

LaunchMe

A model for scaling up
ambitious social enterprises
through social investment





Social enterprises now make a major economic contribution. The continuing, long-term priority of achieving a more balanced economy is driving a broader and more diverse business base. This implies a growing need to foster social entrepreneurship, increase the rate of social enterprise formation, and encourage more diverse forms of business ownership.

SCOTLAND'S SOCIAL ENTERPRISE STRATEGY 2016 – 2026

Introduction

Firstport's pioneering social investment accelerator, LaunchMe, makes a significant and unique contribution to the achievement of Scotland CAN DO's aspirations and Scotland's Social Enterprise Action Plan. Commissioned and funded by the Big Lottery Fund, it does this by raising ambition, building a strong pipeline of social enterprises, and facilitating scale up. LaunchMe is one of several Firstport programmes that stimulates social enterprises and develops stronger relationships.

As the infrastructure for social innovation has grown in Scotland, so too have the opportunities for creative, business responses to social problems. Firstport has been a key player in facilitating a culture of people-powered innovation for more inclusive economic growth, giving potential social entrepreneurs the confidence, skills and resources to address issues they see within their local communities¹. The social enterprise sector in Scotland has reached a level of maturity that allows for real economic influence (contributing over £2 billion to the economy each year)², but many successful social enterprises still face barriers to accessing capital that would stimulate the exponential growth of the sector, nationally and internationally.

The Scottish Government's Social Enterprise Strategy seeks to capitalise on the sector's strength and realise its potential, by breaking down the barriers to growth, driving ambitious social innovation, and connecting high-potential social enterprises with the right support, networks, tools and market access to flourish at scale.

We work with partners including the Big Lottery Fund, the Scottish Government, Highlands and Islands Enterprise, local authorities, private trusts and high-net worth individuals through a range of delivery models to foster and enable social entrepreneurship across the whole of Scotland.

This report summarises learning and impacts from the last three years of LaunchMe, in relation to supporting early-stage social enterprises to scale up through social investment.

¹ Firstport's ten year report, 'Learning to Start Something Good: Firstport's 10 year adventure with social entrepreneurs' (July 2017) summarises our experience and track record of stimulating social entrepreneurship in Scotland.

² Social Enterprise in Scotland: Census 2017

LaunchMe

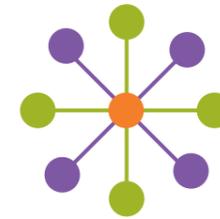
A model for accelerating growth

LaunchMe is an accelerator designed to grow social enterprises in Scotland. Commissioned by the Big Lottery Fund and launched by Firstport in 2014, the programme recognised that, while many social entrepreneurs are locally focused, some have the potential and ambition to do much more.

Between 2014 and 2017, three groups of social enterprises have been selected to participate in the programme, which is delivered over four distinct phases.

LaunchMe presented an opportunity to explore and test new approaches to supporting early stage social enterprises to:

1. secure investment
2. scale successfully and
3. create increased social benefit



FindMe
Application phase:
Marketing and inspiration to attract ambitious entrepreneurs.

86 applications

57 eligible

ChooseMe
Selection phase:
Applicants assessed and selected, group pitch to Expert Panel; Group appointed and seed funding awarded.

32 social enterprises pitched to Expert Panel

22 participants selected over 3 groups

£458,056 in seed funding awarded

ConnectMe
Investment readiness phase:
Intensive business support and introduction to potential investors; pitching for match funding.

8 social enterprises (from groups one and two) secured £596,700 from private investors

£110,000 raised from Social Investment Scotland

£437,000 match funding awarded to groups one and two

LaunchMe
Growth phase:
Business mentoring, performance management and implementation of growth plans.

ATTRACTING INVESTORS

LaunchMe has also contributed to a changing marketplace for investment in social enterprise in Scotland. One of the greatest successes of the programme has been to nurture a pool of engaged, interested private investors who had never been involved in social enterprise before. Read more in our previous report: 'What we know: Engaging with new social investors.'



I'm doing things that I wouldn't even have imagined.

LAUNCHME PARTICIPANT

Impact

In three years, LaunchMe has made significant progress towards core outcomes.

Outcome 1

Early stage social enterprises secure investment

What we've learnt...

- The accelerator model has been successful in supporting social enterprises to secure private investment.
- Match funding is a highly attractive element of the pitch, and has often been the lever to attract private investors.
- LaunchMe has been critical to increasing access to private investment.

...and what we'll do

Deepen relationships with investors

- Targeted approaches to high net worth individuals in participants' local communities and untapped angel networks.
- Strengthen non-financial support based on learning about what investors respond to.

