Social Scaleups: High growth businesses with impact

Unpicking the challenges and myths in the UK
This is an important publication and I am delighted that the ScaleUp Institute are drawing attention to social businesses and their ambitions to scale. The report sheds a light on some of the assumptions made about the social sector and celebrates both the growth of the sector and the scaling of individual social businesses. Specifically, the report indicates that social businesses are present across all sectors and that their financial growth is on a similar footing to their ‘for profit’ peers. It also identifies a need for equity and patient investment as important financial consideration for their ability to scale.”

PROFESSOR ELEANOR SHAW, STRATHCLYDE BUSINESS SCHOOL

“I am delighted that this report has shed light on the ever-growing social scaleup business community - who serve such immense societal needs. They are a vital component of the scaleup landscape. Investors, intermediaries, local and national growth programmes should embrace these leaders, better understand their business models and tailor solutions to foster their scale.”

SHERRY COUTU, CHAIR, SCALEUP INSTITUTE

ACKNOWLEDGEMENTS

The ScaleUp Institute and Barclays Bank would like to thank Professor Eleanor Shaw, Jaleesa Wells and Cara Pleym from Strathclyde Business School and BVA BDRC for their contribution to the research and analysis behind this report.

We are also grateful to the many social scaleup business leaders, and industry experts for their contributions, interviews and participation in roundtables that have informed the report.

Data was collated from Beauhurst, PitchBook, Crunchbase and several intermediaries for the analysis of social investment deals.
ScaleUp Institute

Scaleups are vital to the success of the UK economy. They are active in all sectors and areas of the country, generating jobs, promoting innovation and driving economic growth in local communities. This report places a focus on our social business sector...

A growing area of the economy which contains an increasing number of scaleups, comprising a range of enterprises focused on responding to complex and challenging community, environmental and broader societal concerns.

Social businesses are not always naturally perceived as high growth - yet many are actively scaling.

Not only are they scaling up their revenues and employee numbers rapidly, they are making profits which are then being reinvested to further their social goals and increase their reach. They are not necessarily just operating within their local communities but are active players on a national and international scale.

These social scaleups are driven by ambitious leaders and are delivering innovative solutions.

The social business sector is still developing but it represents an increasingly important sector of the UK economy. As the overall number of social businesses increases, so will the number of social scaleups. Given the impact of social businesses, it is vital that we understand the needs of social scaleups better to ensure that they can flourish and achieve the greatest possible impact. The time is right to learn more about their growth and to understand what can be done to better help break down the barriers to their scaling up and the social impact of their activities.

We are therefore delighted to have been able to work with Barclays Bank on this deep dive into the attributes and needs of our social scaling businesses.

Our research for this report draws from a wide range of sources. This includes the ScaleUp Institute’s Annual Scaleup Surveys - our 2017 survey was the first one in which respondents were able to identify as a social business; in-depth interviews of social business leaders; as well as an extensive literature review and analysis of investment trends.

The report reflects many insights from experts in business, industry, finance and academia.

It demonstrates that social scaleups face a number of challenges to their growth.

They cite talent and skills alongside access to markets as their principal issues. This is consistent with the views of the wider scaleup community. They also highly value access to peer networks, local solutions and mentoring.

Notably, however, Access to Finance is seen to be a greater challenge to social scaleups than for their fast-growing peers in other sectors of the economy.

While there has been growth in the scale and visibility of the UK’s impact investing sector, there is a clear need to ensure that the leaders of social scaleups can access finance and understand the available options. It is both a challenge and an opportunity for the financial community, including the traditional players, to think harder about how to reach out more effectively to social scaleups and to enable greater levels of investment.

Both private and public sectors must develop their understanding of the financing requirements of social scaleups, develop appropriate funding models, and improve social scaleups’ awareness and knowledge about these forms of finance.

This report aims to shed a greater light upon our social scaleup community which is an increasingly vital group to UK society and the economy. The ScaleUp Institute and our partner Barclays Bank hope it provides useful insights for national and local policymakers, financiers, advisors and delivery agencies to act upon.

Irene Graham, CEO, ScaleUp Institute
Today we face a world beset by social and environmental challenges. While the majority of people fixate on the problems, a select group of entrepreneurs see opportunities.

These entrepreneurs build commercially viable enterprises that tackle social problems, improve communities and people’s life chances, or address the climate emergency.

But to address the number and magnitude of these challenges, it’s vital that these entrepreneurs can scale up their solutions. At present, only a small fraction achieve their ambitions of growth and impact. We need many more to do so.

At Barclays, we wanted to understand more about the scaling potential of the UK’s social businesses and the barriers that they face - and to learn the role we could play to help them. The ScaleUp Institute was a natural partner for this research. We have been excited by, and grateful for, their enthusiasm, expertise and collaboration in this exploration.

Other organisations, such as Big Society Capital and Social Enterprise UK, as well as the UK Government, have provided invaluable insight to help scope this market and its challenges. We are also grateful for the time and insights of many leaders of the organisations supporting social scaleups, whose frontline experience informs this report. We hope our focus on high growth social businesses and their demand for growth capital can complement others efforts to support these organisations.

Our findings challenge the assumptions held by some that social businesses have limited potential for growth, or that they are automatically less commercial than businesses without an explicit social or environmental mission.

Given the large number of ambitious social businesses and their demand for growth capital, the report also tackles the concerns of insufficient investment opportunities in this field.

At Barclays, in our investment businesses we are enabling clients to invest intentionally to protect and grow all their portfolios and make a positive contribution to our world. This research points to the exciting opportunities investors have to support early-stage, high growth impact companies.

For Barclays, it is informing us for how we evolve our services, whether it be in Business Banking, the Private Bank or partnering with Unreasonable Impact.

For the entrepreneurs and the social business sector to grow, we need to continue strengthening the ecosystem. From our financial perspective, this means enabling capital and social businesses to find the right match faster and more easily. As well, encouraging new entrepreneurs and investors to join the community. We believe we have a role to play to support this, and welcome readers to share their thoughts with us.

As a bank, our role is to create opportunities for growth for these businesses and their investors. Ultimately, their success will help us to tackle and solve the global challenges that face us all.

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DAMIAN PAYIATAKIS
HEAD OF IMPACT INVESTING, BARCLAYS

Barclays Foreword

Damian Payiatakis
Head of Impact Investing, Barclays
How Barclays is supporting Social ScaleUps

Our Business Banking division has been developing a core banking offering for UK social businesses which changes how we support and serve them. This includes finance that appreciates the unique nature of social businesses and seeks to overcome some of the access to finance barriers. Additionally, we are providing dedicated relationship management, specialist advice, mentoring and access to our networks. We also support social businesses through our work with the Unreasonable Group and our partnership in launching Unreasonable Impact, the world’s first international network of accelerators focused on scaling up entrepreneurial solutions while solving some of our most pressing societal challenges. Finally, within our Private Bank, our Direct Investments Service allows us to introduce clients to social businesses that are raising growth capital.

“Social businesses have a valuable role to play in addressing both local and national societal issues. That’s why we want to make sure we’re doing all we can to enable sustainable and scalable social businesses – from local enterprises through to national social venture scaleups - to grow and achieve their mission. Importantly, we recognise that many social businesses face issues with securing funding, which is why we want to break down some of those barriers with innovative financing solutions.”

IAN WORKMAN, CO-HEAD SME, BUSINESS BANKING, BARCLAYS UK

“Barclays understands the critical role that a bank can play as an enabler of social and economic progress. Supporting social businesses is a natural extension of our responsibility to drive commercial success and prosperity while ensuring a sustainable future for our customers, clients, shareholders, and wider society.”

ELSA PALANZA, GLOBAL HEAD OF SUSTAINABILITY & CITIZENSHIP, BARCLAYS

“Through Unreasonable Impact, we’re excited to be working with ambitious growth-stage companies who are each imagining new possibilities and growing successful businesses at the intersection of impact, innovation and technology. We are continuously inspired by this portfolio of entrepreneurs, and proud of the role that our colleagues around the world are playing in helping to support their growth.”

DEBORAH GOLDFARB, MANAGING DIRECTOR OF CITIZENSHIP, BARCLAYS
Executive Summary

This report discusses the challenges to scale faced by social businesses in the UK. It draws on findings of the Annual ScaleUp Survey, interviews conducted with social business founders, and an analysis of equity investments in 231 social businesses (totalling £446m raised during 2015-2018).

This research is unique in two ways: first, it focuses on the needs of social scaleup businesses, which are ambitious businesses that grow by 20%+ per year; second, it focuses on their specific challenge in accessing finance. 78% of the social businesses expect to achieve more than 20% growth in turnover or employees in the next year and 31% have used equity finance or plan to use it in the near future.

KEY FINDINGS

01 Social businesses are operating at scale
Eight out of ten social businesses expect to achieve more than 20% growth in the next year with 20% already achieving turnover of over £10m and three in ten having more than 50 employees. Additionally, two-thirds have been trading for 6 years or more. These figures were comparable for those who did not identify as social businesses. This reflects a developing social scaleup sector.

02 Social scaling businesses are present across industries and regions
Social businesses are particularly active in sectors such as manufacturing (17%), professional services, science, and technology (12%), and communications (8%). This highlights that social businesses are present in more sectors than perhaps are perceived to be traditionally associated with them such as education, arts, health and social work (together, these sectors accounted only for 18% in our sample).

03 In terms of financial growth, social businesses are on a similar footing with peers
In our sample of high-growth businesses, there was no significant difference in growth rate between social businesses and their peers (64.8% of social businesses grew by 20% or more annually over three years, versus 65.1% for the whole sample). Data from Social Enterprise: Market Trends1, published by the UK Government, showed that in their sample 93.2% of social enterprises had made a profit over the last twelve months compared to only 76.2% of SME employers; furthermore 78% of social enterprises are expecting to grow over the next 3 years compared to 63% of SMEs.

