

WHAT DOES IT LOOK LIKE **IN PRACTICE**

ADVISORS/ARRANGERS

Building block	Key elements	4 – best in class	3 – good	2 – able	1 – needing development
Vision – compelling social mission and strategy 	Mission and strategy	<p>A compelling, impact driven mission and strategy based on an in-depth understanding of the external context</p> <ul style="list-style-type: none"> • Well-defined social objectives shaping organisation's activities, outputs and outcomes • Comprehensive knowledge of external landscape informed and updated through stakeholder consultation, research and partnerships • Sector and competitor knowledge used to identify and mitigate risks against not achieving social goals • Beneficiaries clearly defined and actively consulted throughout • Management information, evaluating activities against milestones and strategy, regularly reviewed and responded to • Social mission and strategy embedded into investment and communications activity with capability to adapt based on Management Information, changes to external landscape and opportunities 	<p>A clearly defined social mission that guides investment strategy and process</p> <ul style="list-style-type: none"> • Target outcomes defined • Staff and board understand and are able to act upon the mission and strategy • Clear social objectives that are linked to activities and intended outcomes • Understanding of external landscape <i>e.g. social issues, policy and sector stakeholders</i> • Risk of not meeting outcomes understood and mitigated against • Beneficiaries clearly defined and consulted during strategy development • Management Information evaluates activity against strategy • A defined mission embedded into investment strategy and purpose 	<p>Mission broadly defined and strategy being formulated</p> <ul style="list-style-type: none"> • Target outcomes broadly defined • Some link between activity and defined social outcomes • Effort to understand external landscape <i>e.g. social issues, policy and sector stakeholders</i> • Risks of not meeting outcomes broadly understood, but no mitigants considered • Beneficiary groups defined but not consulted • Limited management information to assess against mission • Commitment to embed social mission into investment strategy 	<p>Mission and strategy missing or unclear/ failing to guide day to day operations</p> <ul style="list-style-type: none"> • Target outcomes undefined • Unclear and inconsistent decision making • Weak impact chain with unclear or broken links between activities and social outcomes • Little or no effort to understand external landscape <i>e.g. social issues, policy and sector stakeholders</i> • Risk of not meeting outcomes is not understood or articulated • No clear beneficiary groups identified • Inefficient management information • No plans to embed social mission into investment strategy

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Culture – lived by values encouraging collaboration and transparency


Motivation

Values clearly evident in staff and board behaviours, a culture of looking outwards and striving towards constant improvement

- High levels of staff satisfaction, trust and connection to mission recorded across staff and board in internal staff surveys and feedback
- Frequent opportunities for staff to develop meaningful relationships with charities and social enterprises *e.g. through long term volunteering using skills, through opportunities to sit on the board of charities/ social enterprises*

Values and expected behaviours arising from social mission

- Staff and Board satisfied, connected to mission and trusting of each other – evidenced through staff surveys and feedback
- Some opportunity for connection to mission through charities and social enterprises *e.g. one-off visits to investees*

Attempt to build culture in support of social mission

- Staff and board aware of social mission and broadly act in line with achieving this *i.e. may hear different interpretations of mission and values from different people*
- Early measures of staff understanding and satisfaction but with clear room for improvement *i.e. no regular consultation with staff through one to ones or surveys*

No clear values, underlying culture doesn't effectively support or actively undermines mission

- Behaviours that don't align with social mission
- Lack of measures on staff satisfaction and connection to mission

Collaboration

- Internal processes for sharing information, decisions and learning across all organisational levels *e.g. bulletin emails, intranet, newsletters, staff meetings*
- Management team challenge and constructively work together based on shared mission
- Two-way lines of communication with current and prospective investees and other stakeholders learning from experience and driving beneficial partnerships
- Track record of developing and delivering on successful and mutually beneficial collaborative opportunities that drive innovation

- Internal processes for sharing information across all organisational levels
- Management team exhibit trust and confidence in each other
- Lines of communication and processes for engaging with intermediaries, front line organisations and wider stakeholders
- Some experience of engaging in collaborative projects when approached by others

- Some cascade of information across the organisation
- Management team meetings run efficiently but evidence of breakdown in communication and decision making channels

