Executive Summary

EXECUTIVE SUMMARY

This guide is targeted specifically at venture philanthropy (VP) and social investment (SI) practitioners, and more broadly at other social sector funders such as foundations, grant-making organisations and impact investors who may benefit from understanding the value of the highly engaged approach of venture philanthropy. We use the term venture philanthropy organisations ("VPOs") or "investors" to refer to such social sector funders.

Venture Philanthropy works to build stronger social purpose organisations (SPOs) by providing both tailored financing (using the whole spectrum of financing instruments, from grants to debt, equity and hybrid financing) and non-financial support.

This manual focuses specifically on non-financial support, which we define as the support services VPOs offer to investees (SPOs) to increase their societal impact, organisational resilience and financial sustainability, i.e. the three core areas of development of the SPO.

Social impact	The social change on the target population resulting from an SPO's actions.
Financial sustainability	The assessment that an SPO will have sufficient resources to continue pursuing its social mission, whether they come from other funders or from own revenue-generating activities.
Organisational resilience	The assessment of the degree of maturity of an SPO, in terms of the degree of development of the management team and organisation (governance, fund-raising capacity etc.).

Figure 1: The three areas of development of the SPO

(Source: EVPA)

The motivation of the research came from the realisation that no best practice exists for the provision, measurement and management of non-financial support in VP/SI. The objective was therefore to provide practical guidance to VPOs on non-financial support, to make them more effective in their work, eventually providing greater value to their investees at a quantified cost. We believe that such guidelines would also be useful for the investors in VP/SI to realise why "management fees" are relatively high, and to SPOs to understand the reasoning and the cost behind the non-financial support and how it can add value to their work.

In order to help VPOs tackle the challenges of planning, delivering and valuing non-financial support, EVPA has developed – together with a group of experts on the topic – this practical guide to managing non-financial support (NFS). Thanks to the contribution of the expert group composed of VP/SI practitioners, representatives of SPOs, academics and consultants, we developed a five-step model for managing non-financial support, presented in Figure 2.

EXECUTIVE SUMMARY

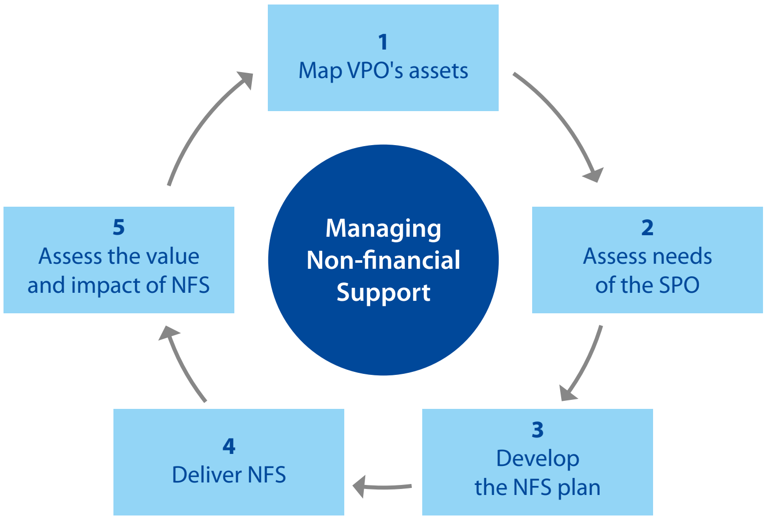

Figure 2:
The non-financial support process

(Source: EVPA)

The non-financial support process is a schematic way to look at how the VPO and the SPO can work together to develop and implement a plan to deliver non-financial support. Each step provides concrete recommendations and guidelines as well as **practical tools** designed to facilitate the work of the VPO.

Step 1 – Map VPO's assets: The VPO should first consider the possible forms of non-financial support available to help the SPO advance on the three core areas of development (i.e. social impact, financial sustainability and organisational resilience) using the non-financial support mapping tool. Based on the VPO's own impact objectives and Theory of Change, i.e. the social change it wants to achieve through its investment strategy, the VPO can use the mapping tool to choose which types of non-financial support are **core** to implementing its strategy. The VPO then maps its assets, to assess who will provide the core and non-core support, using the asset mapping tool, a visual representation of the internal and external human resources the VPO will need to deliver non-financial support. The guide recommends that the **core** support is provided by the VPO's internal team, and only in case the issue is very technical and outside of the competences of the internal team or if the team is too small and does not have enough time available by paid or low-bono consultants. The **non-core** support can be externalised to pro-bono or low-bono supporters or to paid consultants, who provide specific ad-hoc advice on technical challenges. The resources mapped have to be financed, so the VPO first makes an estimate of how much the provision of non-financial support will cost, and also what the monetised cost would be (considering pro-bono and low-bono consultants are engaged), using the monetisation tool, and then defines how to finance these costs. This internal assessment activity should take place periodically, informed by the experience gained through previous and ongoing non-financial support processes.

EXECUTIVE SUMMARY

Step 2 – Assess needs of the SPO: Once the VPO has clearly defined its objectives, what it can offer and has mapped its resources, it proceeds to mapping the needs of a specific SPO to invest in, along the three core areas of development (i.e. social impact, financial sustainability and organisational resilience). First the VPO performs a "light" assessment to check whether the needs of the SPO broadly match what the VPO can offer. If there is an initial match, the guide recommends that the VPO and the SPO work together to perform an in-depth needs' assessment, using the needs' assessment tool. This exercise allows the VPO to identify the status of development of the SPO in the three core areas of development, informed by the SPO's self-assessment of its areas of improvement, and where support would be most valuable.