THE ATTRACTION OF MATCH

LaunchMe played an important role in mobilising external investment through the provision of match funding. The match grant acts like equity – it offers capital at reduced risk, as business growth is not based solely on debt. This offers a more stable proposition for both investor and investee.



£437,000
match funded
by grants

Outcome 2

Early stage social enterprises successfully scale³

What we've learnt...

- While there is evidence that social enterprises are scaling, we need a more sophisticated model to consistently track growth at early stages of scale up⁴.
- Growth takes time. Support agencies need to work carefully with social enterprises to motivate and maintain progress until tangible results (turnover, job creation, output) are realised.

...and what we'll do

A new model for measuring early-stage growth

- Securing investment and scaling up is hard work. It's vital that social entrepreneurs are motivated and supported during this time, when traditional measurements of growth may not give them overnight results.
- We are working with the third group, alongside Arrivo Consulting, to co-create bespoke key performance indicators to demonstrate early-stage growth, for better performance monitoring.

£110,000

invested by Social Investment Scotland

Outcome 3

Early stage social enterprises create increased social benefit

What we've learnt...

- There is early evidence of some increase in social benefit across all of the social enterprises – more so in those that have achieved scale - though progress is difficult to measure.
- While there is qualitative evidence that social enterprises are increasing the scale of activities which deliver social impact; social enterprises still struggle to embed consistent and effective mechanisms.

...and what we'll do

More support for busy social entrepreneurs to measure complex social impact

- Help social enterprises take advantage of social impact measurement tools.
- Help participants monitor progress towards social outcomes during scale up and beyond the life of the programme, using a simple framework.

³ Data from groups 1 and 2 only.

⁴ Evidence suggests that most accelerators will not realise increased turnover amongst participants until years 3 or 4 after programme completion.

19 new jobs created
as a result of investment

19 volunteer or work placement
opportunities created



2 Market development

Taking social enterprises on a journey towards growth



Over the last 10 years, Firstport has built up a unique portfolio of programmes to stimulate, nurture and support aspiring social entrepreneurs to turn their ideas into functioning businesses.

Businesses need different types of support, both financial and non-financial, at different stages in their life cycle. Firstport works with social entrepreneurs from first concept to business replication to growth, delivering several programmes on behalf of other agencies that have been critical to pipeline development. In particular, the Social Entrepreneurs Fund has been key in nurturing early stage enterprises for LaunchMe.

Financial support (seed funding or investment) works best when complemented by non-financial support. Advice on how to prepare for and manage growth is a vital tool in attracting and securing investment, and in maximising the impact of funding.



FEEDING WIDER INITIATIVES

Part of the challenge of stimulating large scale growth in social investment across the UK has been a lack of customers – social enterprises that have the structures, capacity and confidence to take advantage of policy and legislation designed to grow the sector. Although the number and type of products has grown, many are still low risk with high interest rates attached.

LaunchMe serves to fuel this pipeline, by developing a pool of strong, capable and ambitious social enterprises that can go on to work with larger scale social investment finance intermediaries. LaunchMe is also attracting investors who will offer lower interest rates by making use of incentives like Social Investment Tax Relief.

Pipeline development

Scale up

LaunchMe

Intensive business support, investment and match funding to grow ambitious and established social enterprises



Signpost to other initiatives

Raising ambition

Build it

Seed funding and business support to develop ideas beyond the start-up stage



Start it

Small grants to help entrepreneurs pilot ideas and set up their business

Raising aspiration

Stimulating social entrepreneurship

Sharing success stories, supporting networks, inspiring and enabling good ideas, marketing, contributing to policy development



Pipeline development

Building a strong pipeline involves a range of tactics, from awareness raising, to building skills and confidence, to technical, financial and management skills development. It also involves supporting business to put the structures, processes, resources and right people in place to effectively manage growth and capitalise on new investment. Seed funding is a vital part of this mix, to give social enterprises some stability during the development period and to unlock opportunities or overcome operational barriers to growth.

Readiness for growth

Around half of LaunchMe applicants were new to Firstport, while the other half had received support and awards from our main programmes during start up. These social enterprises were more successful in securing investment.

Seed funding

Participants across the first two groups confirmed the importance of seed funding (up to £25,000) in scaling their business. For some, seed funding had enabled them to employ staff, allowing the chief executive (or equivalent) to move themselves from an operational role to focus on growth. Another had used seed funding to unlock product potential, getting accreditation for their training product so that the business could start trading.

