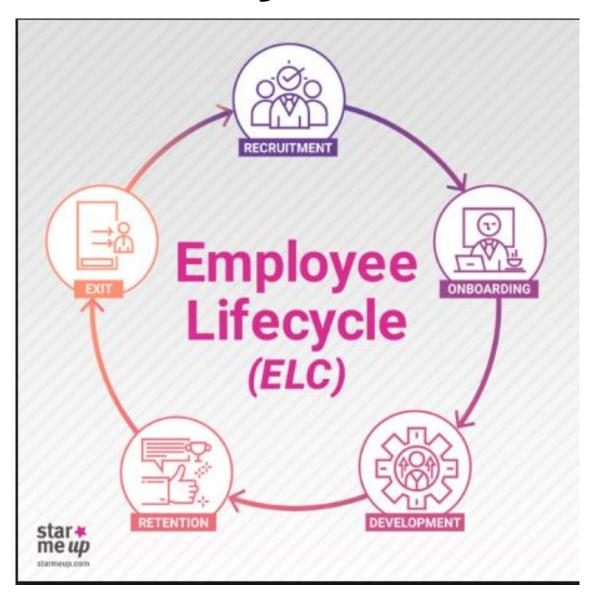14. Deliver results

# Leadership Traits of founders

- Flexibility
- Humility
- Focus
- Decisiveness
- Stick- to- it ness
- Vision
- Paranoid confidence
- Ownership
- Positivity
- Salesmanship
- Self- Awareness
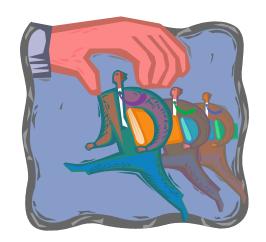- The ability to listen

# Employee Lifecycle

# The Hiring Process

- Define the job requirements

- Recruit the right candidates (Sourcing strategy)

- Interview

- Evaluate candidates (Pre employment checks)

- Make a decision and offer

# Defining the Job Requirements

**Areas to consider include:**

- Primary responsibilities and tasks

- Background characteristics (education and experience)

- Personal characteristics – eg, decision making style, interpersonal skills and motivational drivers

- Organizational structure and culture

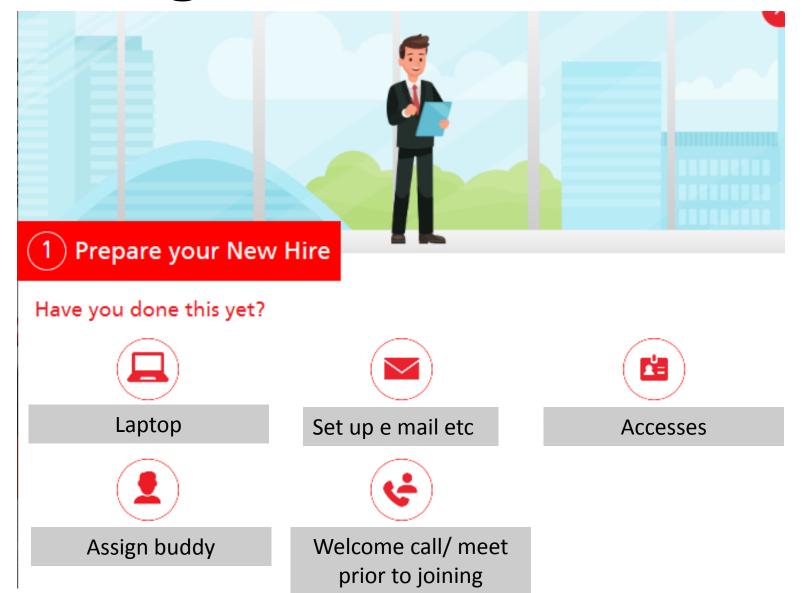**Hire for attitude, Build Skills and Knowledge**

# Tips for Conducting the Interview

- Control the situation. It's your show.

- Don't buy first impressions. You may miss the real person.

- Help interviewees feel at ease at the beginning of the interview. They'll open up and talk  more freely.

- Follow the 80/20 rule. Get the candidate to do 80% of the talking. The person asking questions and listening is the person who's in control of the interview.

- Be prepared by formulating the interview questions in advance. Ask questions purposefully.

- Take notes. Put candidates at ease by telling them you will be taking notes before you begin writing.

- Don't make assumptions. Look for repeat patterns of behavior to draw conclusions about the candidate.

# On boarding

# Goal Setting

"A process during which you define targets or goals you commit to achieve personally or through your team."