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1 Social Enterprise: Market Trends 2017
Social businesses face challenges accessing patient capital and finding the ‘right’ investor

The Patient Capital Review highlighted a lack of patient capital as an issue for all scaling businesses in the UK. This is particularly acute for social scaleups due to a range of factors including: investor perceptions of the nature of social businesses; a lack of knowledge/confidence among social business leaders around funding options available to them; and concerns that investment might lead to an erosion of the social mission and purpose.

There is work to be done on data transparency, connectivity and understanding.

There is a need for more transparency around investment activity and better labelling of businesses with a social/environmental mission across datasets. There is an opportunity for the finance sector, working with advisors and government, to enhance data sources and provide greater understanding of opportunities for impact investment and linking up finance providers to local social scaleups across the country.

There are many opportunities to break down the barriers to growth for social businesses. Our conclusion highlights some of them: improving support programmes and financial education, improving data, creating infrastructure to enable more co-investment and increasing involvement from ‘mainstream’ investors.
The UK social business sector

Social businesses account for a large and growing portion of the UK business sector. Their business models lie on a spectrum ranging from strongly commercial to purely charitable, with many combining these elements. This ‘hybrid’ nature, which blends commercial objectives with a social mission, is what sets the sector apart. It is what makes it unique.

Many terms are currently used to describe organisations that have a social or environmental mission. These include social business, social venture, social enterprise and impact business to name but a few.

We define a Social Scaleup as a social business that has achieved growth in revenue or employee headcount (or both) of 20%+ per annum over a three year period. In this research we use the term Social Business, as the cross participants to this research have attributes that align with both the Big Society Capital definition of a ‘Social Venture’ and the Social Enterprise UK definition, being businesses in the sector that are solving social or environmental problems through their trading activity.

The table across summarises the key differences between different terms for social businesses.

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**Big Society Capital defines a “Social Venture” as an organisation that:**

1. can distribute its profits;
2. explicitly identifies an intention to have a positive social impact as a central purpose of its business;
3. makes a long-term or binding commitment to deliver on that intention through its business and operations; and
4. reports on its social impact to its stakeholders.

**According to Social Enterprise UK, social enterprises:**

- have a clear social and/or environmental mission set out in their governing documents;
- generate the majority of their income through trade;
- reinvest the majority of their profits;
- are autonomous of state;
- are majority controlled in the interests of the social mission;
- are accountable and transparent.

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2 According to the OECD, a scaleup is an enterprise with average annual growth in employees and/or turnover greater than 20 per cent per annum over a three year period, and with more than 10 employees at the beginning of the period (OECD, 2014).

3 The Annual ScaleUp Survey is targeted at leaders of fast growing organisations across all sectors, respondents were asked to self-identify as to whether or not they were social businesses.
“Social impact entrepreneurship is a growing movement, and we are seeing evidence that social ventures can generate significant social impact. In addition, there is growing evidence that purpose can be a competitive advantage and itself be a driver of profit in certain business models.” **DOUGLAS SLOAN, BIG SOCIETY CAPITAL**

For a summary of existing research on these organisation types, see Appendix A.

However, accentuating many of the challenges facing social businesses is a lack of common understanding of these different forms and a shared vocabulary between the businesses and the stakeholders providing investment and support. Many organisations are confused about whether or not they are a ‘social’ business. In some cases, they are also reluctant to be identified as such.

This reinforces the need to recognise the diversity of the sector and to ensure that support and investment solutions are better developed and tailored to the varying needs of social businesses.
“Instinctively I think of us as being a social enterprise... I suspect that it’s a definition that is open to abuse. I meet lots of businesses that tell me that they have a social mission and I struggle to understand what they mean, whereas I’m absolutely clear that what we’re doing is mission driven.” EDUCATION SOCIAL SCALEUP

“I always used the terms ethical business or socially focused company or various terms depending on what context I was speaking about the company. But [social business] is something that I’m now starting to aim to bring into our language more.” CREATIVE SOCIAL SCALEUP

“Some people think that if you’re asking people to pay for [a service] then it’s not a social business.” EDUCATION SOCIAL SCALEUP

“If you do have a viable and sustainable economic model then people tell you you’re not a social enterprise. It’s catch 22!” SKILLS DEVELOPMENT SOCIAL SCALEUP

“I find the whole thing, the whole issue of labelling quite a difficult one really and not very helpful.” HEALTH SOCIAL SCALEUP
Growth in the social sector

The latest data from Social Enterprise UK\(^4\) shows that in 2018 there were 100,000 ‘social enterprises’ in the UK, employing 2 million people and worth £60bn to UK GDP. From other sources, there are 123,000 ‘mission-led businesses’ (2.7% of businesses),\(^5\) employing 1.4 million people (4.5% of workforce), and generating £165bn in turnover (4.3% of the economy).\(^6\)

By all available estimates, the number of organisations with a social or environmental mission is growing faster than the overall business pool\(^7\). Consequently, the share of social businesses in the economy is also growing.

Several factors have contributed to the growth of the social business sector:

- **The Social Value Act**, which has added social impact considerations to public sector procurement procedures.
- **The establishment of the Inclusive Economy Unit** within the Department of Digital, Culture, Media & Sport (DCMS). This unit works to grow the social investment market, increase social outcomes from public services, and encourage responsible business.
- **The creation of Big Society Capital**, which had invested £526m in social investment funds and intermediaries as of July 2019.\(^8\)
- **The establishment of social investment fund managers and lenders**, such as Bridges Fund Management, Charity Bank, Nesta Impact Investments, Resonance, SIB Group, Social Investment Scotland, Triodos Bank.
- **The development of specialist advisors**, for example ClearlySo, Investing for Good, Resonance, and Social Finance.
- **Activities to increase the visibility of the sector**, led by organisations such as Access – The Foundation for Social Investment, Social Enterprise UK, or UnLtd.

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5. Mission-led businesses are “private profit-making businesses that use their business models to achieve social impact”; see https://www.gov.uk/government/publications/understanding-mission-led-businesses.
6. According to the most recent comparable data available, the number of UK social enterprise employers was 171,000 in 2012 and 195,000 in 2014 (Social Enterprise: Market Trends 2014). This implies a growth rate of 5.6% per year during that period.
7. More and more entrepreneurs and management teams are putting mission and purpose at the heart of their business – partly because they want to have a positive impact on the world, and partly because they recognise that it can be a powerful driver of growth. Within our portfolio, we’ve seen how a mission-led approach has helped our investees to attract and retain top talent; to build stronger relationships with their customers; and to identify new value creation opportunities.” BRIDGES FUND MANAGEMENT
8. When you look at the Social Value Act and other legislation around the world, social business is the direction in which markets are heading. Large private sector corporates are making percentage spend commitments; mandating a percentage to social enterprises is a pretty big prize.” CHARLIE WIGGLESWORTH, DEPUTY CHIEF EXECUTIVE, SOCIAL ENTERPRISE UK
Being a social business that is scaling

The total number of scaleups in the UK increased from 35,210 in 2016 to 36,510 in 2017, a growth of 12 per cent. These fast growing, ambitious and innovative companies are located throughout the country and the majority operate in non-technology sectors. They are increasingly important to the UK economy generating over £1 trillion in turnover and creating 3.6 million jobs.

SCALING SOCIAL BUSINESSES EXIST ACROSS ALL SECTORS AND GEOGRAPHIES

Our survey found that high-growth social businesses are similar to the wider population of UK scaleups across a number of characteristics. These include geographical distribution and industry. The social businesses that we interviewed were active in diverse areas such as education delivery and private tutoring, computer manufacture and technical skills development, healthcare, media and consultancy, as well as research and development.

Source: Annual ScaleUp Surveys 2017–8

Based on an analysis of ONS datasets by the ScaleUp Institute.

Based on an analysis of responses to the 2018 Annual ScaleUp Survey featuring insights from senior leaders and founders of scaleups and scaling businesses.

FIGURE 2 - PROFILE OF SCALEUP SURVEY RESPONDENTS

Source: Annual ScaleUp Surveys 2017–8
SOCIAL SCALEUPS ARE AMBITIOUS AND INNOVATIVE

20% of social scaleups identified in the 2017/2018 Scaleup Surveys reported turnover in excess of £10m - in line with all respondents. Furthermore, nearly two-thirds (65%) of social businesses had grown by 20% or more on average over the last three years with three quarters (78%) planning to continue this growth trajectory over the next year. Data from the UK Government’s Social Enterprise: Market Trends showed that, in their sample, 93.2% of social enterprises had made a profit over the last twelve months compared to only 76.2% of SME employers; with 78% expecting to grow over the next 3 years against 63% of SMEs.11

These confident views were echoed by the social business leaders we interviewed. All were extremely passionate about their work and its social impact and were looking for ways to do even more in the future. They all had a vision of delivering more and better products and services to more people than they currently serve. This was not restricted to local growth. Their ambitions included:

- to make the company’s English teaching platform available to every primary school age child in the world;
- to commercialise their laboratory research and turn it into real world solutions to a significant environmental challenge;
- to grow to an 8% share of the global commercial market for computers helping millions of young people learn computing and digital making.

For these leaders, business growth was both about ‘scaling up’ and ‘reaching out’ and having as wide and broad an impact as possible.

“Last year we sold six million units; really the goal in four years’ time is to be selling 24/25 million units a year” TECHNOLOGY SOCIAL SCALEUP

“There are opportunities that we have being social that we wouldn’t otherwise have. Last year we worked with a charity to produce a programme for 600 kids.” SKILLS DEVELOPMENT SOCIAL SCALEUP


“[We] share a belief that the future of business will demonstrate that the world’s most valuable companies are those solving the world’s most meaningful challenges.”

