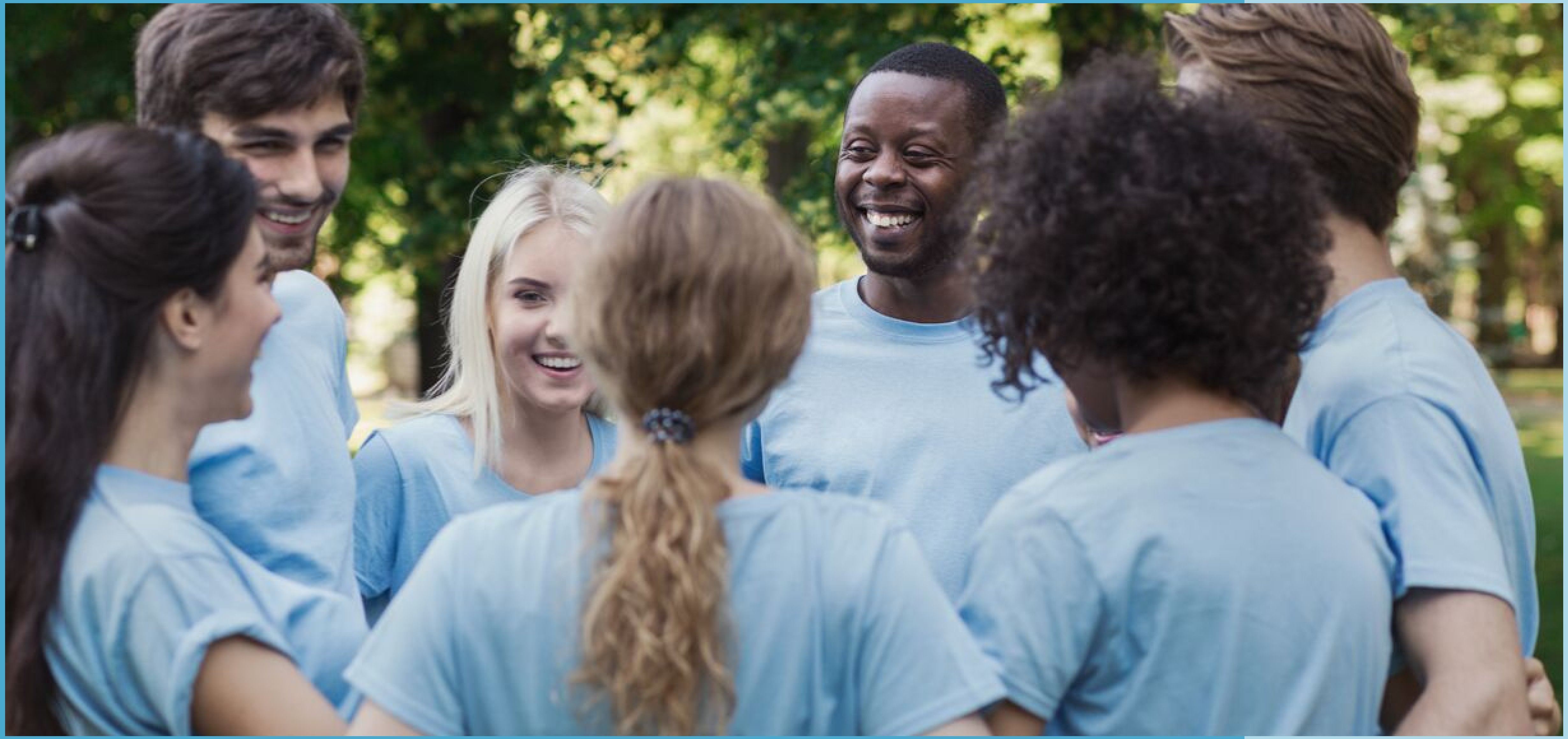
7 Lessons in Social Investment



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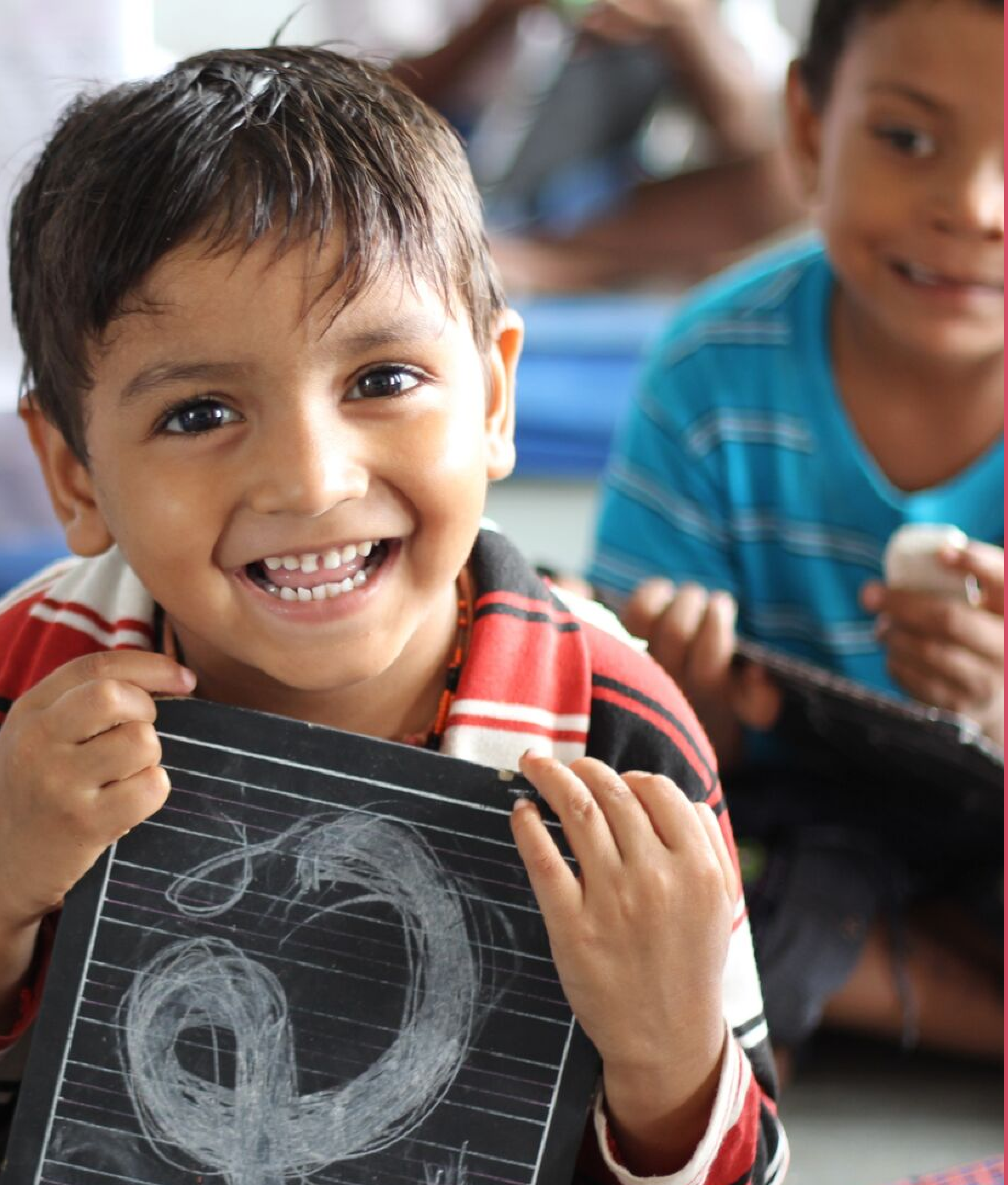
1. Social investment is not free money

It always feels important to dispel any idea that this is grant money.

Your organisation needs to be able to pay the money back.

You need to consider every option first.



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2. Impact matters

Investors ask you to tell them what difference you are going to make with the money they lend you.

Fundamentally, investors invest in people and the impact both you and they care about.

It's important that however you choose to measure your impact, you invest time and resource into doing it carefully.

3. Taking on finance from a social investor is about much more than the money

Ready-made deals almost never land in a social investor's lap.