Non-financial support

Social entrepreneurs looking to grow their business are faced with an endless list of tasks. While funding can help to free up some of their time, most (if not all) entrepreneurs need help to develop new skills to manage growth; support required is dependent on their business sector, experience, and the skills they already have in-house. The business advice element is a key part of LaunchMe. Firstport has adapted this in response to feedback from participants. For example, the first group reported that they need more support in financial modelling. Firstport built this capacity by commissioning accountants Scott Moncrieff to deliver this element of the programme. Where participants had financial expertise in-house, external specialists provided an important function in 'sense-checking' financial plans.



I have worked with numerous charities who have benefited or would benefit from becoming social enterprises. This business model could provide more sustainable income in an increasingly uncertain funding environment.

CAROLINE HALLIDAY, INVESTOR

A peer group model

LaunchMe established a peer-learning network amongst social entrepreneurs as they progressed through their journey, as part of a wider recognition by Firstport of the potential of peer-networking to enable a strong, more connected pipeline of entrepreneurs who are able to collaborate or replicate good practice⁵. Group Learning Days have been useful in building a network for peer support, though some participants felt that content could be more flexible and focused on specific needs. Being part of a group can bring additional benefits – many identified a kudos associated with LaunchMe. Being selected built their confidence and self-belief and also gave them a platform for promotion of their enterprise.

Pipeline

Key learning points

1. Through early stage business support and start-up capital from the Social Entrepreneurs Fund, Firstport has successfully built a pipeline of social enterprises with growth potential, and, through LaunchMe, has been successful in selecting and nurturing those social enterprises with the greatest capacity for scaling.
2. Seed funding helps to accelerate growth by unlocking time, resource and opportunities.
3. Most participants reported that the key benefit of the business advisor was in the role of coach/mentor/sounding board.
4. The different needs of different groups highlights the need to deliver bespoke support for growing social enterprises.
5. Participants value peer learning opportunities, and would like more (suggestions include bringing in LaunchMe alumni and other entrepreneurs to share experiences of implementing growth).
6. A group model can help increase networks/connections and increase the profile of a social enterprise though the 'prestige' conferred by selection.

PARTICIPANT PROFILE

Sylvia Douglas

MsMissMrs is a Glasgow-based initiative which seeks to empower vulnerable women through workshops on self-care and improving confidence and self-esteem.

Investment raised: £50,000 plus match funding

Thanks to LaunchMe investment Sylvia has opened a hub in north Glasgow to provide support services and community activities to women and girls with poor self care and low self esteem issues. It also enabled her to employ two full-time staff and a sessional worker and publish their girls' self awareness workbooks with a view to training and licensing other organisations to deliver the programme.



86%
of participants
that secured investment
had accessed the Social
Entrepreneur Fund's



Start It
programme



Build It
programme

Raising ambition

In order to establish a group of engaged social entrepreneurs who can fully benefit from an accelerator like LaunchMe, we need to seek out a combination of ambition, motivation and experience. As LaunchMe was a new model for accelerating social investment in Scotland, Firstport has had to develop and adapt the programme for each round of applicants, based on emerging need and a better understanding of how participants value and interact with different elements of the programme.

Motivation to participate

Participants were initially motivated by the access to new sources of finance, but the programme has also had a longer term impact on raising aspirations, confidence and capacity for growth. Many participants would not have implemented plans for growth or would have taken longer to achieve them.

Recruiting to an accelerator

The experience from the first two groups suggest that a small number of participants were at too early a stage in their development to maximise the opportunity that LaunchMe offered.

Ambition

Key learning points

1. Participants in a high growth programme need to have the capacity (skills, experience, time, ambition) to use the opportunity, and to engage with an intensive programme of support and performance management with high levels of financial accountability.
2. Seed funding has been critical in enabling social enterprises to focus on growth (time, energy, resources).

Scaling up

As LaunchMe extended Firstport's existing offer from start-up/early-stage support to enabling growth, the scale up phase was the most challenging to design. Again, a mix of access to finance and ongoing support, has been critical, though there are still lessons to learn about how best to deliver bespoke support to growing social enterprises as they manage substantial investment and commit to a relationship with an investor.

Blended Finance

A key factor in facilitating scale up amongst social enterprises is the unlocking of access to investment. LaunchMe has contributed to the trialling and testing of new, creative models of financing the social economy in Scotland, and the identification of challenges and barriers to matching growth capital with suitable businesses. The most crucial learning point from the scale up phase, reported by both participants and investors, was the essential role of blended finance – matching repayable investment with grant funding not only reduced risk for investors, but meant their investment unlocked additional capital for the business. For social enterprises, it was a key part of their pitch, not just as an incentive but also to validate their readiness for growth.

