

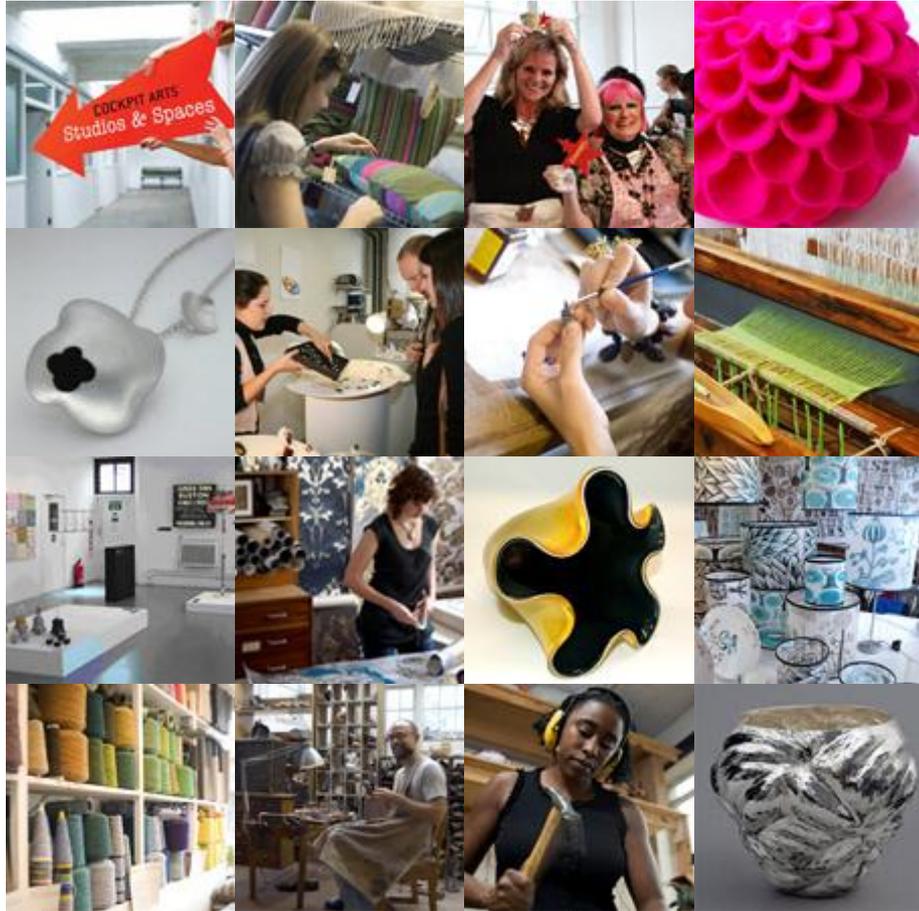
# SROI Evaluation of the Business Growth Loan Scheme

Report for Cockpit Arts

December 2010



# COCKPIT ARTS



 As part of our green office policy all EKOS reports are printed double sided.

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**The SROI Network**  
**Accounting for value**

**“This report has been submitted to an independent assurance assessment carried out by The SROI Network. The report shows a good understanding of the SROI process and complies with SROI principles. Assurance here does not include verification of stakeholder engagement, data and calculations. It is a principles-based assessment of the final report”.**



## Executive Summary

This report presents an assessment of the social return created by the Business Growth Loan Scheme (BGLS) of Cockpit Arts.

Cockpit Arts was established in 1986 and is the UK's only creative-business incubator for designer-makers. It operates from premises in Holborn and Depthford supporting 165 resident studio holders to grow their businesses through a dedicated incubation programme.

Between 2006 and 2010 Cockpit Arts, on behalf of the Esmée Fairbairn Foundation, piloted the BGLS, a combination of a loan and dedicated support to further develop the businesses of the participants. The BGLS has provided £ 94,780 in loan funding through 21 loans to 15 individual applicants. There were also 10 studio holders that received no loan but support only through the programme.

Every day our actions and activities create and destroy value; they change the world around us. Although the value we create goes far beyond what can be captured in financial terms, this is, for the most part, the only type of value that is measured and accounted for. Social Return on Investment (SROI) is a framework for measuring and accounting the full impact of activities, including the ones that have no direct monetary value.