DANIEL EPSTEIN, FOUNDER AND CEO OF UNREASONABLE GROUP
INSIGHT

The commercial benefits of having a clear business purpose

A Harvard Business Review survey\(^\text{11}\) of 474 executives found that there is near-unanimity in the business community about the value of purpose in driving performance. Responses reflected views of mature companies (68% had more than 1,000 employees) from around the world. Purpose was defined as “an aspirational reason for being which inspires and provides a call to action for an organization and its partners and stakeholders and provides benefit to local and global society.”

The research found that organisations where purpose was clearly articulated and understood (‘prioritizers’) performed better on a number of metrics, compared to those where purpose was not well understood or communicated (‘laggards’). These metrics included revenue growth, geographic expansion, or launching new products, as well as success with innovation and transformation efforts.

Of the executives surveyed, 89% said that a strong sense of collective purpose drives employee satisfaction and 80% said it helps increase customer loyalty. However, only 37% agreed that their business model and operations were well-aligned with their purpose.


SOCIAL SCALEUPS ARE INTERNATIONAL AND WANT TO EXPORT MORE

The global ambition of social scaleups is reflected in the responses from our survey with two fifths of social businesses exporting, with social scaleups even more likely to export. Social businesses were also more likely than their peers to be selling to government but less likely to sell to large corporates. This may reflect the Government’s focus on the Social Value Act and the way they have implemented buying policies from social businesses.

FIGURE 4 – THE MARKETS BEING ACCESSED BY SOCIAL SCALEUPS
The challenges to scale for social businesses

Given the importance of these businesses to the economy and society, it is vital to analyse what barriers to growth they face.

The ScaleUp Institute has consistently identified a number of core challenges to scaling a business in the UK economy, reviewing them annually to understand changing priorities amongst the country’s fastest growing businesses.

Reflecting the broader findings of the Institute’s research, social businesses agreed that access to talent was their main challenge; this issue was cited by 8 out of 10 social scaleups.

However, while the challenges for social scaleups were broadly similar to the wider population of UK scaleups, it is notable that access to finance and particularly equity finance are barriers to overcome.

FIGURE 5 – IMPORTANT FACTORS TO BUSINESS GROWTH (% INDICATING FACTOR IN TOP 3)

Access to talent/skills, leadership, markets, finance, and infrastructure.
In this chapter we explore some of these barriers further, discussing access to talent and skilled staff; the value of local support from universities, government and leadership development programmes and, in particular, how these types of organisation gain access to the right finance and growth capital to support ongoing scale.

ACCESS TO TALENT

In line with the wider population of scaleups, social scaleups placed a high value on social skills, business skills, management skills and tech skills for school leavers and graduate recruits. However, social businesses were slightly more likely to value technical skills (71%) over business skills (63%). This was reflected in the interviews with social scaleup leaders, all of whom were looking for highly skilled labour such as trained mental health nurses, PhD researchers and skilled engineers. Social scaleups also want better access to management skills.

Social businesses also stated that they value problem-solving more than service orientation (anticipating, recognising and meeting other people’s needs) as a future skill for staff.

“Access to talent is a barrier we see frequently. The need for multiple skill sets for both employees and business mentors makes finding appropriate people challenging. This highlights the importance of strong networks and access to quality support.”
MARK NORBURY, CEO OF UNLTD
In addition to shortages in highly skilled staff, hiring is affected by increased demand for individuals with multiple skill sets.

“It took over six months to find the right person.” SKILLS DEVELOPMENT SOCIAL SCALEUP

Social scaleups are looking to select candidates whose personal goals and values are aligned with the business.

“The kind of people who are attracted to work with us and the commitment that people give is related to their belief in the mission.” EDUCATION SOCIAL SCALEUP

Hiring considerations for social scaleups also include the need to compensate skilled workers appropriately, the expectation that staff would buy into the vision of the business, and a desire to engage with potential employees from disadvantaged backgrounds.

“I think the difference between us and commercial businesses is that I will go the extra mile to support [an employee/volunteer] whom I know has got potential but needs that extra help to get the potential out of them.” HEALTH SOCIAL SCALEUP

Some companies look to empower staff by compensating them in the form of employee ownership.

“We are in the process of setting up a scheme to allow employees to get a share of the company, but we’re trying to balance the desire for this against commercial realities.” MANUFACTURING SOCIAL SCALEUP

LOCALISED SUPPORT IS VALUABLE

Leaders of social businesses see a high value in engagement with universities, mentors, peer networks and leadership development courses at a local level alongside local and national government support.

Our interviews also highlighted the need for this type of support to be social business sector-specific.

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**FIGURE 8 – SUPPORT PERCEIVED AS HELPFUL OR VERY HELPFUL FOR FUTURE GROWTH**

- Banks and other financial suppliers
- Local professional services
- Local leadership development programmes
- Peer to peer networks
- Local universities and business schools
- Local and Regional Government
- National Government
- Large corporates

![Support Perceived as Helpful or Very Helpful for Future Growth](chart.png)
LEADERSHIP DEVELOPMENT
Alongside wider talent issues, the social business leaders interviewed mentioned gaps in their own skill sets.

“It’s a complete learning curve... Everything you do, you’re just learning as you go along.”
MANUFACTURING SOCIAL SCALEUP

Many had sought mentors who could complement the skills of the leadership team, provide expertise and bring experience from growing a business. However, many social businesses experienced difficulty finding the right business mentor (raised by 3 out of 10 of social business survey respondents). Due to the breadth of skills required in many cases this turned out to be more than one individual.

“I have a number of mentors who are non-exec directors and also give time to listen and guide. People who can add value in areas I’m not strong at: a person to advise on media strategy; a person [who scaled a business] for their acumen and drive; a person who used to run [a creative business].”
CREATIVE SOCIAL SCALEUP

PUBLIC SECTOR SUPPORT IS VITAL
When bringing in external guidance, social businesses look for a range of supports, but were most likely to nominate local government (45%) and national government (35%) as helpful (see Figure 8, above).

While university support was sought, some business leaders noted the difficulties of gaining access to support and funding once research is commercialised outside academia.

[The UK] “funds a lot of research ... but it stops at the door of the lab.”
MANUFACTURING SOCIAL SCALEUP

Among public sector initiatives, in addition to R&D funding, social businesses showed a particular preference for Innovate UK (46% compared to 36%) and the British Business Bank (36% compared to 24%).

“The Conduit Connect works with its membership to provide them with the resource they need to grow their reach and impact. The businesses look to us for access to capital that is mission-aligned as well as access to strategic customers, mentors and partners.”
POOJA WARIER HAMILTON, MANAGING PARTNER, THE CONDUIT
Beyond funding, businesses come to us to ask for strategic advice, commercial introductions, impact management and financial guidance.” IRMA GROSS, MUSTARD SEED

Businesses come to us to get support with raising capital, which involves determining the most suitable type of investment, financial modelling, pitch deck preparation, investor outreach (to individual as well as institutional investors), and facilitating due diligence.” JOHN LLOYD, CLEARLYSO

FIGURE 9 – TOP 5 FORMS OF SUPPORT BUSINESSES WOULD LIKE EASIER ACCESS TO

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All respondents | Social businesses

[The Growth Hub advisers] “were the ones that helped me think about my business plan and managing my money – like what we charge – and they have offered me some support.”

HEALTH SOCIAL SCALEUP

Social scaleups described how some initiatives were attended primarily by, and were more appropriate for, purely commercial companies. They were left feeling that they “probably need to be among people whose business is a social enterprise” with shared values, purpose and belief.

Like all scaleups, social scaleup respondents indicated that peer group networks for social business leaders would be helpful. This reflects ScaleUp Institute research which has shown that strong, trusted peer groups between scaleups can have a powerful impact on their individual performance. They work well as both cross-sector and sector specific groups but should not include competitors so that trust and openness can be fostered quickly amongst members. The case study of Noah’s A.R.T. illustrates the desire of social businesses to have easier access to a peer group, whose members understand the imperative to have a social impact alongside a desire to make money and grow, perhaps facilitated with support from a local Growth Hub.
Noah’s A.R.T. provides a therapeutic service designed to reduce social isolation among vulnerable individuals by building bonds with therapy animals. The company was founded four years ago in the North West by a mental health nurse, Sharon Hall, who recognised the impact of interaction with pets on the wellbeing of patients. The operation is supported by 15-20 volunteers alongside a small core team.

When Sharon set up the business she chose to incorporate as a limited company rather than a charity because she wanted control over the direction the business took and to retain the intellectual property over the sessions and interventions she delivers. Recently the company had to take the difficult decision to raise prices.

However, the biggest problems the founder faces are finance and the challenge of attracting investors to a social enterprise. The business has received grant funding from a commissioning group and National Lottery funding to help train staff who run a café from the company’s site.

Noah’s A.R.T. has looked at commercial lending and crowdfunding and is keen on scaling the business to offer professional conference and training facilities for their mental health services but the founder doesn’t necessarily think it is appropriate at this stage. Any investor would need to buy into the ethos of the business.

She had received six sessions from the local Growth Hub in Manchester – “they helped me think about my business plan and what we charge.” Despite this support along the way, Noah’s founder would like to see more specialist and tailored support for businesses like hers. For example, social business peer networks where there is greater acknowledgment of the business need to have a social impact alongside generating revenue and the specific challenges to growth they face.

“What I actually found in those sessions was that [the other participants] were all [commercial] businesses... I need to be among people whose business is social.”
ACCESS TO FINANCE AND GROWTH CAPITAL

To realise their growth ambitions, almost all social scaleups interviewed recognised that they would need external funding at some stage, with some acknowledging that it was already needed.