Step 3 – Develop the NFS plan: With a clearer view of the needs of the SPO, in Step 3, the VPO and the SPO should co-develop a detailed non-financial support plan. For each development area that has been agreed as priority to tackle, the guide recommends that the non-financial support plan includes the baseline, goal, milestones, and target outcomes for the SPO. The plan should also include the details of the support the VPO will provide to the SPO to achieve the planned milestones, and the concrete deliverables, e.g. an impact measurement system developed. Both SPO and VPO should formally engage in fulfilling their part of the non-financial support plan, and to flag potential issues or problems as they arise, allowing the plan to be flexible. It is good practice to present the non-financial support plan as a part of the documents signed in the deal structuring phase, so that it represents a "charter of engagement", which can be used by both parties as a pressure point towards the other to ask for delivery of results or of support.

Step 4 – Deliver NFS: Once the non-financial support plan has been formalised, Step 4, the non-financial support delivery phase, starts. The VPO delivers non-financial support through a variety of delivery modes, including through one-on-one coaching, group trainings and offering access to networks. Each delivery mode has its pros and cons, which need to be weighted before taking a decision on how each type of non-financial support is to be delivered. The development of the SPO is monitored using the non-financial support plan as a dashboard and corrective actions are implemented, if need be. The non-financial support plan shall also highlight when it is time for ending the relationship between the VPO and SPO. The VPO and the SPO need to clarify upfront how heavily the VPO will be engaged with the SPO and set the targets that will determine if exit readiness has been achieved[1]. Non-financial support will be delivered until the desired impact is seen, or until the VPO realises it cannot add any more value to the SPO.

Step 5 – Assess the value and impact of NFS: In Step 5, the VPO assesses the value and the impact of the non-financial support. To understand the value of the non-financial support it provides, the guide recommends that the VPO measures how the investee perceives the value of the non-financial support it has been provided with, periodically, or at least at the

1 **Boiardi, P., and Hehenberger, L.** (2014). "*A Practical Guide to Planning and Executing an Impactful Exit*". EVPA.

EXECUTIVE SUMMARY

end of the investment period. Ideally, this assessment is made through a survey conducted by an external, independent third party. We also recommend that the VPO makes an assessment of how well the SPO has reached the objectives defined at the beginning of the investment – although it is difficult to assign the attribution of the VPO's support to those achievements (or lack thereof). To facilitate the task of the VPO, the guide offers the non-financial support assessment tool. The tool brings together the various data points captured in the other steps, and allows the VPO to match (i) the non-financial support it provided with (ii) the cost of providing it, (iii) the perception of the VPO as to the value received in relation to the cost and (iv) the "objective" measures of improvement of the SPO in the three areas of social impact, financial sustainability and organisational resilience. The learnings of the final impact assessment will inform the future non-financial support cycles, as they generate lessons learned as to what type of support investees value most. With sufficient data, the VPO should be able to discern patterns showing what types of non-financial support offered, as well as by whom and how, are generating the best outcomes for SPOs' development.

Each step of the non-financial support process generates **learnings** for the VPO that can be used to realign the goals of the SPO and the work of the VPO with the SPO. It is important that a **feedback** loop is embedded not only after each step of the non-financial support process, but also after the final evaluation that takes place in Step 5.

For each step in the process, one should consider how this relates to the everyday work of funding and building stronger social purpose organisations. That is why Managing Non-financial Support is at the core of the non-financial support process. **Managing non-financial** support occurs continuously and is facilitated by integrating non-financial support into the investment management process, as shown in table 1.

The tools proposed in this report build on each other to give the VPO a comprehensive **toolkit** that can be used by VPOs to plan, deliver and manage the provision of non-financial support, as shown in figure 3.

EXECUTIVE SUMMARY

Table 1: Managing non-financial support in the investment process *(Source: EVPA)*

		Investment Process				
	Investment Strategy	Deal Screening	Due diligence	Deal Structuring	Investment Management	Exit
What?	Map NFS and derive core/non-core NFS depending on the investment strategy of the VPO Map assets Assess cost of delivering non-financial support	Perform SPO's "light" needs' assessment to assess whether investment opportunity fits with VPO's NFS offer	In-depth needs' assessment performed by both VPO and SPOs to assess whether investment opportunity matches the offer	Matching the needs' assessments of SPO made by VPO and self-assessed by SPO to develop the NFS plan, which should be formalised and included in a charter of engagement between the VPO and the SPO	Deliver NFS in different ways depending on the needs of the SPO Monitor achievement of the goals and delivery using the NFS plan as a dashboard Revise if significant changes are made in business model and delivery model	Assess the value and performance of non-financial support (performance of the VPO) to assess efficiency and effectiveness
Tools	NFS mapping Asset mapping NFS monetisation tool	Needs' assessment tool ("light" version)	Needs' assessment tool	Non-financial support plan	Non-financial support plan (used as dashboard to monitor the delivery of NFS) SPO's perception surveys	Non-financial support impact assessment

Figure 3: The tools to roll out the non-financial support process *(Source: EVPA)*