# Goal Setting

## Effects of Setting Goals

- Provides focus

- Sets direction

- Economizes effort

- Motivates teams

# SMART Goals

- **S** pecific (detailed not general)

- **M** easurable (can be tracked and inspected)

- **A** chievable (realistic even if challenging)

- **R** elevant (leads to important, suitable results and contributions)

- **T** ime-bound (deadline driven)

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# Considerations for Setting Goals

- Refer to the Job Description of a role – identify the key roles

- Think of the end results you expect the staff to achieve at the end of the year **(WHAT).**

- Think of processes/behaviors that should take place to achieve those results **(HOW).**

- Think of outcomes/processes/behaviors that you don't want to see.
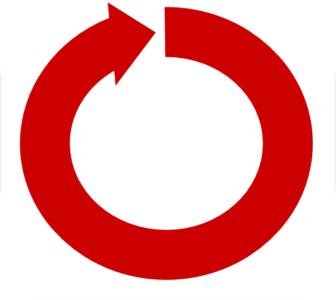
- Verify the goals against SMART

# Example

| Objective | Critical Success Factor | Performance Metric | Target | Collected Data |
|---|---|---|---|---|
| Reduce workplace accidents | Train employees on proper use of equipment | Number of employees who complete training course with passing grade by end of quarter | All employees complete training course with an end-of-course test score of 80 or above out of a possible 100 by end of quarter | At end of quarter 90% had completed training with the target score |

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**DBS**

# GROW Model



**GOAL**
*What do you want?*

**REALITY**
*What is happening now?*

**OPTIONS**
*What could you do?*

**Wrap - up**
*What will you do?*

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# GROW Model



**GOAL**
(For session)

- Agree topic
- Agree objective
- Set long term aim

**REALITY**
(Who/what/where/how?)

- Invite self-assessment
- Offer CARs
- Avoid assumptions & irrelevant history

**WRAP-UP**
(Clarity/commitment, support)

- Commit to action
- Identify possible obstacles
- Define Steps & timing
- Agree support

**OPTIONS**
(What is possible?)

- Cover full range of options
- Invite & offer suggestions
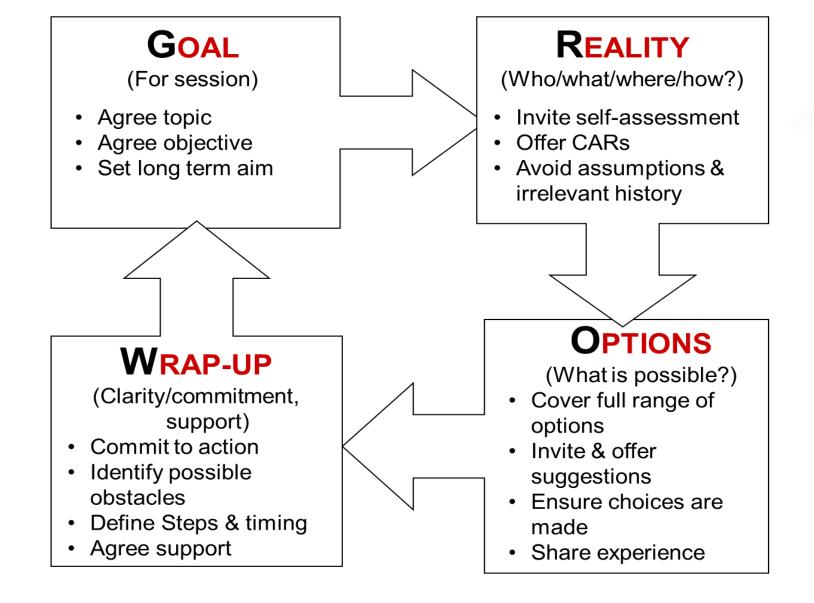- Ensure choices are made
- Share experience

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# Step 1: **G**oals

**The <span style="color:red">G</span>oal phase looks at "what" you're meeting about:**

- Determine the goal of your conversation.
- Relate this goal to any issues and help the employee identify an end goal, along with performance goal(s).

**Useful Questions:**
- What do you want to achieve out of this coaching session ?
- What outcome would you like from this conversation?
- What do you hope to achieve, resolve, solve?
- How will you know that the issue is solved?
- How will you know that you have reached your goal?
- What are the expectations of others?
- Who else needs to know about the plan ? How will you inform them?

⊠ DBS

# Step 2: Reality

**The Reality phase explores the employee's current situation:**

- Before discussing how to achieve the goal, help the employee establish an accurate picture of the current situation's "reality."

- Synthesize what you've heard, check your understanding, seek clarification if necessary.

**Useful questions:**

- What is the reality of the current situation?

- What are the facts, details, data, information you know?

- Where are you in relation to your goal? Why have you not reached this goal already?

- How is the current environment helping/hindering you?

- What obstacles might you encounter?

- How much control do you have over this goal, issue, or outcome?

