



Good Deals Conference, Barbican Centre, London

24th November 2011

Good Deals is the leading UK impact investing conference, bringing together social entrepreneurs and investors to get good deals done. This year's conference was at London's Barbican Centre and kicked off with an excellent interview of Muhammad Yunus, founder of [Grameen Foundation](#) by Liam Black, founder of [Wavelength](#) and former head of Jamie Oliver's restaurant social enterprise chain, [Fifteen](#).

This was followed up by speeches from the Minister for Civil Society, Nick Hurd, a session on 'Igniting the Market' where investors such as Nick O'Donohue, CEO of Big Society Capital, discussed the range of major funds now up and running for social enterprises, workshops and more.

See below for a round-up:

Nick Hurd, Minister for Civil Society



The UK Government is trying to open up public services to make them more responsive and citizen-centred. Social enterprises and charities only win 2% of public sector contracts across the UK. That's just not good enough and the UK Government is exploring ways of removing the barriers.

One big problem is that there is a "massive culture of risk aversion" in the public sector. There needs to be a big culture change in the public sector. He said that he was working on new procurement and commissioning models to **ensure that procurers and commissioners award intelligently and in a way that is joined up with the policy directives set out by government**. And he wanted to cut red tape and make life easier for small businesses and social enterprises.

Mr Hurd emphasised the **importance of measuring social impact**. He said that with the cut in public expenditure and the subsequent reduction in grant funding and public contracts, the awarding of contracts will be more and more competitive. So social enterprises need to stand out – their USP is their social impact. We have to make it clear that awarding contracts to effective and capable social enterprises is worth it because a) they can and will deliver and b) they offer the greatest overall community benefit. He recognised that measuring social impact was not easy and can sometimes be

a costly and time consuming project. To help overcome this, the UK Government was looking at simplifying the process.

He said that it was important that there are **effective links between ‘for profit’ and ‘not-for-profit’ companies** and mentioned the relationship between Danone and Muhammed Yunis. He said that there were a lot of private sector businesses who wanted to help out and many big companies were expanding their Corporate Social Responsibility activities. Seconding people from the private sector (Tesco, Deloitte, etc) to help mentor social entrepreneurs and help in business incubation could be hugely beneficial.

Access to capital – Banks don’t really understand the social economy. We need to bridge the gap and put pressure on financial institutions to get up to speed and to invest in social enterprises.

Social investment is the next big thing and the UK Government wants to help promote and grow social investment. Social Impact Bond and Asset Transfers are big opportunities and the UK Government supports both. Mr Hurd said that the UK Government is looking at what it can do in terms of tax and regulation to make social investment more appealing. And social enterprises themselves have to be more attractive to investors so we need to make the sector more ‘investment ready’. To this end the UK Government has set up [‘investment ready finance’](#) for social enterprises to access.

Nick Hurd said that people want to associate business with their communities. Many are fed up with greed. Young people in particular identify with ‘ethical’ brands. Some politicians talk of a ‘lost generation’ but Mr Hurd suggests that this generation could be the most entrepreneurial, and if we get it right, that means the most socially entrepreneurial.

Nick O’Donohue, Chief Executive of Big Society Capital



Nick O’Donohue gave an update on the development of [Big Society Capital](#) and said that they hoped to be fully operational by spring next year.

The principal source of capital is dormant accounts. They have been given clearance to transfer money from these accounts to Big Society Capital. The big four clearing banks (Barclays Bank, HSBC, Lloyds Banking Group and RBS) have also provided £200 million which has meant that Big Society Capital will have an overall investment pot of some £600 million.

There are still a few hurdles to get over including the need for an exemption from EU State Aid rules and regulatory authorisation from the FSA. He said that the social economy is now on the agenda in Brussels so he was confident that they would support the exemption.

Nick talked about the establishment of the 'Social Stock Exchange' and also spoke about social franchising opportunities. Big Society Capital is fully behind the Social Stock Exchange and wants to support social franchising.

What do investors want?

Investors and social entrepreneurs don't always see eye to eye. Despite reports of billions flowing into social investment, both sides can get frustrated with the process. Nonetheless, good deals are being done. Paul Cheng, head of CAF Venturesome finds out from Faisal Rahman how he secured a multi-million pound investment from a mainstream bank, and speaks to Phil Conway, CEO of Cool2Care and Edward Siegel, Director of Investments at [Big Issue Invest](#) on what was key to their successful deal.

Why did Big Issue Invest invest in Cool2Care?

Ed Siegel: The company had a good track record, Phil had a strong business background, they provided a service people wanted to buy, the projections looked good and Cool2Care already had some good investment partners which strengthened their position.

Phil Conway: We are always learning and I've had lots of knock backs in the past. It's important to have a good working relationship. I felt that I could talk frankly and honestly. Ed was approachable and I actually felt that I could bounce ideas off him and then make adjustments to the plan. Don't stick rigidly to a plan.

Ed Siegel: The common mistakes entrepreneurs make are over optimistic sales projections and more often than not things take longer than you first expected.

