



Leibniz
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Report for Practitioners

A Quantitative European Study on the Importance of the
Nonfinancial Support Provided by Social Investors to Social
Enterprises

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THANK YOU!!

We would like to thank all participants in our study!! Your contribution was very valuable.

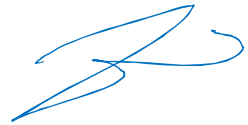
To recall: The importance of social investors for organizations in the not-for-profit sector is growing. Characteristically, social investors not only invest financial capital in their portfolio organizations but also help arrange contacts, engage in strategic consulting, and lend other kinds of assistance. This additional support was the subject of our study. In 2015, 462 social investees in Europe were approached and asked to complete a standardized survey.



With this report's preliminary results, we would like to keep our promise to inform you about the findings of this study.

Additional in-depth analyses are currently conducted. We will send these findings to you as soon as they are publicly available.

We hope, you find the current report informative and helpful for your daily work. Very warm regards,

A stylized blue ink signature.

Dr. Arne Kroeger

A stylized blue ink signature.

Prof. Dr. Christiana Weber

Sample

Data collection:

VP-backed organizations in Europe identified and approached 462

Number of completed surveys 118

Response rate 26%

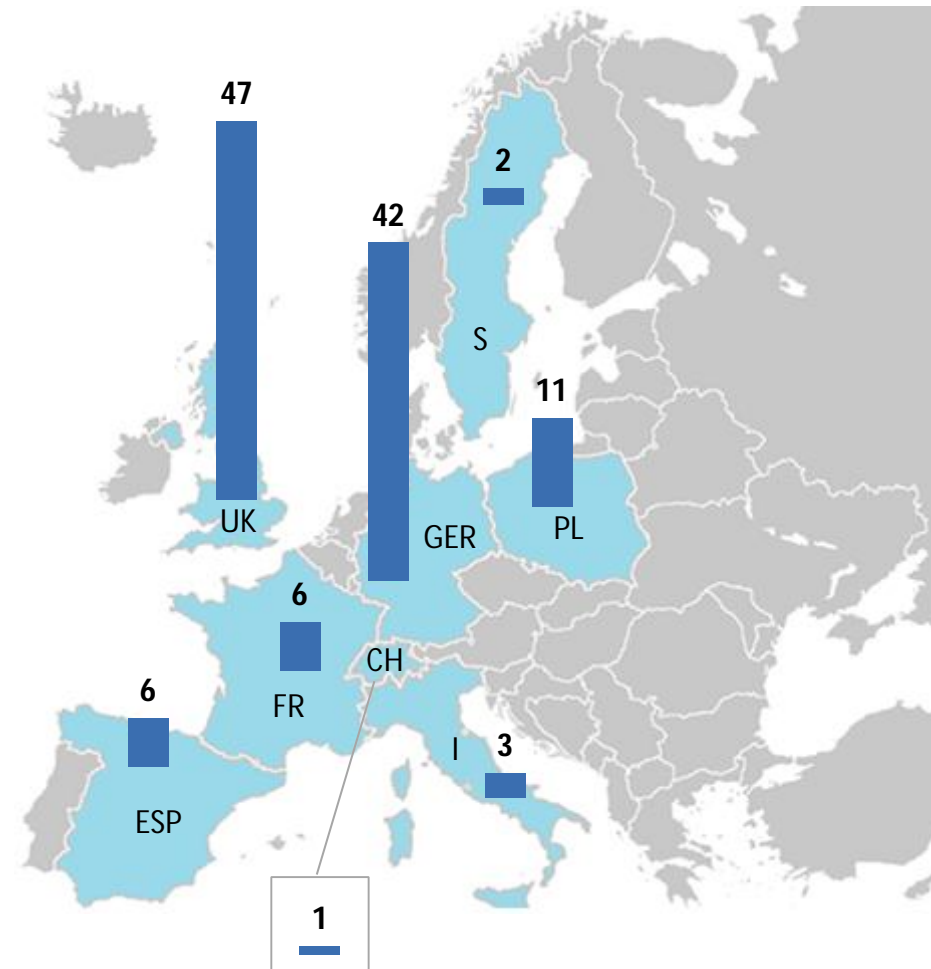
Sample characteristics:

Average age of investees' organization 10 years

Average full time equivalents of investees' organization 40,5

Number of countries surveyed 8

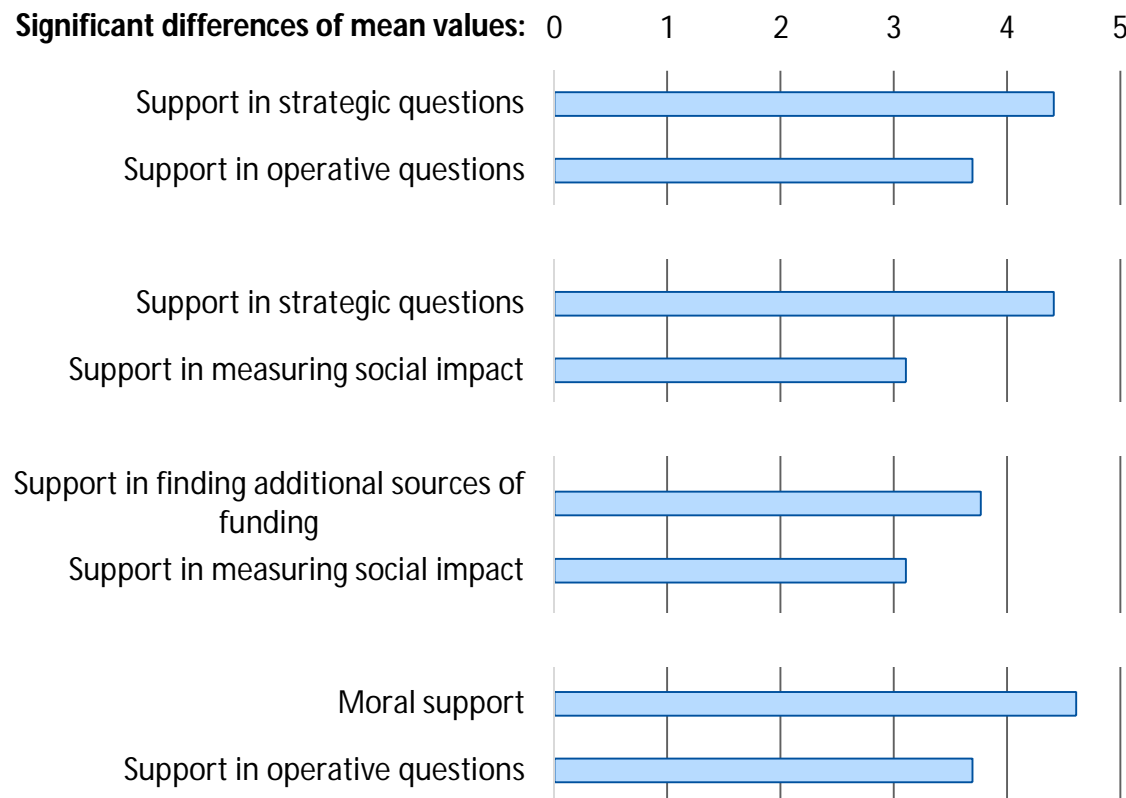
Number of completed questionnaires per country:



Investors' Nonfinancial Support

How helpful has the nonfinancial support of your lead investor been so far in the following tasks?

(1 = 'strongly disagree' to 7 = 'strongly agree'; N = 117)



Findings:

- Investors' strategic advice is more helpful than their operative support. This perception particularly holds for investors' support in measuring social impact.
- Investors' moral support is perceived to be more helpful than their operative support.
- Investees rather disagree that investors' support in measuring social impact is helpful.