Two fifths (39%) of social businesses that aim to grow over the next few years plan to approach external finance providers, compared with only 22% of SMEs in general.¹³

EQUITY FINANCE PLAYS A KEY ROLE

As Figure 5 (above) demonstrates, the Annual Scaleup Survey identified access to equity finance as a top 3 factor for future growth for 38% of social businesses. Further, 31% of social businesses either currently use, or plan to use, equity finance in the near future.

Indeed, all the social businesses that we interviewed for this study had either raised equity funding or expressed interest in it. The case study of Fire Tech illustrates how equity investment helped the business achieve growth rapidly.

FIGURE 10 – ATTITUDE TOWARDS EQUITY FINANCE

¹³ Social enterprise: market trends 2017
Fire Tech is a mission-led education business delivering tech and coding training for 7-17 year-olds to “empower kids with skills they are not able to get at school”. The founder, Jill Hodges, started the company six years ago because she could not find such training for her children in the UK, although she knew it existed in the US.

Fire Tech is structured as a limited company. The founder has a business background with experience raising money for hedge funds and entrepreneurs with family offices. She had a lot of contacts from her earlier career and did a lot of networking to find the right investors.

The company raised initial funding through an angel investor, a former client of the founder, who invested £150,000. Last year the company was able to scale up by raising £650,000 through the Cass Entrepreneurship Fund, Emerge Education and further angel investors. The funds were raised to work on platforms and processes to deliver programmes as well as a franchising programme and work with international licensees.

Despite her background the founder discovered raising patient capital was challenging. Investors turned the company down because they wanted quicker returns. “There is a lot of investment capital floating around if you’re going to be the next Uber but if you are in education there is a lot less money around. I can’t tell you how many pitches and they said, ‘Tell me how you’re the next Airbnb of education.’”

The founder concentrated on finding the right investors. She wanted those that she could work well with and had good relationships with; she looked for investors who could bring something strategic to the business with a network that could advise and help it to grow. Now she has investors who are mentors – one is a very active adviser, another is involved in private equity and has been able to connect her to a lot of advisers. Fire Tech also has an eCommerce specialist on its advisory board who has helped develop the company strategy.

Fire Tech grew by 40% last year and expect to do the same this year. The five-year goal is to be a £20 million business. They are focusing on three areas of growth: the tech platform, franchising and international markets, currently working in Australia, Italy, Poland and Oman. Developing the tech platform is going slower than they would like but Fire Tech believes they can accelerate development with external investment.
BARRIERS TO FINANCE

Social businesses have the opportunity to access funding from mainstream private investors as well as specialist impact investors. Some social businesses combine funding from traditional and impact sources and use a range of vehicles, including grants, crowdfunding, or quasi-equity, as summarised in the section below.

However, due to the wide range of investor preferences, impact areas, and return profiles, there is complexity and friction in the process of matching entrepreneurs and investors.

1. INVESTOR CONCERNS ABOUT MISSION DRIFT

In our interviews, 8 out of the 11 organisations that said they had a social mission also indicated that they had restrictions on the ability to sell the businesses and/or that if the ownership of the business were to change, it would have to remain a social business.

However, some impact investors have concerns that as the company grows, it could lose focus on its mission and use an ‘excessive’ amount of profits for private gain rather than continuing to invest them in the mission. This is a concern especially for Companies Limited by Shares (CLS), which have the least restrictions on redistributing profits and re-selling shares. As a result, “CLS ventures can struggle to attract social investment due to a perception that social impact may not be at the core of the venture.”

One solution to this is incorporating as a Community Interest Company (CIC), which can raise equity but imposes restrictions on distribution of profits and sale of assets. Another option is to enshrine the mission into the CLS articles of incorporation.

Still, CLS remains the most commonly used legal form for high-growth social businesses. According to a review of data from the UnLtd Big Venture Challenge, during 2013-16, 38 CLS ventures raised £8.6m of risk capital, representing almost 75% of all capital raised by the 120 participating ventures. CLS ventures also raised on average more than twice the amount than any of the other legal structures.

2. THE PERCEPTION THAT SOCIAL BUSINESSES CAN NOT BE PROFITABLE

When there is a perceived trade-off between growth and social/environmental outcomes, commercial investors question whether their investment in a social business will affect the return on their investment. One social scaleup that we interviewed described the challenge that some investors instinctively think they are “more charitable and not really a business” and “wonder whether their standard investment metrics work.”

“There’s a growing number of investors who are actively looking for proven mission-led businesses that we can help to scale up and maximise their potential.”

BRIDGES FUND MANAGEMENT

“Challenges with language and jargon hinder access to finance. We can relate to social ventures’ difficulties in identifying themselves as a ‘social enterprise’; the low understanding of types of finance available; the misunderstanding of social businesses by investors; and the importance of finding value-aligned investors.” MARK NORBURY, UNLTD

15 This process can be facilitated by the Purposely tool developed in response to the 2016 Mission-Led Business Review, https://getpurpose.ly/.

HEALTH SOCIAL SCALEUP

“Health social scaleups: high growth businesses with impact” MARK NORBURY, UNLTD
One interviewee, who had experience of funding from both social investors and non-socially oriented funds, described a more positive experience where they found only “a slight difference in dealing with social VCs” when compared to more commercial funds they had worked with. However, this was caveated by the view that you need to find the right investor on the commercial side. The case study of Matr acknowledges these barriers and shows how the business worked with a range of different types of investors to raise the funds needed to scale up.

3. CHALLENGES WITH GOVERNANCE STRUCTURES
Many social businesses are not set up as commercial entities. This can give rise to a unique set of challenges in accessing finance.

A number of factors can therefore limit access to finance for these hybrid organisations, which can include:

- **Legal form limits access to equity.** Social businesses that are incorporated as Companies Limited by Guarantee (CLG) cannot issue shares. They are therefore excluded from raising equity, and may have prohibitive covenants or charity guidelines against the raising of debt.

- **Hybrid business models which result in lower blended return.** Some organisations with clear social objectives have a ‘split’ business model with one part focussed on trading / commercial activities and one part on charitable activities. This can result in a lower blended return from both arms of the venture than the return from businesses that engage solely in profit-seeking activities. This can limit the pool of potential investors.

- **Lack of exit options.** Conventional exit options such as trade sales may not be available due to the legal form of the social business, the market which it serves (e.g. targeting low income customers who might be avoided by more commercial firms) or its commercial model (e.g. re-investing at least 50% of its profits, having dividends capped within the Community Interest Company, etc.).

- **Cultural.** Some stakeholders (e.g. board members, philanthropic funders) may be culturally averse to a social business seeking to raise capital upon which a financial return is offered to the investor.

The role of debt
For social scaleups, lending from specialist lenders, such as CAF Venturesome, Nesta, or Big Issue Invest can be an option. Such loans might be patient (i.e. 7-10 years), unsecured, low-interest (up to 6%), and/or have quasi-equity characteristics (i.e. deferrable repayment if cashflow is insufficient in any particular year). For example, using loans from a social lender, London-based social enterprise Fair Finance was able to grow its loan book for excluded communities 5-fold. With the overall growth in social businesses, and those scaling, there is a need for deeper investor pools and connectivity between regions and financiers as well as mainstream financiers to consider options for what they may evolve as services.
EdTech company Matr offers weekly one-to-one online maths lessons for children aged 7-11. It was founded by Tom Hooper in 2013 who saw a significant need in terms of persistent maths failure and a challenge in recruiting teachers. While having a “very social goal,” when describing the business Matr carefully considers their audience: “we don’t describe ourselves as a social enterprise any more, but we do talk about the mission.” Tom says: “We are a company, a business and we’re trying to make money. We have a vision for what we want to change and how we want to go about doing that.”

Matr has raised £4.75 million to develop its AI-driven teaching platform but the company founder concedes that being a social business can make it harder to get finance, although it shouldn’t.

“The greatest problems we have in the world are social…. If you could solve these problems you should be able to make a lot of money, but that’s not how social businesses think about themselves and that’s not how they are perceived from outside.”

Matr sought funding to employ the people to build the technology and for the technology itself – and more recently for marketing. All of the company’s funding has been sourced via introductions from funders or other individuals in the sector. They quickly found investors who liked the business model and could see how it could work; the initial angels were social impact oriented investors and the first two VCs were social impact oriented funds, although the next two were not. These investors asked questions about whether they could be confident that they were investing in a profit-seeking business and the drive for profit would not be affected by the social goal.

Tom says that patient capital is important for a socially-driven business but this is no different to a fully-commercial business. “Either your end product around the social opportunity is ‘true’, in which case the investor will be happy, or your business model doesn’t work and you need to consider new markets.”

Tom’s message to other social businesses seeking funds is to “be bold about how big the social opportunity is”.

matr.org
4. FINDING PATIENT CAPITAL

Finding patient, aligned capital is essential for all growing businesses, not just social scaleups. In 2017, the UK Government completed its Patient Capital Review, which highlighted that “the lack of patient capital is a significant impediment to UK entrepreneurs’ success,” and identified opportunities to increase the current level of funding to high-growth businesses from £3 billion to £6-9 billion/year.16

Although finding patient capital can be difficult, finding the ‘right’ investor is more challenging for social businesses due to the additional need for investors to understand their mission. Many of the businesses that we interviewed were keen to secure equity finance from a partner who believed in the mission and values of the business and understood the time needed for the business to grow, rather than merely looking for a rapid return and exit.