- Lack of communication across teams and stakeholders
- Dysfunctional management team with clear lack of trust with each other

Building block	Key elements	4 – best in class	3 – good	2 – able	1 – needing development
Governance – balanced, diverse decision makers working within clearly defined processes	Strength of board	Articulated, understood and adaptive process for decision making and accountability based on understanding of mission and balanced, diverse perspectives <ul style="list-style-type: none"> • Clear process for engaging board in the development of long term strategies not just the sign off • Sufficient diversity on board and governance committees <i>e.g. equal gender balance, mix of ethnicity etc.</i> • Board members have complementary skillsets aligned with the mission of the organisation <i>i.e. social sector, impact, financial and policy experience</i> • Board supports management team constructively to achieve mission • Effective working/mentoring relationship between chair and CEO – chair thinks independently of CEO with strong understanding of mission and strategy • Good chemistry amongst board members with honest and constructive conversations welcomed – all voices heard • Board and committee meetings run with clear objectives and follow up procedures 	Articulated, understood processes for decision making and accountability based on multiple perspectives <ul style="list-style-type: none"> • Board has some level of engagement in development of strategy – could go further • Some diversity on board but with further room to improve • Complementary skillsets amongst board members and solid understanding of strategy • Effective relationship between Chair with CEO • Governance systems to detect and address risks and market opportunities • Some mission lock (or asset lock) procedures based on reasonable best efforts 	Some process for decision making and accountability based on some relevant perspectives <ul style="list-style-type: none"> • Board with some diversity and of experience inside or with social sector. Most board members' commitment to sector aspirational rather than evidenced. Expertise bought in when not in-house • Early evidence of or commitment to developing governance systems for addressing risks and market opportunities • Assets locked for process of investment but no long term lock of assets for social use • Lack of social impact focus/ expertise at board level • Chair manages board effectively but does not provide proactive support/challenge to CEO 	Unclear process on accountability and decision making with bias towards limited number of perspectives <ul style="list-style-type: none"> • Board lacking in diversity, experience and skills not aligned to mission or aware of strategy • Unconstructive relationship between chair and CEO • Social mission is incidental to the Governance and investment conditions of the intermediary



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- Social mission is locked into articles and investment terms
- Assets locked to secure and maintain their benefit for the social sector
- Established governance systems to detect and address risks and opportunities

People – adaptive team, that is supported and rewarded in delivering mission


Recruitment and professional development

Mission relevant, actioned and proportionate recruitment and performance management processes

- Effective recruitment process that results in organisation attracting right balance of staff and level of experience *i.e. investment, social sector, impact management, policy development, HR*
- Sufficient staff diversity *e.g. equal gender balance, mix of ethnicity, etc*
- Mitigated key person risk in place *i.e. systems and training for all staff, succession planning, shared knowledge banks, outsourcing where needed*
- Staff actively encouraged and supported to seek out learning and development opportunities in line with mission *i.e. allocated budget and time for learning and development*

Clear recruitment and performance management processes

- Recruitment process clearly aligned with social mission
- Some diversity among staff but with further room to improve
- Emphasis on learning and development with allocated budget
- Non-financial rewards offered to staff on an ad hoc basis
- Established means of recognising staff performance Good retention *i.e. average turnover rates c. 20%*

Evidence of/commitment to develop recruitment and performance management processes

- Process for recruiting and managing staff aligned with delivering social mission
- Limited staff diversity but with recruitment processes aiming to increase diversity
- Key investment roles filled but staff have limited direct experience of working with/for the social sector
- Early, inconsistent recognition process (unstructured ways of offering learning and development opportunities)
- Below average staff retention *i.e. >30%*

Lack of clear recruitment and performance management processes

- Recruitment of staff not aligned to mission and strategy
- Bias towards one type of perspective/experience
- Non-diverse staff team
- Lack of emphasis on learning and development – no budget allocated
- Poor recognition and retention *i.e. <1 year common, >30% turnover*

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- Culture of recognising achievement and promoting staff
- Frequent and proactive offers of non- financial rewards to staff *e.g. regular social events, extended annual leave*
- High retention *i.e. low turnover rates - c. 15%*