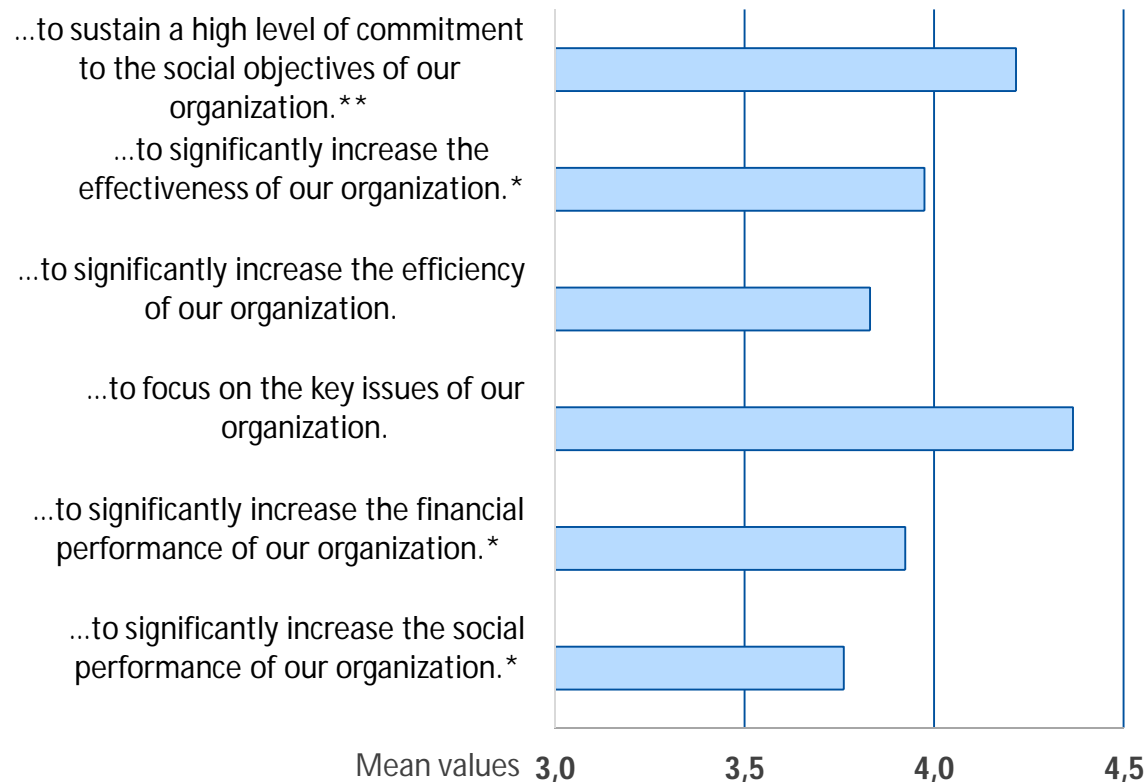
Method:

Pairs of nonfinancial support were defined. T-test analyses were conducted comparing the respective mean values for investors' nonfinancial support within each pair.

Investors' Value-Added

As a result of the previous nonfinancial support by our lead investors (e.g., advice on strategic/operative matters, facilitating contacts), we have been able...

(1 = 'strongly disagree' to 7 = 'strongly agree'; N = 118, *N = 117, **N = 51)



Findings:

- Investees agree that their lead investors' non-financial support adds value.
- Investors particularly have a „disciplining effect“ in order to keep focus and commitment of their investees on a high level.
- Investees' rating of their investors' social value added seems to be relatively low.

Method:

Mean values were calculated for each value added.

Correlations: Please indicate how often you got in touch with your lead investor in average for the last 12 months AND Investors' value added:

| (N = 115) | Increase social performance | Increase focus on core activities (disciplining effect) |
|----------------------------|-----------------------------|---------------------------------------------------------|
| Formal investor reportings | ✓ | X |
| Phone calls | X | ✓ |
| Personal meetings | X | ✓ |
| E-Mail | X | ✓ |

Legend:

✓ Significant effect

X Non-significant effect

Findings:

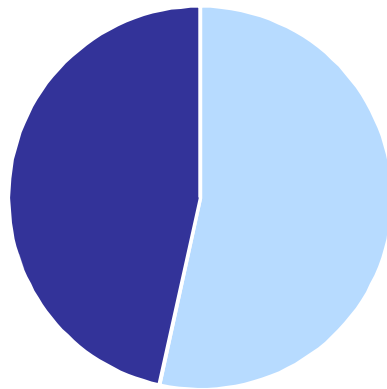
- Frequent formal investor reportings go along with increasing social performance.
- Frequent (rather informal) communication between investor and investee is positively related to increasing investees' focus.

Method:

Correlations were calculated.

Investor Rights in Investment Contracts

What means of exerting influence had been previously included in the cooperation agreement (N = 116)?



- No, investor rights are NOT present in investment contract.
- Yes, investor rights are present in investment contract.