Cockpit Arts have used SROI to understand the impacts of the BGLS and to demonstrate the value created by the programme.

The change as a result of the loan and support provided by the scheme for each of the stakeholders has been explored from the perspective of the stakeholder, measured and valued, and recorded on an impact map. Positive and negative, intended and unintended changes have been considered. The amount of change that will happen anyway and/or will be down to others has also been estimated and taken into account.

Social change as a result of the BGLS that this analysis explored and estimated the value of includes:

- outcomes related to the business, including an improved business model, increased business and marketing skills, and extra workload;
- outcomes related to the feeling of the studio holders with consequences for the business, such as increased motivation and confidence, increased optimism, increased job satisfaction, increased responsibility for employees, and worries about repaying the loan;



- outcomes related to the personal life of the studio holders, such as seeing the undertaking as a business rather than a hobby, and improved work-life balance; and
- outcomes for staff, contractors and interns, including increased career prospects; increased business skills and increased happiness

**This analysis estimates that for every £1 invested in the BGLS there is social value in the range of £2.01 to £3.36 created.**

### Recommendations

From the study, a number of main messages and implications emerge as significant for Cockpit Arts:

1. Use the SROI evaluation to demonstrate the value created by the loan and the support programme to Esmée Fairbairn Foundation.
2. Use this SROI evaluation to demonstrate the added value of a support programme accompanying the loan scheme.
3. Use the SROI evaluation to attract investment in a successor programme.
4. Ensure funders, investors and partners learn about the outcomes of this SROI analysis and understand the implications of it.
5. Communicate the main messages from this SROI report to studio holders, their staff, contractors and interns and other interested stakeholders to promote the value of the support package.
6. Develop and test objective indicators for outcomes without an objective indicator.
7. Map the data collection requirement for undertaking SROI analysis and ensure the appropriate data will be collected in a usable format, possibly using an 'evaluation wheel' technique.

A detailed list of recommendations is included at the end of the report.



# 1. Introduction

## Cockpit Arts

Cockpit Arts, established in 1986, is a social enterprise and the UK's only creative-business incubator for designer-makers (designers and artisans with a craft basis to their work). The work that is created at Cockpit includes: ceramics, glass, fashion, jewelry, textile, metal and silverworks, furniture, interior products, and specialist crafts.

Cockpit Arts has formulated its vision as:

*“to be the foremost creative business incubator with a global reputation”.*

Cockpit Arts' mission is:

*“We support and promote talented designer-makers from all backgrounds through all stages of their career. We strive to raise standards in the contemporary craft and design sectors, making an important contribution to the UK cultural landscape and economy.”*

In achieving its mission Cockpit Arts has expressed its values that underpin everything it does:

- Quality - delivering high quality services in order to foster creative excellence amongst our designer-maker clients/beneficiaries.
- Nurturing - fostering growth in our designer-makers and each other.
- Inspiring - motivating all who encounter us.
- Innovation - the courage to take risks and be pioneering.
- Integrity in all that we do

The organisation's corporate objectives are:

1. To recruit (talented/ambitious/aspirational) designer-makers from all backgrounds
2. To provide business support within quality workspace with a view to enabling designer-makers to expand outside Cockpit Arts.
3. To measure growth of designer-maker businesses to evidence impact of Cockpit's work.
4. To build Cockpit's profile and networks in the UK and internationally.
5. To become self-financing (fundraising, consultancy, selling data, selling to clients, business support to non-residents).



6. To have clear cut advantages over competitors.
7. To refine and develop social and charitable remit.

Cockpit Arts operates two venues in London, one in Holborn and one in Deptford, helping its 165 resident designer-makers to grow their businesses through a dedicated incubation programme. Cockpit Arts aims to increase profitability of its studio holders without compromising on creativity.

The offer includes managed studios, on-site one-to-one business development coaching, professional development workshops and events, Open Studios, promotional and selling opportunities, resource centres and office facilities.

Cockpit Arts also supports non-resident designer-makers by offering professional development workshops and seminars.