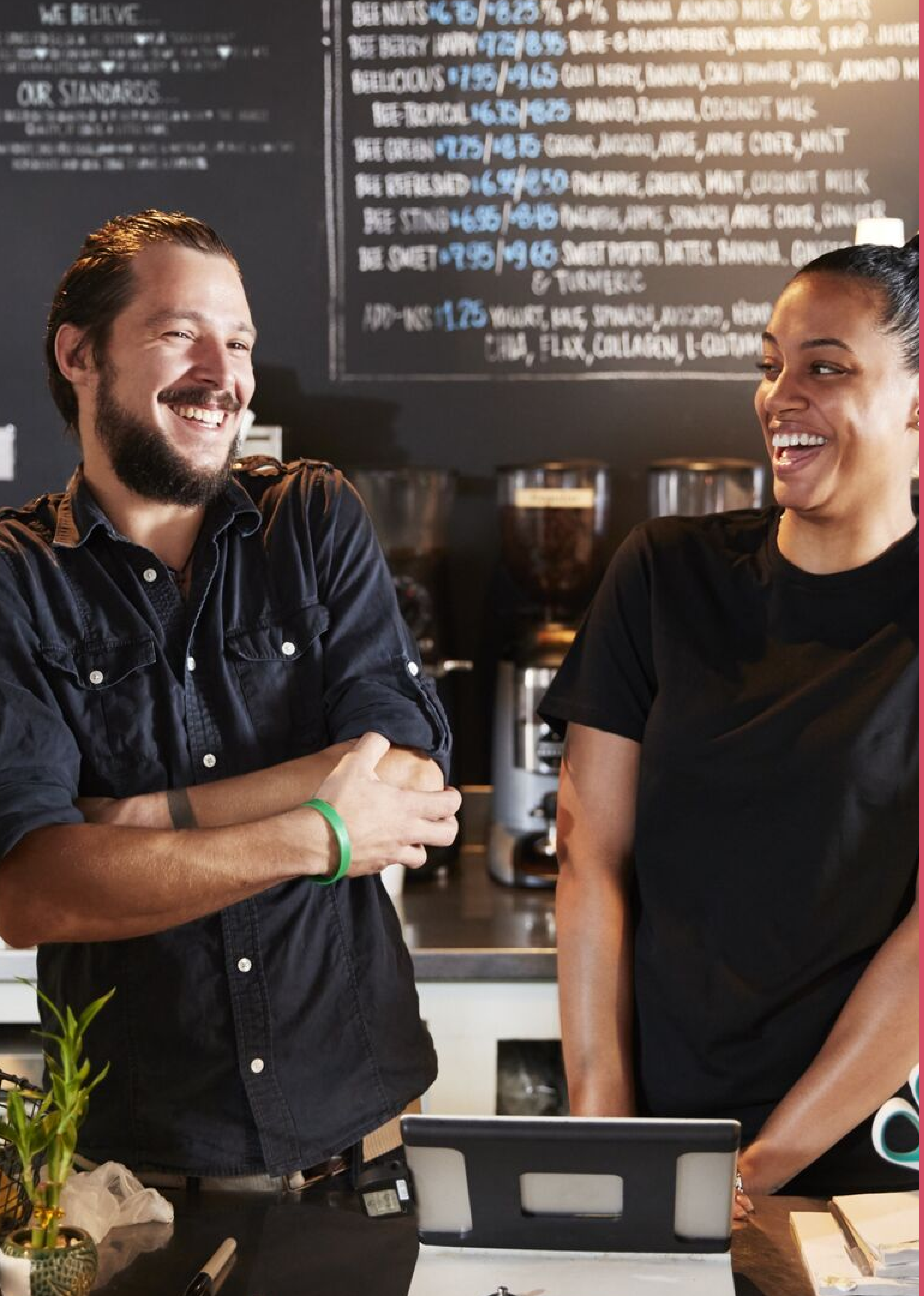
Social investors won't make you try and borrow more than you need or can afford. But social enterprises and charities often underestimate the amount needed (or simply try to cost for the minimum they need to get by when factoring borrowing money).

Often, an investor and investee will work together to support each other on a shared mission.

4. Honesty is always the best policy. If things don't work out as you planned, tell your investor

It isn't in any investor's interest to have an investment fail. So whilst the numbers must stack up for them to be able to lend, it's not unusual for investment terms to be reviewed, loan periods to be extended, capital repayment holidays to be granted and additional support (for the board or executive team) offered.

One of the little known upsides from working with a social investor is that they will help you stress-test your model.



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5. Social investment doesn't always cost less

Social investors don’t all do the same thing. And they don’t all lend the same type of money.

Where social investors get their money from, denotes the amount of risk they can take.

Risk is all about taking a balanced approach: some will pay more; some will pay less and some will be lost!

6. Due diligence isn't fun but it does make your organisation better

You are going to have to know your numbers better than ever before and you'll have to fit this in on top of the day job.

Just don't be afraid to ask for clarity or to challenge what is needed and why, so you are confident that providing more detail is going to be of value both to you and the investor.

7. It always takes longer than you think

Social investors have processes and credit committees who have the decision making power.

And even if these meet monthly, how quickly you are able to supply the information that is needed to complete due diligence will have an impact on timescales.

What we can all agree on is that it takes longer than you think!

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