

# THE BUILDING BLOCKS



## FUND MANAGERS

Building block	Key elements	Identifying features	Identifying procedures
<b>Vision</b> 	Mission and strategy	<ul style="list-style-type: none"> <li>• A social mission with an articulated and understood strategy</li> <li>• Adaptability to learnings and a changed environment</li> </ul>	<ul style="list-style-type: none"> <li>• Beneficiaries are clearly defined, targeted and consulted</li> <li>• Identified risks of not achieving social goals with planned mitigation</li> </ul>
<b>Culture</b> 	Motivation	<ul style="list-style-type: none"> <li>• Board members and staff exhibit organisation's values through behaviour</li> <li>• The willingness to learn from experience and failures in order to improve</li> </ul>	<ul style="list-style-type: none"> <li>• Open communication channels and access to front line organisations</li> <li>• Non- financial rewards to maintain staff satisfaction</li> </ul>
	Collaboration	<ul style="list-style-type: none"> <li>• Trusting relationships amongst staff and board</li> <li>• The willingness to engage with other intermediaries and sector stakeholders, where appropriate</li> </ul>	<ul style="list-style-type: none"> <li>• Internal communications' processes</li> </ul>
<b>Governance</b> 	Strength of board	<ul style="list-style-type: none"> <li>• A diverse, balanced and engaged board</li> <li>• An independent and entrepreneurial chair</li> <li>• The relationship between Chair and CEO</li> <li>• The alignment of the skills of the board to the needs of the organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Process for engaging board in strategy development</li> <li>• Management information measuring progress against strategy</li> <li>• Governance systems to detect and address risks and opportunities</li> <li>• Clear decision making structures and processes</li> <li>• Mission lock [and asset lock] policies</li> </ul>
<b>People</b> 	Recruitment and professional development	<ul style="list-style-type: none"> <li>• High quality recruitment and development prioritised in organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Recruitment and performance management processes reflective of social mission, values and requisite skills</li> <li>• Process for learning and development</li> </ul>
	Staff skillset	<ul style="list-style-type: none"> <li>• Staff capability to adapt and deliver on multi-functional roles</li> <li>• The diversity and skills balance of the senior management team</li> </ul>	<ul style="list-style-type: none"> <li>• Senior management team with mitigated key person risk</li> <li>• The degree that management and team structure reflects size and life stage of organisation</li> </ul>

**Building block**
**Key elements**
**Identifying features**
**Identifying procedures**
**Impact**


Social impact delivery

- Staff experience in planning, measuring and reporting on social outcomes

- Social mission involves clear plan for making a positive difference to identified beneficiaries
- Metrics for tracking impact gathered regularly and used to tailor existing programmes and future investment decisions
- Transparency around impact measurement results

**Effective investment process**


Pipeline and reach

- Staff experience of investment and working with charities and social enterprises
- The understanding of relevant products and interventions for frontline organisations

- Quantitative and qualitative feedback mechanisms allowing adaptation of product offering
- Strategy for pipeline development

Portfolio construction

- Active prioritisation of investment prospects
- Portfolio level thinking and decision making

- Structured process to consider strategic and portfolio fit of investments before due diligence

Assessment and due diligence

- The diversity, balance, level of seniority and chemistry of the investment committee
- Staff and IC members with sector specific knowledge
- The investment committee's understanding of fund's mandate
- Quality of investment analysis and judgment

- Proportionate investment process
- Mechanism to signpost unsuccessful applicants to other funding avenues and maintain relationships
- Feedback procedures with frontline organisations
- Investment policy alignment with organisation's strategy

Monitoring and portfolio management

- Builds ongoing collaborative relationships with investees

- Post investment support including regular reporting framework
- Feedback/complaints system
- Exit strategy
- Relationship managers for each investment

**Business model**


Sustainable business model

- The understanding of competitive landscape and the organisation's competitive advantage
- The willingness and ability to adjust model to meet market's demands

- Identified pathway to growth and sustainability

Building block	Key elements	Identifying features	Identifying procedures
<b>External communications and fundraising</b>	Communication strategy	<ul style="list-style-type: none"> <li>• Capability of articulating USP</li> </ul>	<ul style="list-style-type: none"> <li>• Communications strategy</li> <li>• Brand development</li> </ul>
	Fundraising	<ul style="list-style-type: none"> <li>• Staff experience of fundraising from a diverse range of investors</li> <li>• Degree of understanding of investors' needs</li> </ul>	<ul style="list-style-type: none"> <li>• Contacts within relevant organisations</li> <li>• Process for relationship management and reporting to shareholders/funders</li> </ul>
<b>Operational systems</b>	Data management systems	<ul style="list-style-type: none"> <li>• Systems used across different areas of the organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Data management systems and processes established</li> </ul>
	Legal documentation processes	<ul style="list-style-type: none"> <li>• Understanding of appropriate use of legal documents</li> </ul>	<ul style="list-style-type: none"> <li>• Legal guidance</li> </ul>
	Financial and operational risk management	<ul style="list-style-type: none"> <li>• Proactive and timely risk management</li> </ul>	<ul style="list-style-type: none"> <li>• Reporting on financial and management accounts</li> <li>• System of internal control</li> <li>• Disaster recovery, anti-fraud and recovery and resolution plans</li> </ul>
	Regulatory permissions and controls	<ul style="list-style-type: none"> <li>• Culture of compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory permissions in place</li> <li>• Compliance and risk management planning/actions in place</li> </ul>