### **The Business Growth Loan Scheme**

Cockpit Arts has been delivering bespoke training for start-ups and growing businesses in the craft sector since 2001. This concept has been developed further and became a central aspect of Cockpit Arts' business strategy. By supporting its studio holders to grow their businesses, they would be able to pay Cockpit Arts more and quicker and thus contributing to the sustainability of Cockpit Arts.

In 2005 Cockpit Arts was approached by the Esmée Fairbairn Foundation to pilot a loan scheme. The overall purpose of the pilot was to test the impact of low interest loans, coupled with intensive one to one business development support, on the growth of businesses based at Cockpit Arts. The Business Growth Loan Scheme (BGLS) was established in 2006 as a three year pilot with a fund of £100,000.

In 2006 Cockpit Arts was also in the position to establish a business development team to manage the provision of development support. This team does now consist of one full time and two part-time staff: a Head of Business Development, a Business Development Manager and a Business Development Coordinator.

In 2007 the BGLS issued its first loan and in the years 2007 – 2010 the scheme has provided £94,780 in loan funding through 21 loans to 15 individual applicants.

The maximum loan amount is £ 10,000 with an average loan of £4,513. To date the BGLS has had a zero default rate.



The loan recipients have used the money to develop their businesses, including:

- purchasing of equipment to increase production capacity;
- developing new products and markets;
- outsourcing of manufacturing to concentrate on design;
- undertaking marketing activities, such as re-branding, e-commerce and attending shows and fairs; and
- production of stock, samples and prototypes.

Successful applicants undertook a business 'healthcheck' and received intensive business development support to produce a business plan, which formed the basis of the application. Applications were then assessed by an independent, voluntary Loans Panel. One to one coaching was then provided to successful applicants to support the implementation of the business plan.

The BGLS has also received twenty additional applications, of which 18 withdrew from the application during the process. These 18 designer-makers did, however, receive support from the Cockpit Arts team in developing the application and a business plan.

Two applicants submitted their application and were turned down by the Loan Panel.

### **Social Return On Investment (SROI)**

SROI is a method developed to measure the social and environmental impact of activities, projects, programmes and policies and put a monetary value on them. In conducting this SROI analysis we have followed the principles as developed by the SROI Network, and endorsed by the Office of the Third Sector. These are:

- involvement of stakeholders;
- a focus on understanding what changes;
- value the things that matter;
- only include things that are material;
- avoid over-claiming;
- transparency; and
- verification of the result.



This SROI-evaluation has been produced following the SROI Network's guidance and adheres to the SROI principles.



## 2. Scope and Stakeholders

This Section defines the scope and boundaries of the study and describes the various stakeholders of the service.

### Scope

The purpose of this SROI evaluation is to understand of the value created by Cockpit Arts Business Growth Loan Scheme (BGLS) by providing loans and a bespoke package of support to its studio holders to develop and grow their businesses. Cockpit Arts will use this SROI report to:

- demonstrate the value of the BGLS to Esmée Fairbairn Foundation;
- attract additional investors/underwriters to a successor programme;
- identify any additional requirements for monitoring and evaluation data collection to undertake SROI on a regular basis;
- identify possible improvements to its model of support; and
- show Cockpit Arts studio holders and supporters, the creative industry sector, and the general public the value created through Cockpit Arts' business model.

As the BGLS is now finished and closed to new applications, we have decided to produce an **evaluative SROI** that captures the value of the total BGLS. The time frame of this SROI evaluation is therefore the three and a half years that the programme has been accepting applications: **January 2007 – June 2010**.

Cockpit Arts has commissioned Rick Rijdsdijk, Accredited SROI Practitioner from Social Value Lab, to provide support in undertaking an SROI evaluation of the BGLS. The underlying work, however, has been undertaken by a team consisting of Rick, Vanessa Swan, Chief Executive of Cockpit Arts, Ellen O'Hara, Head of Business Development of Cockpit Arts and Iain McGuffog, an economist introduced to Cockpit Arts via the Pro Bono Economics scheme.

### Stakeholders

SROI explores the changes to stakeholders as a result of the BGLS programme through a dialogue with these stakeholders. The first step has been to identify all stakeholders relevant to the scope of this analysis and make a decision whether these stakeholders would be included in the study or not. **Table 2.1** shows the all identified stakeholders and their reason for being included in or excluded from this study.