Staff skillset

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| <ul style="list-style-type: none"> • Adaptive, entrepreneurial, 'solutions focused' staff from variety of relevant backgrounds <i>e.g. mixture of financial, social, fundraising and impact measurement</i> • Management team with complementary strategic, pragmatic and entrepreneurial skillsets, with proven track records of success and delivery • Management team structure proportionate to life-stage and size of organisation, regularly reviewed to ensure fit for purpose | <ul style="list-style-type: none"> • Staff with a mixture of experience, capable of adapting skills to multi-functional roles • Balanced, effective senior management team with good working relationship amongst members • Management team structure fits with life-stage and size of organisation | <ul style="list-style-type: none"> • Management with experience of sector and capacity to deliver • Some staff track record of delivery in sector or field • Management team structure broadly aligned to organisational size – little evidence of a designed structure in response to organisational life-stage or strategy | <ul style="list-style-type: none"> • Management with no experience of sector or limited capacity to deliver mission • Weak staff track record of delivery in the social sector • Management team structure and size disproportionate and unhelpful to life-stage of organisation (unsuitable number of managers per overall workforce) |
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Impact – clearly defined metrics, regularly reported and acted upon



Social impact delivery

Established impact measurement and assessment regularly reported and used to steer strategy and offering

- Dedicated, experienced resource to lead on design and reporting of social outcomes

Evolving impact assessment and measurement used to steer strategy

- Staff experienced and committed to designing and reporting on social outcomes but no dedicated resource

Impact measurement in development

- Some/limited staff experience in designing and reporting on social outcomes

Lack of or unclear impact measurement that is unconnected to activity and decision making

- Lack of staff experience in and commitment to planning, measuring and reporting on social outcomes

Building block	Key elements	4 – best in class	3 – good	2 – able	1 – needing development
		<ul style="list-style-type: none"> • Impact evaluation given same weight as financial return in investment decision making – capital weighted towards interventions with direct impact on beneficiaries • Beneficiaries are consulted on impact metric design – all targets are realistic and relevant • Established, evolving templates or tools for impact reporting allowing for comparison across portfolio and the sector where possible • Regular and proportionate reporting frameworks in place – overall impact published at least annually using on-going, track-able measures • Impact measurement results (both good and bad) used to steer organisation, investee strategy development and wider sector growth towards depth and breadth of social impact • Comprehensive set of targets for impact reporting in legal documentation • External auditing – use of independent organisation to verify and constructively challenge social impact reporting 	<ul style="list-style-type: none"> • Impact evaluation given same weight as financial return in investment decision making • Beneficiaries are consulted – targets are mostly realistic to the beneficiaries' needs and expectation of social impact • Established templates or tools for impact reporting allowing for comparison across portfolio • Reporting of measures regular and proportionate – publishing of overall impact at least annually • Impact measurement results (good and bad) used to steer organisation or investee strategy development • Comprehensive reference to impact reporting in legal documentation 	<ul style="list-style-type: none"> • Impact evaluation part of investment decision making but not as integrated as financial return • Beneficiaries are consulted – some planned indicators are standardised, specific, or address things practical or important to the beneficiary • Some templates or tools for impact reporting • Reporting of measures at individual level • Impact measurement starting to inform organisation or investee strategy development • Reference to impact reporting in legal documentation • Internal auditing – consideration to impact measures and reporting 	<ul style="list-style-type: none"> • Impact evaluation not part of investment decision making • Beneficiaries are not consulted – few or none of planned indicators are standardised, specific, or address things practical or important to the beneficiary • No templates or tools for impact reporting • No or inconsistent reporting inside and outside organisation – lack of transparency • Impact measurement not used to steer organisation or investee strategy development • No reference to impact reporting in legal documentation • No independent auditing – no consideration of defensibility of impact reporting