“There is a lot of investment capital floating around if you’re going to be the next Uber but if you’re in education there is a lot less money around; ... [and most investors say] ‘tell me how you’re the Airbnb of education’.” SKILLS DEVELOPMENT SOCIAL SCALEUP

During our interviews, many of the businesses reported experiences of having discussions with potential investors who actively sought to change the business model in spite of being receptive to the espoused mission. For example, one education platform was told by an interested investor that they could easily raise their prices substantially, but this did not fit with their mission of delivering their services to all children, not just elite schools.

“The majority of funders and people out there just want to make money, to put it bluntly. So, I do think it will be tricky. I think it will be about finding the right investor, who will have that niche and will have that desire to invest in something that is making a positive change but isn’t about bringing returns.” CREATIVE SOCIAL SCALEUP

“The social part of what we do matters so much less to [some VCs] … I’m just wondering whether or not this will be a possibility, let alone the right choice for us.” EDUCATION SOCIAL SCALEUP

One interviewee put it very simply:

“If the VC wants to change [the mission] then you’ve picked the wrong investor.” EDUCATION SOCIAL SCALEUP

Despite the concerns noted above, in recent years there has been an increase in the number of funds and investors that operate with an explicit focus on mission. Some examples of businesses that have successfully raised equity are featured in the next chapter.

In addition, debt finance is also an option for organisations that cannot access equity investment, or prefer not to. For example, an independent school for children with autism was funded between 2015-2018 with £5m in debt.


“To address climate change there is an urgent need to deploy capital intelligently - to rapidly scale businesses that have solutions. I keep hearing that there is an ‘abundance of capital’ looking to be deployed but the data needs of funders and projects are misaligned. If we are to create the material and rapid change we all need, and to unlock effective deployment at-scale, the market must to collaborate to bridge the data gaps between financial products and impact projects so that we can transition to a net-zero carbon economy within the next decade. Doing so will reduce risk, increase resilience and deliver better long-term returns for everyone - and will ensure that businesses with the solutions have sustainable scale” GAVIN STARKS, FOUNDER, ICEBREAKERONE.ORG
5. LIMITED KNOWLEDGE ABOUT RAISING CAPITAL

Accentuating the difficulties of finding the right investor and challenging investor perceptions of social businesses, another barrier was lack of knowledge about finance among senior leaders in social businesses.

“I have nothing to do with the world of finance. Actually, I find it pretty weird, and daunting, and don’t really understand anything.” MANUFACTURING SOCIAL SCALEUP

As a result, leaders have to “learn on the job” and often display less confidence when dealing with investors. This results in:

“People who have great ideas [but] find the whole business of funding quite intimidating.” SKILLS DEVELOPMENT SOCIAL SCALEUP

The lack of knowledge about how to raise finance, and the kind of finance that is available, is a key barrier to social businesses raising finance. To that end, Ashoka produced a ‘Social Investment Toolkit’. MARK CHENG, ASHOKA

One solution to this challenge is to enlist the help of mentors or board members who had experience with raising capital. In particular, social businesses wanted guidance on how to get over the ‘hurdles’ to reach the next stage of development, while retaining the social vision and without losing control of the business.
WHAT DO INVESTORS LOOK FOR? THEIR MOTIVATIONS AND PERCEPTIONS.

“We focus a great deal on homelessness, poverty eradication and health & wellbeing. We look for social enterprises that have:

• the potential to achieve high growth
• [an impact model] that aligns to the objectives of our funds
• good governance models and are well run
• ambitions to tackle the major issues with innovative solutions”

PAUL HANDFORD, RESONANCE

“As an investor, we’re looking for business models where there’s a clear ‘lockstep’ between growth and impact – i.e. the more successful the company is in tackling a social and environmental challenge, the more successful it is commercially (and vice versa).”

BRIDGES FUND MANAGEMENT

“Investors within our community are looking for high quality investment opportunities. Meanwhile, the businesses that we meet look for mission-aligned capital as well as access to strategic customers, mentors and partners.”

POOJA WARIER HAMILTON, MANAGING PARTNER, THE CONDUIT

“Most investors we interact with agree that the positive impact being created by the ventures we support is what will ensure that they financially outperform typical financing opportunities over time.”

DANIEL EPSTEIN, CEO, UNREASONABLE GROUP

“Out of our portfolio of 110 investors, all are conscious about their investment decisions, but most will not invest exclusively in impact businesses, because there are not currently sufficient options to have a 100% impact portfolio. We however do see a certain “Goodwill Dividend”, whereby impact businesses benefit not only from shifting consumer preferences and market opportunities to provide sustainable solutions, but also from the goodwill of investors who believe in the mission and want to be supportive.”

IRMA GROSS, MUSTARD SEED

“The biggest global challenges also are creating large-scale markets for entrepreneurs who have solutions for them. Our clients are increasingly excited to invest to catalyse these solutions while generating financial returns. Providing access to the social businesses raising capital means we can support our clients’ ambitions and play a role to address these wider issues.”

SHENAL KAKAD, HEAD OF PRIVATE MARKETS, BARCLAYS PRIVATE BANK
Investment in Social Businesses – the landscape and the opportunity

Our survey results showed that 38% of social businesses identified access to equity as a top 3 factor for future growth, compared to 24% of all businesses in the sample (figure 5 above).

While overall in the UK the social investment market size is estimated to be worth approximately £2.3 billion and has seen an annual growth rate of 17 per cent, some forecasts have suggested that social investment could grow at 38 per cent a year.

Big Society Capital has highlighted a growing interest in social investment from a range of investors, and an increase in the channels available to invest in social businesses including new vehicles designed to cater to the unique needs of social businesses.
DEAL ANALYSIS

As the market evolves, evidenced by the social businesses in our survey clearly indicating a need to access more equity investment, there is a need to improve upon the currently available data. To better understand the health of the funding ecosystem for social businesses, we have conducted an in-depth analysis of recent investments.

Existing deal level data from Big Society Capital provides good insight into the investments received by charities and social enterprises, but has limited coverage for more commercial social businesses that receive equity investment. To cover this gap, our effort focuses on equity investment and uses Barclays research compiled from sources such as Crunchbase, Beauhurst and PitchBook, in addition to portfolio data provided by financial intermediaries.

The resulting dataset underestimates the true scale of the equity investment activity that have taken place because not all deals are publicly reported, and many social businesses receive equity investment without being involved in one of the intermediaries identified. We also acknowledge that this analysis leaves out debt investments, which are the primary vehicle used to fund investment in charities and Community Interest Companies (CICs). Nonetheless, we believe this is the first analysis of its kind to be published in the UK, and hope this analysis will grow in the future.

### Existing channels

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Venture funds focused on social/environmental businesses</td>
<td>e.g.: Ananda Impact Ventures, Bethnal Green Ventures, Bridges Fund Management, Fair by Design, Impact Ventures UK, Mustard Seed, Nesta.</td>
</tr>
<tr>
<td>Angel networks focused on social/environmental businesses</td>
<td>e.g. Clearly Social Angels, Green Angel Syndicate</td>
</tr>
<tr>
<td>Peer-to-peer and crowdfunding platforms</td>
<td>e.g.: Abundance, Ethex, Triodos Crowdfunding, Crowdfunder, Seed Tribe.</td>
</tr>
</tbody>
</table>

### New Vehicles

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quasi-equity (e.g. revenue participation, unsecured loans, grants and loans)</td>
<td>e.g. Access: The Foundation for Social Investment.</td>
</tr>
<tr>
<td>Community shares: a form of withdrawable share capital which can only be issued by cooperative societies and (charitable) community benefit societies.</td>
<td>They provide a source of long-term patient risk capital which helps attract other forms of finance (grant, donations and debt).</td>
</tr>
<tr>
<td>Social investment tax relief (SITR): a recently introduced scheme similar to the popular UK Enterprise Investment Scheme (EIS).</td>
<td>SITR has opened up investment to social sector organisations that, due to their legal form, are not able to access equity investment. This has resulted in direct investment in community organisations (e.g.: Portsoy Community Enterprise in Scotland, FareshareSW, Jericho Foundation) and the creation of regional SITR funds (e.g.: Resonance Bristol SITR Fund).</td>
</tr>
<tr>
<td>Outcomes Contracts (or Social Impact Bonds), which result in payments to investors when certain social outcomes are met</td>
<td>e.g. Bristol Entrenched Rough Sleeping Social Impact Bond (total value £1.25m).</td>
</tr>
</tbody>
</table>

### Sources


DATASET AND APPROACH
The dataset covers UK businesses and equity investments that took place in 2015-2018.

To identify social businesses, we built a dataset using the ‘portfolios’ of intermediaries that focus on investing in social businesses (i.e. ‘impact investing’).