Support for growth

LaunchMe was designed to include a mentoring programme for participants in the growth phase, with Firstport providing ongoing performance management. These elements have proved challenging; it has been difficult to find appropriate mentors, and to maintain engagement with social enterprises once they complete the formal support phases. We have learned collecting quarterly management accounts doesn't give us the full picture into the progress social enterprises are making.

Scale up

Key learning points

1. LaunchMe's capacity to match social investment with grant funding has been critical to the development of financial packages.
2. Participants reported that a business mentor, and more opportunities for 'learning about growth' in earlier stages of the programme, would be useful to help them to manage implementation of their growth plans.
3. A higher level of resourcing in the growth phase in future iterations of the programme would allow greater development of support post-investment.
4. There is a need for a more sophisticated and systematic approach to data collection and performance management in the growth phase, to monitor performance against growth targets and social impact outcomes, and help advisors better understand and design non-financial support for social enterprises as they scale up.

INVESTOR PROFILE

Barry Sealey

BUSINESS ANGEL

Investment experience: 20 years

Background: co-founder of Archangel Investors Ltd

Previous investment in social enterprise: No

LaunchMe investment

Barry's first investment was £15,000 in courier company DNDP. He has gone on to invest in several other LaunchMe participants including Breadshare, Social Bite and MsMissMrs.

Motivation

I know about small businesses - the idea of applying this experience to the social world appealed. Applying good commercial principles to tackle important social problems is so much better than looking for charity money. I chose to invest in DNDP because as well as providing employment and a sense of purpose for disabled and disadvantaged people, it is also generating income and delivering commercial impact. LaunchMe is more than just giving financial help - it's "smart money" with support attached.



Our ambition is to encourage and support more people to create, lead and grow social enterprises.

SCOTTISH GOVERNMENT SOCIAL ENTERPRISE ACTION PLAN

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Delivering the accelerator

LaunchMe was initially commissioned by the Big Lottery Fund. After three years, and ongoing adaptation of the programme as a result of learning, Firstport has a thorough understanding of what it takes to set up and deliver a social investment accelerator.

Programme essentials

				
Business advice and coaching	Strong relationships and understanding of private investors and angel networks	Access to match funding (grants)	Specialist financial and accounting support	Access to legal and tax advice
				
A model that enables a strong peer group	Mentoring for growth and motivation	Robust monitoring and impact measurement arrangements	An experienced and well-connected expert panel	Efficient project management and programme oversight

Firstport offers:

- 10 years of experience of realising the ambition of start-up social entrepreneurs
- strong networks within the social enterprise community
- strong relationships with individual investors and angel networks in Scotland
- an international profile
- experienced delivery partners in public, private and voluntary sectors
- specialist expertise in all aspects of business development.

THE EXPERT PANEL

The LaunchMe panel brings together some of Scotland's most experienced investors, as well as leaders and innovators from social enterprise, business and Government. They perform the dual role of appointing the group, while helping to create opportunities and build networks amongst the investment community.

4

What's next for LaunchMe?

Independent evaluation tells us that LaunchMe has been highly successful in building investor awareness of social investment, establishing a network of new investors in the Scottish social economy, and in leveraging investment into social enterprises.

We have successfully trialled a model for accelerating growth amongst social enterprise, and have been able to act on key learning points to optimise the model with each iteration. We know what works and what doesn't, identified areas for improvement, and built up strong relationships with external partners.

LaunchMe is a significant and unique advocate of the CAN DO mentality: leading innovation in the way we start, support and grow business in Scotland, accelerating entrepreneurship and creating opportunities for people to take action.

Next steps

- Review and redesign the delivery model in line with key learning points, focusing on building and testing the capacity of non-financial support to support social enterprises to grow.
- Strengthen and trial the model for measuring impact and monitoring early-stage growth.
- Maintain relationships with LaunchMe alumni and investors and capitalise on enthusiasm of new investors. Investigate opportunities for place-based accelerators or social investment networks.
- Investigate opportunities for place-based accelerators or social investment networks.

Call for partners

- Firstport would like to open discussions with partners who would like to be involved in the future of LaunchMe. We'd like to secure funding partners for another 3 groups, to support up to 30 early-stage social enterprises to scale up over the next 5 years.

LaunchMe has reshaped the landscape for social investment in Scotland. It's time to get on board.

Sources: LaunchMe, Learning Point 3. Arrivo Consulting, 2017



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