Building block	Key elements	4 – best in class	3 – good	2 – able	1 – needing development
<p>Business development – established forward looking process for business development with high conversion</p> 	<p>Strong pipeline and conversion rates</p>	<p>Business development aligned with strategy and shaped by market demand and feedback</p> <ul style="list-style-type: none"> • Strong networks in place to deliver on a strategic and coordinated approach to business development • Quantitative and qualitative research with frontline organisations, commissioners, foundations and funders regularly conducted and debriefed leading to product and project refinement • Willingness to and evidence of long term, strategic partnerships based on clear, shared objectives that support business development and quality project delivery • Clear process for learning from activities and market testing <i>e.g. using partnerships to test new approaches, use of CRM platforms for testing sales funnel to understand where deals are most likely to fall down</i> • High success rates of projects leading to investments being made • Projects scoped and taken on based on organisation’s needs and the likelihood of investment 	<p>Established business development tools and processes aligned with strategy</p> <ul style="list-style-type: none"> • Structured approach to pipeline based on priorities and feasibility • Structured feedback and research on market <i>e.g. with frontline organisations, commissioners, foundations and social investment funders</i> • Willingness to and evidence of partnerships based on clear, shared objectives that support business development • Some market testing – process of capturing learnings and adapting activity to meet market needs <i>e.g. understanding where deals are most likely to fall down and making adjustments</i> • Some success rates of projects leading to investments being made 	<p>Evidence of or commitment to developing business development tools and processes aligned to meeting strategy</p> <ul style="list-style-type: none"> • Moving from reactive to proactive approach to pipeline • Starting to build market understanding through ad hoc feedback <i>e.g. with frontline organisations, commissioners, foundations and social investment funders</i> • Early attempts to build partnerships – may be short term or limited in scope • Intent to capture learnings but done in an ad hoc manner 	<p>Little or no structured process around business development</p> <ul style="list-style-type: none"> • Piecemeal approach to pipeline, high resource investment for low conversion rate • No feedback procedures or research to understand market <i>e.g. with frontline organisations, commissioners, foundations and social investment funders</i> • Little evidence of building partnerships to develop the market and business • No established process for market testing <i>e.g. understanding where deals are most likely to fall down</i>

Building block	Key elements	4 – best in class	3 – good	2 – able	1 – needing development
Business model – sustainable growth based on understanding of beneficiary needs and competitive landscape 	Sustainable business model	Proven, sustainable business model that adapts to and invests in the development of the market <ul style="list-style-type: none"> • Comprehensive understanding of competitor landscape and competitive advantage • Proven path to growth and sustainability • Core activities fundamental to social and financial performance • Products/services designed with input from charities and social enterprises to ensure relevance • Detailed understanding of cash flow flexibility/constraints in adapting business model to changing environment 	Developed business model that delivers sustainable growth <ul style="list-style-type: none"> • Understanding of competitor landscape and organisation’s competitive advantage • Clear plan path towards growth and sustainability • Organisational activities expect both social and financial outcomes • Products/services are accessible, affordable and inclusive 	Developing model based on understanding of external landscape <ul style="list-style-type: none"> • Some analysis of competitive landscape and competitive advantage • Plan for growth and sustainability • Organisation activities have financial and social focus • Products, services with some but limited take up 	No clear model or logic behind activity <ul style="list-style-type: none"> • Lack of understanding of competitor landscape and organisation’s competitive advantage • No clear path to growth and sustainability • Organisation can perform financially without delivering social outcomes • Products/services are not accessible, affordable and inclusive
External communications and fundraising – strategies based on clear understanding of mission, beneficiaries, audience and investors 	Communication strategy	Clear, consistent, strategic communication based on sector and investor insights, building long term presence <ul style="list-style-type: none"> • Defined, clearly communicated and regularly reviewed competitive selling points • Information on products and services shared effectively and in easily digestible formats to targeted audiences • Clear, distinct, credible brand recognised in immediate sector and beyond <i>e.g. tracking brand awareness and perception</i> 	Planned, consistent communications structured around organisational activity and strategy <ul style="list-style-type: none"> • Defined and clearly communicated competitive selling points • Information on products and services shared effectively and in easily digestible formats • Investment into longer term communications strategy and brand • Well recognised, credible brand in the sector 	Planned communication reacting to short term initiatives and outside activity <ul style="list-style-type: none"> • Failing to define or communicate competitive selling points • Growing recognition and credibility as brand in the sector 	Unclear or inconsistent communication about organisation and purpose <ul style="list-style-type: none"> • Failing to define or communicate competitive selling points • Lack of brand development • Communications are predominantly reactive or short term, little investment into longer term market championing and brand building