IDENTIFY IMPACT INVESTING INTERMEDIARIES
• Intermediaries included: Bethnal Green Ventures, Mustard Seed, UnLtd, Bridges Fund Management, Resonance, Unreasonable, ClearlySo, and Nesta Impact
• This reflects a mix of accelerators, venture funds, angel networks, and advisors

COMPILE DATA ON THEIR PORTFOLIO COMPANIES
• Source data from PitchBook, Beauhurst, Crunchbase for deals linked to the intermediaries listed above
• Fill gaps by adding data from intermediary websites

VALIDATE DATA QUALITY
• Contact intermediaries to give an opportunity to verify and augment deal data held on them
• Confirm companies that raised capital are still in business, that they have UK operations
• Confirm focus on social impact and/or environmental sustainability based on the description of their activities

FIGURE 11 – INDUSTRY ACTIVITY BY YEAR

NOTES:
• There are 231 distinct companies in the dataset above.
• Over 90% of companies still in business.
• The vast majority of investments are early-stage and growth equity, however in some cases debt, hybrid, and quasi-equity investments were included.
• 2018 data is not representative of the entire year as it was captured before the end of the year.
• Excludes a 2018 equity raise of £60m for Bulb, a renewable energy utility company.
• Excludes raises of venture funds, but includes equity investments totalling £7.75m into Charity Bank, a social lender.
• Excludes acquisition of JustGiving by BlackBaud in 2017 for $127.4m (£96.5m).
• We also reviewed UK deals tagged as ‘impact investing’ by one of the data providers, but did not include most of them as they would bias the overall figures. These include a £200m investment into Energy Works Hull, a 25MW Energy-from-Waste plant using a combination of innovative renewable energy technologies, and £193m investment into Bioenergy infrastructure, a biomass plant builder/operator.
The interest in social impact investing is at an all-time high. The challenge now is to build the investment infrastructure that can meet this demand. This will require an increase in the number and scale of fund managers in the space who can prove out their deal flow and track record.”  
ALESTAIR BREW, HEAD OF INVESTMENT OPERATIONS, BGF, AND CHAIR OF THE BVCA IMPACT INVESTMENT ADVISORY GROUP

**IMPACT INVESTORS AND INTERMEDIARIES**  
These organisations were used to identify companies and investments.

<table>
<thead>
<tr>
<th>INVESTOR/INTERMEDIARY NAME</th>
<th>#OF DEALS</th>
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</thead>
<tbody>
<tr>
<td>Unreasonable Impact</td>
<td>84</td>
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<tr>
<td>Bethnal Green Ventures</td>
<td>76</td>
</tr>
<tr>
<td>Resonance</td>
<td>66</td>
</tr>
<tr>
<td>ClearlySo</td>
<td>62</td>
</tr>
<tr>
<td>Mustard Seed Impact</td>
<td>19</td>
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<tr>
<td>Nesta Impact Investments</td>
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<tr>
<td>Bridges Fund Management</td>
<td>13</td>
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<tr>
<td>UnLtd</td>
<td>8</td>
</tr>
</tbody>
</table>

Other organisations involved in supporting their growth

<table>
<thead>
<tr>
<th>INVESTOR/INTERMEDIARY NAME</th>
<th>#OF DEALS</th>
</tr>
</thead>
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<tr>
<td>Innovate UK</td>
<td>16</td>
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<tr>
<td>Wayra UK</td>
<td>11</td>
</tr>
<tr>
<td>EIT Climate-KIC</td>
<td>9</td>
</tr>
<tr>
<td>350 Investment Partners</td>
<td>7</td>
</tr>
<tr>
<td>Imperial Create Lab</td>
<td>7</td>
</tr>
<tr>
<td>Oxford Capital Partners</td>
<td>7</td>
</tr>
<tr>
<td>The Carbon Trust</td>
<td>7</td>
</tr>
<tr>
<td>Big Issue Invest</td>
<td>6</td>
</tr>
<tr>
<td>Horizon 2020</td>
<td>6</td>
</tr>
<tr>
<td>Northstar Ventures</td>
<td>6</td>
</tr>
<tr>
<td>Alpina Capital Partners</td>
<td>5</td>
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<tr>
<td>Ananda Impact Ventures</td>
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<td>Cambridge Angels</td>
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<tr>
<td>Entrepreneurs Fund</td>
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<tr>
<td>JamJar Investments</td>
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<tr>
<td>Landon Co-Investment Fund</td>
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<td>Scottish Enterprise</td>
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<td>Social Tech Trust</td>
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<td>Touchstone Innovations</td>
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<tr>
<td>Adapt Low Carbon Group</td>
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<tr>
<td>Big Lottery Fund</td>
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<tr>
<td>Bill &amp; Melinda Gates Foundation</td>
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<td>Esmée Fairbairn Foundation</td>
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<td>Funding London</td>
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<td>Impact Ventures UK</td>
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<td>Ludgate Environmental Fund</td>
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<td>RobecoSAM</td>
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<tr>
<td>SETsquared Partnership</td>
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</table>
BUSINESSES SUPPORTED BY MORE THAN ONE IMPACT-FOCUSED INTERMEDIARY

- We found 21 examples of companies that have been supported by more than one impact-focused UK intermediary.
- These examples show the importance of having a range of intermediaries to support the growth of businesses at various stages: accelerators/incubators, angel investors, advisors, venture funds.
- Given the large number of deals that have involved coinvestment or syndication, there is an opportunity to provide infrastructure to enable this collaboration and accelerate the process of raising capital from multiple investors.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commonplace</strong></td>
<td>Provider of an app and website that allows residents to comment on their local environment, be consulted for planning, transport and building works, and to have a voice in how their neighbourhood develops.</td>
</tr>
<tr>
<td><strong>£0.4M RAISED TO DATE</strong></td>
<td></td>
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<tr>
<td><strong>LAST DEAL: 24/07/2017</strong></td>
<td></td>
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<tr>
<td><strong>BGV</strong>, <strong>ClearlySo</strong>, <strong>UnLtd</strong></td>
<td></td>
</tr>
<tr>
<td>- The company raised £243,000 of seed funding led by Clearly Social Angels and Angels in the City on August 13, 2014.</td>
<td></td>
</tr>
<tr>
<td>- Commonplace also received £50,000 from The Big Venture challenge, a social investment fund and accelerator programme run by UnLtd for growing social ventures.</td>
<td></td>
</tr>
<tr>
<td>- The company also secured investments of £40,000 and £70,000 from Bethnal Green Ventures in 2015 and 2017.</td>
<td></td>
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</tbody>
</table>

| **FFrees**        | Provider of a digital current account that help users to save as they spend, enabling them to earn points when they purchase from a network of selected providers which can later be redeemed as cash. Ffrees accounts are predominantly fee-based, allowing customers to know what they are paying for. |
| **£5.7M RAISED TO DATE** |
| **LAST DEAL: 23/10/2017** |
| **nesta**, **ClearlySo** |
| - The company raised £2 million of venture funding from a group of investors in October 2017, which was used to introduce the mobile app and invest in customer interaction services. |
| - Previously the company raised £700,000 of venture funding from The Technology & Innovation Fund, Nesta and Finance Yorkshire on October 24, 2014. |

<p>| <strong>Harry Specters</strong> | Premium craft chocolate maker providing training and employment for young people with autism. For every £1 of profit made at Harry Specters, 60p is set aside for furthering the social aims of the business. |
| <strong>£0.4M RAISED TO DATE</strong> |
| <strong>LAST DEAL: 04/10/2018</strong> |
| <strong>ClearlySo</strong>, <strong>UnLtd</strong> |
| - The company secured £430,000 in funding with the help of ClearlySo in October 2018, used to scale marketing and operational capacity in line with growing demand and thus create hundreds of more jobs for people with autism. |
| - This followed funding from UnLtd as part of their Big Venture Challenge programme. As part of the programme, Harry Specters received one-to-one support from a venture manager and partner organisations. |</p>
<table>
<thead>
<tr>
<th>Provider</th>
<th>Image</th>
<th>Funding Highlights</th>
</tr>
</thead>
</table>
| HireHand | ![image](https://via.placeholder.com/158x602.png?text=HireHand) | - Raised £205,000 of venture funding from Mustard Seed Impact, Wild Blue Cohort, and London Co-Investment Fund in July 2016. These funds were used to expand operations.  
- Raised an additional £600,000 in 2017 with support from ClearlySo. |
| hubbub | ![image](https://via.placeholder.com/150x476.png?text=hubbub) | - Raised $2.1 million of venture funding in a deal led by Connecticut Innovations on June 5, 2017.  
- Earlier, received $1 million of prize money from VentureClash as part of VentureClash Global Venture Challenge on November 1, 2016. |
| Stockwood CBS | ![image](https://via.placeholder.com/313x621.png?text=STOCKWOOD%20CBS) | - Stockwood Community Benefit Society was set up in 2012 with support from the Biodynamic Land Trust (BDLT), to create a community asset. A successful share offer in 2013 led to the purchase of the property in June 2014.  
- Further community share offers were made available through the Ethex platform in 2016 and 2018, allowing for the purchase of the remainder of Rush Farm, and the development of successful renewable energy projects.  
- The Benefit Society has also received loans from CAF Bank, most recently £210,000 in 2017. |
| Olio | ![image](https://via.placeholder.com/359x340.png?text=Olio) | - Raised $2.2 million in seed funding in January 2017 from Accel and Mustard Seed Impact.  
- Went on to raise $6 million of Series A venture funding in a deal led by Octopus Ventures on July 11, 2018. The funding was used to double the size of the team, with a particular focus on product.  
- Also participated in the Unreasonable Impact programme in 2018. |
SOCIAL BUSINESSES THAT HAVE RAISED THE MOST INVESTMENT

• Some perceive social businesses to be sub-scale in their activity and ability to receive investment. However, there are many success stories that challenge this perception. Our analysis revealed 28 social businesses that received more than £3m in investment.

**DESCRIPTION:** Aims to tackle social isolation by providing transport, education and training services for marginalised people and communities, paid for by the revenues of commercial bus contracts. HCT Group operates a fleet of 732 vehicles, delivering over 30 million passenger journeys per year.

**RECENT INVESTMENT:** The company received £17.8 million of development capital in June 2018, following an earlier £10m in 2015. ClearlySo advised on the transaction, with Big Issue Invest and other social and commercial lenders participating. The structure included asset backed lending facilities, cash flow loans and a quasi-equity component. The funding was used to accelerate HCT Group’s growth, providing the working capital to continue their rapid expansion and the funds to acquire commercial bus operators and turn them into social enterprises.

**ROLE OF FUNDING:** “Since our last fundraising round, HCT Group has grown by over 40 percent, using the investment to help resource our growth. Social isolation remains a vast and growing problem and the latest funding will enable us to accelerate beyond organic growth to bring our services to even more people.” Dai Powell, chief executive of HCT Group.

