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INVESTING AND FINANCING

LESSONS IN DRIVING BUSINESS SUSTAINABILITY

BRIDGES VENTURES

In 2009 when Bridges Ventures set up the Bridges Social Entrepreneurs Fund, it was the first fund of its kind. Now other fund managers are following its successful example. The parent company, Bridges Ventures, was established in 2002 to demonstrate that hands-on investment and entrepreneurial talent could be used to tackle pressing social and environmental challenges while also generating attractive financial returns for investors.

The aim of the Bridges Social Entrepreneurs Fund was to act as a catalyst for impact investment, by bringing together social investors wanting to generate impact with social enterprises wishing to grow. Impact investing has always been seen as hard, as it was considered to be outside conventional investment wisdom for a fund manager to specialise in sustainable and impact investments across areas like health and wellbeing, education and skills, sustainable living and underserved markets. Bridges wanted to demonstrate that this investment approach could deliver societal impact while attracting a wide variety of investors.

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Social enterprises struggle to raise funds, and to address this, Bridges launched the Social Entrepreneurs Fund to invest in mission-led businesses with a social purpose at their heart, such as nurseries, domiciliary care, or community transport social enterprises. ‘There are two levels at which the fund was innovative,’ said Caroline Tulloch, Investment Director. ‘The fund itself was innovative, as the strategy for investing in social sector organisations to drive impact was relatively new at the time. We also used innovative capital structures such as quasi-equity models that were appropriate for the social sector organisations we invested in.’

The fund set out to demonstrate that it could generate a sustainable funding stream, and by showing this was attractive to their specialist investors, they could then grow their market. Bridges’ ‘impact toolkit’ helped establish and track key impact performance indicators, allowing the scaling up of effective social businesses in a sustainable way while providing better outcomes for a greater number

of beneficiaries. ‘We have been running this fund for seven years now,’ said Tulloch, ‘and it is great now to see the fruits of our labours and see that it is starting to be recognised, not just through this award, but through the successful investments we have made and through new capital being attracted to the sector.’

So far the Bridges Social Entrepreneurs Fund has made direct investments into a range of high-impact organisations and almost all are delivering in line with, or ahead of, the impact targets set for them at the time of investment. They are also delivering good financial returns to investors. As a result, the fund has enabled its portfolio companies to bring about deep social impact as the provision of capital has allowed them to scale their operations. It has demonstrated to other mission-led businesses that this is a viable approach that they could mirror. And it has provided a new investment tool for investors who care about making a positive social impact as well as financial returns. It has shown that mission-led businesses can have a competitive advantage or an edge in the markets in which they operate when they can demonstrate what impact they are delivering and when they can articulate what that means to their stakeholders.



The Bridges Ventures Social Entrepreneurs Fund invested in the HCT Group, a social enterprise in the transport industry, delivering a range of transport services – from London red buses to social services transport, and from community transport to education and training

It has also shown that mission-led businesses can outperform in both impact and financial terms. This aligned financial backing enables these enterprises to go on and win new contracts, win new business, engage better with employees and secure long-term loyal customers. It makes them more sustainable and more robust while allowing them to deliver deep social impact. 'We have now raised two funds directly off the back of the Bridges Social Entrepreneurs Fund,' said Tulloch. 'We are now actively investing based on the learning and the experience from this first fund. So we hope to continue to grow to continue that trajectory.' Other funds have come into the same space, following the model and Bridges' approach. That is another aspect of their success, that it can be scaled and replicated by both themselves and by others in the market.



CASA is an employee-owned domiciliary care company providing critical support to the elderly and vulnerable

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WHAT THE JUDGES SAID

Bridges Ventures has created a truly innovative, scalable market offering. The tailored impact measurement framework clearly links financial and non-financial benefits.

On the other hand there are still a number of obstacles. 'It is really hard,' said Tulloch, 'to combine traditional financial structures and models of socially-focussed business and entrepreneurs. There's an education process needed on both sides to do that.' And the challenges up ahead, as so often in business, are to do with trying to ensure that people from different business worlds start to listen to each other. 'The challenges relate to the bringing together of the two sectors,' said Tulloch, 'the social sector and the financial sector.' And along with that there are cultural challenges. There are terminology challenges. There are challenges in figuring out what the best way of working together to achieve a shared outcome looks like.'