Building block	Key elements	4 – best in class	3 – good	2 – able	1 – needing development
		<ul style="list-style-type: none"> • Brand strategy aligned with social mission • Senior management team have track record in effectively communicating organisation’s vision and successfully raising funds 			
Fundraising		<ul style="list-style-type: none"> • Clear understanding about investors and investees need through experience and feedback <i>i.e. including rate of return needed/ desired, product structure and investor reporting requirements</i> • Established relationships/ meaningful contacts within relevant organisations – structured process for updating/hearing from investors on regular basis • Staff with proven experience of fundraising from a diverse range of investors – foundations, social investors, corporates, the government 	<ul style="list-style-type: none"> • Clear understanding of investors and investees’ needs <i>i.e. rate of return, product structure, reporting requirements</i> • Established relationships within relevant organisations • Staff experience of fundraising across sectors – may be more comfortable in a few chosen fundraising routes 	<ul style="list-style-type: none"> • Growing understanding about investors and investees, may be one dimensional or siloed • Building relationships/ meaningful contacts within relevant organisations • Some staff experience of fundraising across sectors – heavy reliance on particular fundraising routes or investors 	<ul style="list-style-type: none"> • Lack of understanding about investors and investees, needs of the market • Lack of relationships/ meaningful contacts within relevant organisations • Limited or no staff experience of fundraising across sectors

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Operational systems – considered, proportionate legal, financial and portfolio management procedures



Data management systems

Systems in place across different areas of the organisation (either internally or outsourced) to:

track and monitor investments (loan book management), track client relationships (CRM), manage financials, pay roll and back office requirements

- Clear, established processes for data management to go alongside established systems – practiced by all staff

Systems in place across the organisation (either internally or outsourced) to:

track and monitor investments (loan book management), track client relationships (CRM), manage financials, pay roll and back office requirements, but somewhat ineffective and duplication common

- Process alongside systems – may be followed in a piecemeal way

Some limited systems in place (either internally or outsourced) to:

track and monitor investments (loan book management), track client relationships (CRM), manage financials, pay roll and back office requirements

Very limited systems in place (either internally or outsourced) to:

track and monitor investments (loan book management), track client relationships (CRM), manage financials, pay roll and back office requirements, but somewhat ineffective and duplication common

Legal documentation processes

- Legal advice actively sought and secured when needed based on understanding of appropriate use of legal documents

- Access to suitable standardised templates, where appropriate

- Legal advice reactively sought and secured when needed

- Legal advice only sought when required by investors and in a minimal capacity

- Legal advice sought and secured too late, often delaying transactions

Financial and operational risk management

- Proactive, accurate and timely financial risk management including: *reporting of financial and management accounts, system of internal control, disaster recovery, anti-fraud and recovery and resolution plans*

- Clear operations manual in place, that's been tested and verified
- Effective valuation committee/ mechanisms

- Accurate financial risk management including some if not all of the following: *reporting of financial and management accounts, system of internal control, disaster recovery, anti-fraud and recovery and resolution plans*

- Operations manual in place
- Valuation committee/ mechanisms

- Reporting of financial and management accounts but problems have occurred in the past

- Operations manual in development
- Limited valuation committee/ mechanisms

- Frequent problems with reporting of financial and management accounts
- No clear operations manual
- Ineffective/ no valuation committee/mechanisms

Building block	Key elements	4 – best in class	3 – good	2 – able	1 – needing development
	<p>Regulatory permissions and controls</p>	<ul style="list-style-type: none"> • All appropriate plans in place, with knowledge of procedures shared across the organisation • Organisation proactively strives for best regulatory practice, regardless of permissions in place – culture of compliance 	<ul style="list-style-type: none"> • Compliance practices in place • All appropriate plans and regulatory permissions in place 	<ul style="list-style-type: none"> • Minimum compliance practices in place • All appropriate plans and regulatory permissions in place 	<ul style="list-style-type: none"> • Difficulty with compliance practices • Intention to get appropriate plans and regulatory permissions in place