# Step 3: Options

**The Options phase helps the employee recognize choices for action and alternative strategies:**

- Help the employee brainstorm options by creating a list of as many alternative solutions as possible.

- After your employee has identified possible options, consider offering some alternatives of your own, only if necessary. Don't tell, but empower

**Useful questions:**

- What are some alternative approaches or solutions?
- What could you do as a first step?
- How have you overcome similar situations? How have you done this?
- What might an ideal solution look like?
- Who could you ask for support?
- What if there were no obstacles? What would happen if you did nothing ?

# Step 4: <span style="color:red">W</span>rap-up

**The <span style="color:red">W</span>rap - up phase looks at driving ownership and accountability**

- Your goal is to get the employee to commit to action.

- Enhance the employee's will by holding him/her accountable for completing steps toward achieving his/her goal(s).
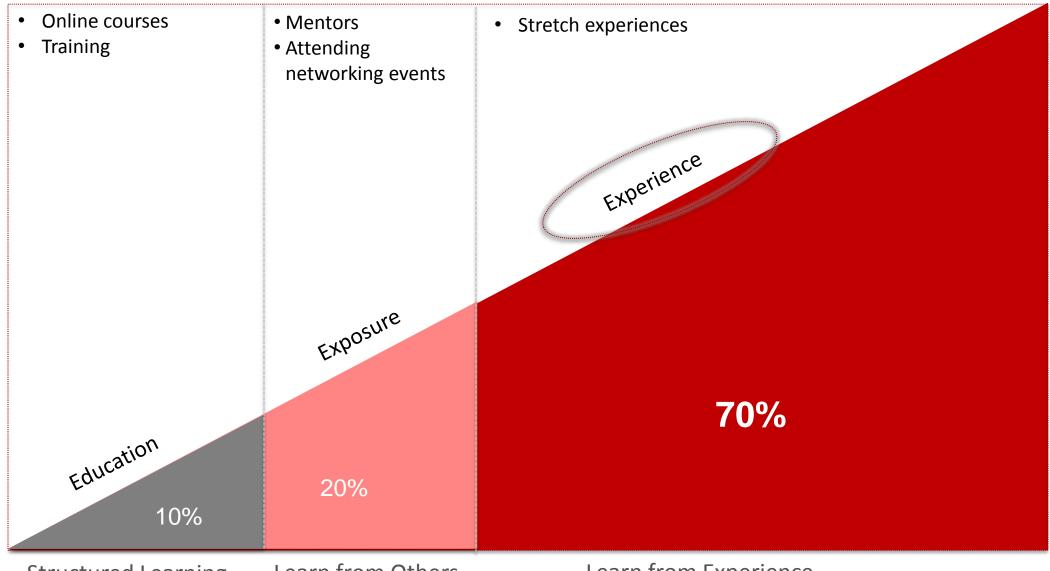
**Useful questions:**

- What steps do you need to take to achieve the goal and and when are you going to do it?

- Where does this goal fit into your personal priorities at the moment? How committed are you to this goal?

- What obstacles do you expect to meet along the way? How will you overcome them ?

- Who needs to be involved and how will you involve them?

- What support do you need and how will you get it?

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# 70/20/10 Development model

- Online courses
- Training

- Mentors
- Attending networking events

- Stretch experiences

Experience

Exposure

Education

70%

20%

10%

Structured Learning      Learn from Others      Learn from Experience

# The Career Development Discussion

A series of one-on-one conversations

# Preparing for the Discussions

- Do your homework by gathering information.

- Look for answers to the following questions:
  - What are the employee's skills?
  - What are the employee's interests and values?
  - What opportunities are available to the employee?

# Involve Your Employee

- Ask your employee to prepare for the conversation, too.

- Ask your employee to think about his/her:
    - Interests and values
    - Skills: strengths and gaps
    - Job satisfaction
    - Career goals and possible next steps

# The Discussion Itself

- Explain your goal: to create a development plan

- Get commitment from your employee to develop the plan and stick to it

- Share your perceptions

- Ask your employee for his/her input

- Talk about the opportunities you identified

- Ask your employee if he/she has any other suggestions

# Draft a Development Plan

The plan should contain:

- Specific goals, along with a timeline for achieving them

- Action steps

- Challenging work assignments

- A follow-up schedule

# What leaders can do

- Achievement related (To be proud of one's job, accomplishments and employer)
    - Instil an  inspiring purpose
    - Provide recognition
    - Be an expediter for your employees
    - Coach your employees for improvement

- Equity related (To be respected and to be treated fairly in areas such as pay, benefits and job security)
    - Communicate fully (be tuned to what employees want and need to know)
    - Face up to poor performance

- Camaraderie related (To have good, productive relationships with fellow employees )
    - Promote teamwork