How do you make your investment decisions?

Ed Siegel: We get lots of enquiries but we can only deal with 10% of them. We have to be very picky. If an enterprise is growing and moving in the right direction then we'll probably invest. If they are half way there we'll tell them that and ask them to come back to us with a reworked proposal. Being rejected is good for companies because you get to re-evaluate.

Faisal Rahman: On the flip side, as someone who was looking for investment in the beginning, we spent 2 years testing the metrics. We negotiated with banks for capital injections and that meant I was interviewed a lot and I realised that they were interested in me. In many ways they were investing in me so they wanted to do their homework on me to make sure I was fit to do the job. Then in terms of acquiring working capital they were much more interested in the numbers and our track record. Investors really nailed the numbers. You can't get away with just saying we're a social enterprise. That won't get you through. You and your business have to be a credible investment opportunity.

What's the most important thing you learned in the process?

Faisal Rahman: Under promise and over deliver. And 80% of the investors we spoke to wasted our time. The other 20% I wished I had spoken to 80% of the time!

5 Top Tips when looking for social investment

- 1) Early stage – get a bit of a track record under your belt before approaching investors. Investors will take you more seriously – it's their money you are risking
- 2) Pitch with confidence – get the numbers right, make sure you know what you're talking about and say it with energy and confidence. Then get ready for the long haul
- 3) Understand your investor – they probably won't value social aims like you do so don't focus in on that. They want to hear how you are a viable business first. Social aims may well interest them but it won't be the reason they will invest.
- 4) Understand where you're going – think strategically and plan for the long term
- 5) Make sure your business model works and your business plan is sound – investors will go over both with a fine tooth comb and will pick out any inconsistencies.

And remember....social investment is not a soft touch. Investors will look to protect their investment and minimise losses. You have to be aware that if things don't go according to plan or targets and returns aren't met consistently, there is the very real possibility that investors will pull back.

Close encounters of the corporate kind

Corporate social responsibility has moved on. A growing number of forward-thinking corporates recognise that sustainability, responsible business and social innovation are more powerful when they form part of the core business offering rather than sitting to one side. To invest in their own future they must also invest in the future of communities and the planet.

In this session we look at leading edge examples of corporate social innovation, through the eyes the corporates and their partners in the civil society arena.



Simon Watson, Head of Community Affairs, Royal Bank of Scotland

RBS put a new management team in place in 2008 and have focused on 3 things:

- 1) Balance sheet readjustment
- 2) Reconnecting with customers and with society as a whole
- 3) Accepting criticism that the Bank had become detached from communities

He said that RBS was quietly getting on with its corporate social responsibility activities and was reshaping the business. An example was MoneySense, a [new programme for financial literacy](#) across the UK.

To RBS social investment becomes sustainable when you align it with business ideals. A company existing simply to make profits for its shareholders is a 20th Century business model. It's no longer fit for purpose.

Mark Lloyd-Davies, Senior Director for Government Affairs & Policy, Johnson and Johnson

Johnson and Johnson's [credo](#) is central to the company's development and decision making. It's more than just a mission statement or moral compass – it's a recipe for business success. Johnson and Johnson have had a credo since 1943, long before anyone had heard of the term 'corporate social responsibility' and challenges all employees to put the needs and well-being of the people they serve first. The focus is on patients, customers and communities.

Johnson and Johnson is sticking to the credo and they are encouraged that other companies are beginning to think about sustainability.

They do have to make tough decisions – in the good times they give out surpluses. In the bad times they bunker down and focus on getting through it.

The credo informs everything the company does – they recalled a product at a cost of hundreds of millions of pounds because of a packaging problem. There wasn't a health risk but it went against the principles set out in the credo so the item was recalled. It's not just fluffy words.

Johnson and Johnson support the work of social enterprises and want to see the sector grow. Mark Lloyd-Davies said that social enterprises are radically different to charity funding – there is pump priming at the beginning but successful social enterprises are self-sustaining in year 3/4.

Bob Thust, Head of Corporate Responsibility, Deloitte

The long term goal for him is for Deloitte to be recognised as one of the most responsible and sustainable businesses in the world. He looks to Danone for inspiration – each Senior Executive has three KPI's – social, financial and environmental impacts.

Bob Thust said that his ultimate goal was to see the gradual decline of CSR in favour of a recalibration of traditional business models towards a triple bottom line. He said that Danone got rid of its CSR Department because the company as a whole operates on a triple bottom line. That's his goal for Deloitte – "I win when I get fired!"

Bob talked about Deloitte's [Social Innovation Pioneers Programme](#) which was launched with Mohammed Yunis the previous day. The programme aims to find 50 social enterprises and community enterprises who Deloitte can help develop (through mentoring, access to full range of Deloitte services and departments, etc). He encouraged social entrepreneurs in the audience to

apply and said that he hoped that both the recipients and Deloitte themselves learn a lot from the experience with employees at Deloitte getting to know more about social businesses and social enterprises learning more about Deloitte and gaining from its expertise.