Most frequent investor rights stipulated in investment contracts and exerted and % of investees who report having such rights stipulated:

| | |
|-------------------------------------------------------------|-----|
| Fundamental changes of strategies | 28% |
| Determination of consequences upon not achieving milestones | 27% |
| Approval of the annual budget | 25% |

Findings:

- The majority of investment contracts in the not-for-profit sector does still not contain veto, control or voting rights.
- Investors predominantly influence decisions on investees' strategy, milestones and budget.
- If veto, control or voting rights were stipulated in the investment contracts, correlation analyses reveal that investors also tend to exert these rights.

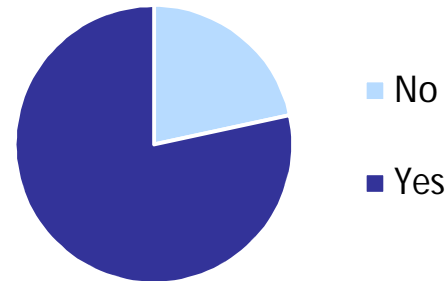
Method:

Investees were asked to choose veto, control and voting rights from a list of eleven investor rights that were stipulated in the investment contract with their lead investor. Frequencies and correlations were calculated.

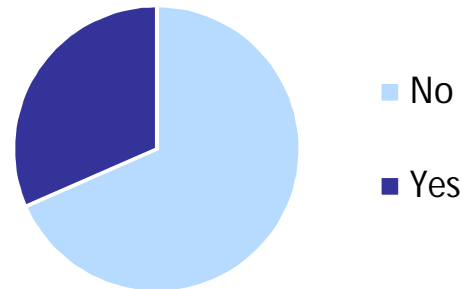
Governance mechanisms

Please indicate whether you have implemented one of the following governance mechanisms:

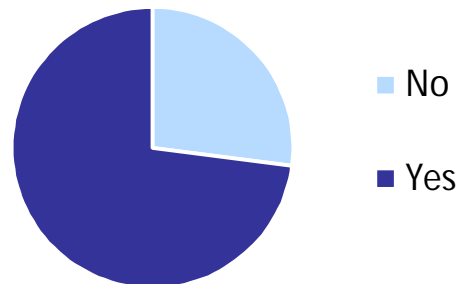
Financial audit:
(N = 111)



Social audit:
(N = 38)



Advisory board:
(N = 111)



Findings:

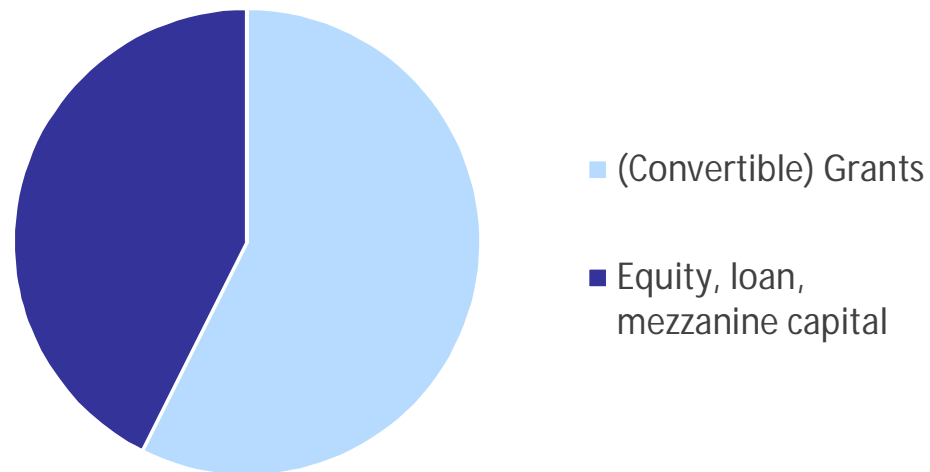
- Most investees have a financial audit implemented and are controlled by an advisory board.
- The minority of investees regularly conducts a social audit.

Method:

Frequencies were calculated.

Grants versus „Risk Capital“

What was the financing instrument your lead investor brought to your organization (N = 115)?



Findings:

- Investees received either grants or risk capital. This intuitively makes sense: For instance, if grants and a loan would be invested at the same time, grants would just subsidize the repayment amount.
- (Convertible) Grant investments are still the majority of financing instruments.

Method:

Financing instruments were grouped according to the degree of investors' risk to gain a financial return. Frequencies were calculated.