Stakeholder	Included	Reason
<ul style="list-style-type: none"> <li>Successful Applicants</li> </ul>	Yes	The successful applicants are the main beneficiaries of the service.
<ul style="list-style-type: none"> <li>Unsuccessful Applicants</li> </ul>	Yes	Although not successful in attracting loan funding, we expect some outcomes for this group by going through the application process. There may also be negative outcomes for this group.
<ul style="list-style-type: none"> <li>Organisations that received support only</li> </ul>	Yes	This group agreed that they did not need financial investment to achieve growth, but benefited from the business support provided through the BGLS.
<ul style="list-style-type: none"> <li>Non Applicants</li> </ul>	No	No material changes expected for this group.
<ul style="list-style-type: none"> <li>Staff, contractors and interns of successful applicants</li> </ul>	yes	This group will have achieved significant outcomes that they would not have had otherwise.
<ul style="list-style-type: none"> <li>Suppliers of successful applicants</li> </ul>	No	No material changes expected. Any outcomes for the suppliers are achieved and valued through the beneficiaries of the programme. Valuing them separately would be double counting.
<ul style="list-style-type: none"> <li>Clients of successful applicants</li> </ul>	No	No material changes expected. Any outcomes for the suppliers are achieved and valued through the beneficiaries of the programme. Valuing them separately would be double counting.
<ul style="list-style-type: none"> <li>Cockpit Arts Board and Management</li> </ul>	No	No material outcomes expected. Most outcomes for this group are achieved through the beneficiaries of the programme and are valued there to avoid double counting.



Stakeholder	Included	Reason
<ul style="list-style-type: none"> <li>Business Development Staff</li> </ul>	No	No material outcomes expected. Most outcomes for this group are achieved through the beneficiaries of the programme and will be valued there to avoid double counting. The outcomes specific for this group, such as increased experience, skills and job satisfaction are not relevant to the scope of this study and mostly covered by the salary they receive.
<ul style="list-style-type: none"> <li>Other Cockpit Arts staff</li> </ul>	No	No material outcomes expected.
<ul style="list-style-type: none"> <li>Loans Panel</li> </ul>	No	Although the panel members will have gained knowledge and experience that will be useful in their professional life, we do not expect this to be a material outcome
<ul style="list-style-type: none"> <li>Esmée Fairbairn Foundation (EFF)</li> </ul>	No	As a funder EFF's outcomes will be achieved through the beneficiaries of the programme. We do not expect any separate, material outcomes for EFF.
<ul style="list-style-type: none"> <li>Charity Bank (monitoring the programme)</li> </ul>	No	Although the Charity Bank will get a better understanding of loan programmes, especially in the cultural sector, we do not envisage this to be material to this report.
<ul style="list-style-type: none"> <li>Crafts Council</li> </ul>	No	No material changes expected

### Materiality

SROI, like financial accounting, only considers outcomes that are material to the stakeholder and the scope of the project. Any approach to understanding the impact of an organisation or its activities will need to find a way to focus on those impacts that are relevant and significant. If this is not achieved the process of understanding and reporting will spend time and energy on issues that are not relevant or significant. For the SROI report this means to determine what information and evidence is significant and relevant to be included in the analysis to give a true and fair picture of the programme. Table 2.1 (above) identifies whether stakeholders are material to this study or not.



## Theory of Change

For all the stakeholders included in this report we have developed a theory of change, a description of what Cockpit Arts expects to change as a result of the BGLS.

We have developed our theory of change on the basis of the original agreement with Esmée Fairbairn Foundation and the experience of the Cockpit Arts staff over the course of the programme.

We have tested this theory of change through the process of stakeholder consultation to determine the value created by the programme.

## Successful Applicants

The key activity of the BGLS is to provide applicants with a loan of up to £10,000 and dedicated one-to-one business development support of Cockpit Art's business development team. There have been 15 successful applicants who received 21 loans with a total value of £94,780.

The main aim of the programme is to support the Cockpit Arts studio holders to grow and develop their business and become more financially sustainable in the longer term.