**TOTAL RAISED:** £34.85M

**IESO DIGITAL HEALTH**

**DESCRIPTION:** Aims to transform mental health delivery through an online platform where patients can receive one-to-one an evidence-based cognitive behavioural therapy (CBT) on behalf of the NHS. Relative to conventional duration of treatment, Ieso is able to increase the speed at which people recover in treatment by as much as 50%, and is now the UK’s largest provider of online CBT.

**RECENT INVESTMENT:** The company raised £18 million of venture funding from lead investors Draper Esprit and Touchstone Innovation on September 12, 2017. This follows previous investments from Clearly Social Angels, Touchstone (2013), Cambridge Angels and Ananda Impact Ventures (2015).

**ROLE OF FUNDING:** The funds were used to grow its UK business and accelerate expansion into the US.

**TOTAL RAISED:** £23.63M
**DESCRIPTION:** Developer of a cooling technology which, unlike traditional refrigerators, can last without power for up to 12 days in temperatures of up to 43°C. Though originally intended to protect lifesaving, temperature-sensitive vaccines in emerging countries, the technology is now being applied across further industries including retail and logistics. Sure Chill’s medical vaccine refrigerators have been approved by the World Health Organisation and are currently being used in over 40 countries worldwide.

**RECENT INVESTMENT:** The company raised €5 million in February 2018, having also received grants from the Bill and Melinda Gates Foundation at earlier stages. The company participated in the Unreasonable Impact 2017 Programme.

**ROLE OF FUNDING:** Funds were used to accelerate the development of other applications for the company’s patented technology, and to expand operations with new offices overseas.

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**DESCRIPTION:** Developer of a food waste reduction platform intended to connect the commercial kitchen, create a movement of chefs and inspire others to see that food is too valuable to waste. The company’s food waste reduction platform automatically measures food waste using any bin on the smart scale and records and analyses the day’s waste, enabling chefs to take measure accordingly, reduce the waste and save food for future purposes.

**RECENT INVESTMENT:** The company raised $7.4 million of venture funding in a deal led by Circularity Capital, AccelerAsia, Recapex, Mustard Seed Impact and D-Ax on October 22, 2017. This follows previous investments in January 2016 and December 2014.

**ROLE OF FUNDING:** The funds were used for product development and international reach to further broaden their customer base and continue their technology development road map. Winnow customers typically see food waste cut in half within 12 months from installation, reducing food purchasing costs by 3%-8%.

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**DESCRIPTION:** A web and mobile-based geocoding system that divides the world into a grid of 3m x 3m squares and assigns each one a unique 3-word address that is easy to share. The system enables reliable addressing for the over 50% who live in cities but do not have a street address, with commercial applications and adoption by emergency services and humanitarian response.

**RECENT INVESTMENT:** The company raised $8.5 million in its Series B venture funding round, with participation from Aramex, Intel Capital, Hambro Perks, Force Over Mass Capital and Mustard Seed Impact. It has also received follow-on investment from Daimler AG and Sony Innovation Fund.

**ROLE OF FUNDING:** what3words used the funds received to launch in additional languages and create a voice product integrated with the car or smartwatch.
DESCRIPTION: Uses technology to connect academic talent from around the world to children at risk of failure in primary schools across England. The team of nearly 200 maths teachers and tutors, based in London, India and Sri Lanka, work with over 200 schools and 2,000 students a week, providing online one-to-one support to accelerate what children are learning in class.

RECENT INVESTMENT: The company raised £4.75 million of Series A venture funding in a deal led by Albion Capital on April 5, 2018, with participation from Nesta, Ananda Impact Ventures, and Downing Ventures. This follows a previous investment of £1.5 million in 2015.

ROLE OF FUNDING: The investment allowed the company to grow its customer, academic and technology resources, allowing for scale up in geographic reach and impact. Since starting its mission in 2012, Third Space Learning has delivered half a million online lessons to over 45,000 pupils in thousands of schools.

DESCRIPTION: Provides an online care platform where families can find vetted, reliable and compassionate carers for their loved ones; matches are made based on personality and interest, as well as care need, location and timing.

RECENT INVESTMENT: The company raised £3.8 million of venture funding in a deal led by Mobeus Equity Partners on March 9, 2018, with participation also from JamJar Investments and Seneca Partners. This follows equity crowdfunding in 2016, a seed round in 2015, and support from ClearlySo and UnLtd.

ROLE OF FUNDING: SuperCarers was able to use the additional funding to expand its business reach through marketing, expand its technology, and recruit personnel to support growth, ultimately facilitating over 100,000 hours of care per month within the next 18 months.
BUYOUTS AND EXITS

• The presence of buyouts by corporations and Private Equity fund managers demonstrates that business models built around social/environmental issues can be scalable and commercial. It also provides the success stories that will encourage more investors to get involved.

• This is still a relatively new field, and many successful companies are still raising growth capital (as seen on the previous page), which means that buyouts and exists are still a few years away.

• In addition to the examples below, there are also cases where individual investors have successfully sold their stake to later-stage investors.

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>NATURE OF EXIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Be Caring (formerly Care and Share Associates) is a home care social enterprise that provides health and social care services in the UK.</td>
<td>Bridges Fund Management and Big Issue Invest invested in the business and have successfully sold their stake. The business is now employee owned.</td>
</tr>
<tr>
<td>Recycling Technologies builds a machine that can chemically convert plastic waste, which currently cannot be recycled, into a hydrocarbon that can be reused in industrial processes</td>
<td>Ecomachines Ventures successfully sold its stake in the business.</td>
</tr>
<tr>
<td>Estio Training offers a range of IT and digital apprenticeship programmes, with existing offices in Leeds, Manchester and London and plans to expand to Birmingham</td>
<td>The company was acquired through an LBO by Palatine Private Equity. Other investments by the £100m Palatine Impact fund include e-Days and Trade Skills 4 U.</td>
</tr>
<tr>
<td>Justgiving is an online charity fund raising platform with over 27m registered users, which has raised over $4.5 billion since inception in 2001.</td>
<td>The company was acquired by Blackbaud for $127.4 million (≈£96.5m) in October 2017.</td>
</tr>
<tr>
<td>Gojimo provides a mobile learning application designed to facilitate students in exam preparation.</td>
<td>The company received early stage funding through ClearlySo and was acquired by Telegraph Media Group in March 2018. Earlier investors included Force over Mass Capital and LocalGlobe.</td>
</tr>
</tbody>
</table>
Identifying social scaleups

The deal analysis offers insights into the level of investment being received by social businesses during 2015-2018.

These are driven businesses who are scaling or aspiring to scale, as can be seen by the fact that many have attracted several rounds of investment in this period.

Some of the social businesses in the dataset were identified as scaleups (growing at least 20% per year). These include Exosect, Justgiving, Sugru, The Behavioural Insights Team, Impact Food Group, and Wholebake.

There are data issues which limit our ability to identify social businesses which are scaleups. For example, Community Interest Companies and Companies Limited by Guarantee are excluded from benchmark indices by the nature of their incorporation model. Additionally, scaleup identification of privately held businesses is only possible based on public records once they meet certain reporting thresholds at Companies House. However, the latest ScaleUp Institute survey showed that three quarters of the businesses that would qualify as scaleups are below these reporting thresholds.
Conclusions

Social businesses are scaling. This offers a real opportunity for the ecosystem to foster growth as well as deal with a range of societal and environmental challenges.

We are now clear from our consecutive Annual ScaleUp Surveys that social businesses demonstrate similar growth rates, turnover and staff count to their peers.

These businesses also have significant ambition and capacity to grow quickly and make a greater impact on society.

Additional focus is necessary to ensure they are able to scale. These businesses require a suite of services to foster their scaleup journeys, in addition to information and services for raising the appropriate type of capital.

As they grow their teams, they look for management skills, business skills, and technical skills. Additionally, social scaleups value mentorship, bespoke social business peer networks and local access to national initiatives.

They point out that too often the standard guidance and support on offer from the private and public sectors is not tailored sufficiently towards social businesses.

On the finance side much is occurring - however there is still much more to be done. While our analysis on the investment made into social business is encouraging given the increase in the number of investments, range of investors and average size from year to year - and the sector itself recognises the work of Innovate UK, British Business Bank and other government initiatives - this report highlights that, in the case of social businesses, scaling up access to finance is more acute than their peers.

This is hindered by unique factors such as concerns from investors around return profiles, concerns around mission drift, and the complexity of different labels or legal structures. In addition, the consistent theme of the need to raise awareness of capital available, as well as broadening the depth of patient capital, is strongly reflected.

Opportunities

There is real opportunity to address these issues and below we explore some of the specific actions that could be deployed if we are to collectively help our social businesses scale even greater heights.

A. Improve financial education and support programmes

As they grow, social businesses value mentorship, social business peer networks and local access to national initiatives. They also look for better access to university and business school infrastructure, as well as continuing access to innovation services.

Programme providers should also seek to acknowledge the different needs of social scaleups and develop offerings that are tailored to them.

When it comes to finance, interviews with businesses revealed that they are not aware of all options available. This finding is supported by comments from advisors. Therefore, there is an opportunity for further education of the social business ecosystem into their options for finance and investment. As the ScaleUp Institute has recommended in its Annual Review, government and industry should ensure progress is made to close the finance gap for scaleups by continuing the work to implement the Patient Capital Review. Growth finance should be included as core curriculum in all local scaleup leadership programmes, enabling them to seek out and secure the most appropriate funding at each stage of their company’s growth. The status of current EU sources of funding needs to be monitored, and replaced as appropriate.
B. Improve data

A data gap exists between investors, businesses, intermediaries and advisors. This poses challenges for monitoring sector activity as well as financial performance over time. With improved data, information on market failures can be addressed and perceptions around risk and return will be clarified.

In addition to data on investments that have been made, data is needed on when business fail to raise capital so that the industry and government can see where more support is needed.

As highlighted in the ScaleUp Institute’s 2018 Annual Review, a verification process with Government should be created to allow stakeholders to verify the scaleup status of a business. This process should also make it easier to identify social scaleups.

C. Create infrastructure to enable more coinvestment

Finding the right capital can be a challenge for social businesses, and it is unlikely that will be a single source of investment for these organisations.

Our analysis shows the variety of different types of investors engaged with social businesses, some with an impact focus and some with a more general focus. Our analysis of investments during 2015-2018 found 21 examples of businesses that have been supported by more than one of the 8 impact-focused UK investors and intermediaries that we sampled. In addition, we found 21 investors without a specific focus on social impact (e.g. Innovate UK, Funding London) who had co-invested at least 4 times in social businesses.

These examples illustrate the importance of businesses receiving support from different organisations at various stages of growth, whether from accelerators and incubators, angel investors, advisors or venture funds.

This points to an opportunity to develop a wider community with improved infrastructure to more readily enable collaboration among investors and intermediaries. This would accelerate the process of raising growth capital for social businesses.

“As the UK government’s economic development bank, we welcome the recent growth in social businesses across the country. It is encouraging to see the growth in this sector not only helping to build a vibrant economy, but also having impact in tackling wider social issues in the UK. The British Business Bank works with several finance partners who are themselves social businesses, and we look forward to seeing the sector continuing to grow and flourish.”

PATRICK MAGEE, CHIEF COMMERCIAL OFFICER, BRITISH BUSINESS BANK
Although there are many organisations focused on investing in social businesses (in fact, the UK has one of the richest ecosystems for impact investing), these can only provide a finite amount of capital. For social businesses to reach their full potential, they need to be able to access capital from the broader market.

Our interviews with entrepreneurs, investors and advisors all revealed that the wide range of labels, definitions, legal structures and return profiles of social businesses causes confusion and makes it difficult for investors to get involved. However, an increasing number of investors recognise that “the social purpose of entrepreneurs can itself act as a driver of profit”.

There are opportunities for both the private and public sectors to participate in increasing access to finance for social businesses and scaleups:

1. Private sector finance providers should be clear about their impact and return goals, helping investees know where they stand. At the same time, they should review their practices to make sure they look beyond the ‘label’ of being social and focus on the business model. Rather than have a negative bias towards impactful business model, they should follow the lead of investors who believe that “the positive impact being created … is what will ensure that they financially outperform typical financing opportunities over time.”

2. The British Business Bank should build on the good work already established through their regional networks, and to continue the provision of education and resources to businesses, including via the Growth Finance Hub. Alongside local scaleup leadership programmes they should ensure that growth finance is framed in a way that enables those with a social purpose to seek out and secure the most appropriate funding at each stage of their company’s growth.

Co-ordinated efforts across the public and private sector will be vital if we are to ensure that our scaling social businesses thrive both in the UK and international environment where they can reach their fullest potential. We must build on the success of what works today, as well as reduce the barriers that continue to exist.
### APPENDIX A:
ESTIMATES OF MARKET SIZE

<table>
<thead>
<tr>
<th>Type of organisation</th>
<th>Social Enterprise(^\text{22})</th>
<th>Mission-led Business(^\text{23})</th>
<th>Socially Oriented SMEs(^\text{24})</th>
<th>B-Corp(^\text{25})</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description</strong></td>
<td>Exists to pursue explicit social/environmental missions and earn money through trade in the marketplace. Earns more than 50% of their revenues from commercial activities. (Organisations earning less than 50% from trading are considered traditional non-profits/charities).</td>
<td>Has a social or environment impact focused mission, and an organisational structure designed to support the mission, including: organisational strategy, governance, operations, investor relations and reporting.</td>
<td>Has social/environmental goals and generates income mainly from trading activities, but doesn’t use surplus/profit mainly to further those social/environmental goals.</td>
<td>B Corps use business as a force for good. They are purpose driven and seek to create value for all stakeholders, not just shareholders.</td>
</tr>
<tr>
<td><strong>Characteristics</strong></td>
<td>Explicit social/environmental mission</td>
<td>Social or environment impact focused mission</td>
<td>Social / environmental goals</td>
<td>B Corps are certified by the non-profit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency. There are more than 1,000 Certified B Corps from 33 countries operating across 60 industries united by the goal of redefining success in business.</td>
</tr>
<tr>
<td></td>
<td>Revenue earned by marketplace trading.</td>
<td>Organisational structure based on mission</td>
<td>Generates income trading activities</td>
<td>Does not commit to use &gt;50% of profit to further the social/environmental goals</td>
</tr>
<tr>
<td></td>
<td>Profit reinvested back into the business and/or community</td>
<td>Thus, revenue tied to mission activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong># in wider UK market</strong></td>
<td>471,000: 100,000 with employees, 371,000 without employees (8.6% of SMEs)</td>
<td>123,000 (2.7% of businesses)</td>
<td>1,212,000 (22.1% of SMEs)</td>
<td>186 UK B-Corp businesses(^\text{26})</td>
</tr>
<tr>
<td><strong>Turnover</strong></td>
<td>£60 billion</td>
<td>£165 billion (4.3% of economy)</td>
<td>Not available</td>
<td>Not available</td>
</tr>
<tr>
<td><strong>Workforce</strong></td>
<td>2 million</td>
<td>1.4 million</td>
<td>Not available</td>
<td>Not available</td>
</tr>
</tbody>
</table>

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\(^\text{22}\) Social Enterprise: Market Trends (2017); Hidden Revolution: Size and Scale of Social Enterprise in 2018 (Social Enterprise UK, 2018); Scaling the impact of the social enterprise sector (McKinsey, 2016).

\(^\text{23}\) In Pursuit of Impact – Mission-led Businesses (Deloitte, 2016).


\(^\text{25}\) [https://bcorporation.net/about-b-corps](https://bcorporation.net/about-b-corps).

\(^\text{26}\) [https://bcorporation.net/directory?search=&industry=&country=United%20Kingdom&state=&city=](https://bcorporation.net/directory?search=&industry=&country=United%20Kingdom&state=&city=)
APPENDIX B: METHODOLOGY

SURVEY DATA
The ScaleUp Survey focuses on high-growth UK businesses. Invitations to participate in the survey are distributed to potential respondents using a database of known scaleups and through organisations that support such businesses.

This report focuses on businesses from the ScaleUp Survey which have a social or environmental mission. To identify such businesses, we used the question: “Do you consider your business to be a social enterprise?”

INTERVIEWS
To explore their identity and understand their barriers to growth, we arranged initial interviews with 11 businesses chosen to reflect a range of regions, industries, and growth stages.

Interviews with 11 businesses that had identified as 'social' confirmed that they were indeed operating for a social or environmental purpose.

Specifically, out of the 11:
• all (strongly) agreed their organisation has a “clear social or environmental mission at the heart of the business, defining why it exists and what it does”;
• 9 had the social/environmental mission reflected in their governing documents (or are working to get it included);
• 7 currently report on their social or environmental outcomes;
• 8 regularly redirect a significant portion of funds/profits to support charitable/non-commercial activities;
• 7 indicated that if the ownership were to change, the new organisation would still have to remain a social business.

This confirms that, by and large, the self-identification question used was an appropriate screen for social businesses, although there were some exceptions.

Several initiatives are helping to set clearer standards for what constitute social businesses (or enterprises). For example, the B Corp accreditation for social businesses applies standards for reporting, accountability, and transparency. Social Enterprise UK has also published criteria for governance, ownership, control and accountability that should be used for labelling social enterprises. For simplicity, we rely on self-identification in the survey and interviews, but note the limitations of this approach.

SOCIAL BUSINESS DEAL ANALYSIS
The chapter on investment in social businesses reviews equity investments received by UK social businesses during 2015-2018. To identify social businesses, we build a dataset using the ‘portfolios’ of intermediaries that focus on investing in social businesses (i.e. ‘impact investing’). Each intermediary uses its own criteria to choose the businesses that it works with, but all of the intermediaries selected have developed a reputation for identifying social businesses in the UK. As a result, we assume that the businesses affiliated with these intermediaries are in fact social businesses.

Barclays compiled the dataset of equity investments used in this report, using data from Beauhurst, PitchBook, Crunchbase and the intermediaries featured. The analysis by Barclays was led by Rareș Pamfil, with support from Aashish Unadkat and Nathaniel Mahlum. The process used to compile this dataset is described in more detail in the analysis chapter.

27 We are grateful for the guidance received from Charlie Wigglesworth from Social Enterprise UK in the development of the questionnaire that was used in these interviews.
28 What makes a social enterprise a social enterprise? Social Enterprise UK. https://www.socialenterprise.org.uk/what-makes-a-social-enterprise-a-social-enterprise
APPENDIX C:
KEY RESOURCES

The Annual ScaleUp Review

British Business Bank Finance Hub
https://www.british-business-bank.co.uk/finance-hub/

State of Social Enterprise Survey

Mission-led business review

Barclays Entrepreneurs Index
https://www.barclays.co.uk/wealth-management/news-and-insight/entrepreneurs-index/
THE SCALEUP INSTITUTE

The ScaleUp Institute is a private sector-led, not-for-profit organisation focused on collaborating with policy makers, corporates, finance players, educators and government at a local and national level.

Our mission is to help the UK to become the best place in the world to grow a business as well as start one, and enable our existing high-growth businesses to scale up even further.