Before participating in the BGLS many of the applicants did not generate enough sales/turnover to provide a sufficient income and many applicants did have a part-time second job. The business growth as a result of the programme has allowed them to make enough money to be involved in running the business in the way they want. For most this means being in full-time employment, for others it means work part-time and hire a full-time business manager.

By running their business more effectively and by outsourcing production tasks, some applicants have freed up a significant part of their time. They have used this time to focus on the creative development side of their business, things they like and are good at. Others have used the freed up time to start a family or spend more time with their family.

For all applicants the loan and the support have led to increased confidence. The work with the business development team and the growth of the business has given them more confidence in their own capacities, more trust in their own decision making and more confidence in dealing with other persons such as clients and tradespersons.



By undertaking a business planning process and receiving the dedicated support, the applicants realised the potential of their business. This also led to changed and more realistic aspirations of what they want to achieve and a better understanding of what they need to do to get where they want to be.

We expected that the loan recipients will have acquired additional business skills, such as management of people, finance, and strategic planning. The business plan and the skills acquired in producing it have enabled the loan recipients to access other development opportunities, such as loans, grants and awards.

By building and developing the success of their business, the applicants have gained an improved profile of their business that may have led to more work and ability to charge higher prices.

### **Designer-makers that Received Support Only**

There were 18 Cockpit Arts studio holders that started the application process and, with the help of the business development team, realised that a loan was not the answer to their problem. All of these studio holders have received support from the business development team since withdrawing their application. Of these 18, seven are still studio holders at Cockpit Arts, and eleven moved out. Of these, three took their business elsewhere and have been included in this stakeholder group. The other eight have scaled their business down considerably and have not been included in this stakeholder group.

By engaging in the application process and receiving support, the business planning skills and financial literacy of this group has improved. This has enabled them to run their business better and has led to increased productivity and/or increased profit.

By being forced to think about the future of their business in order to apply for the loan, and subsequently realising that they did not need a loan, they got a better idea about the future of their business. The process showed them what they needed to do to improve their business and they decided to focus on these elements first rather than applying for a debt finance.

The support of the business development team has improved their confidence to manage their undertakings as a business.



### Unsuccessful Applicants

We expect the BGLS to have a mixed impact on the two applicants who were unsuccessful in securing a loan. These two businesses received support from the business development team to put the application together and on-going coaching following the outcome of the loans panel.

For both unsuccessful applicants the application process has installed a much clearer and more realistic idea about their business and has stimulated the applicants to refocus their business.

Also the experience of rejection may have harmed their confidence and possibly set their business back a bit.

One organisation has benefited from the experience by an increased skill to present ideas in a business-like manner and thus attract investment in the business from elsewhere.

### Employees, Contract Workers and Interns of Successful Applicants (Staff, Contractors and Interns)

The business loans and the subsequent growth and development of the successful applicants has led to the creation of 3 PAYE jobs, 20 people who work for a successful applicant on a contract basis, and 17 internships over the last three years. We have only included the three people we consulted with in this stakeholder group.

These employment and placement opportunities have been enabled by the BGLS and have led to increased relevant work experience and more entrepreneurial thinking by employees, contract workers and apprentices.

It enabled them to work in a field that they want to work in and will help them to realise their long-term career goals in the creative industries.

### Stakeholder Engagement

**Table 2.2** summarises the theory of change for each stakeholder included in the SROI evaluation and shows the method of how we have engaged with them.



Stakeholder	Total no. of Stakeholders	Method of Engagement
Successful Applicants	15	11 one to one interviews <sup>1</sup>
Designer-Makers that received support only	10	7 one-to-one interviews
Unsuccessful Applicants	2	1 telephone interview and 1 self-completion questionnaire <sup>2</sup>
Staff, contractors and interns	3	1 face to face and 2 telephone interviews

At the end of the process, we have organised a focused discussion with stakeholders to validate our identified outcomes, impact and value (see Section 5, Verification of Results).

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<sup>1</sup> One successful applicant is deceased and could not be interviewed. Another was on maternity leave.

<sup>2</sup> The answers to the self-completion questionnaire were not detailed enough to include the answers in our analysis.



### 3. Input

This Section describes and values the input of the various stakeholders to the BGLS programme.

#### Esmée Fairbairn

The input of Esmée Fairbairn, the main funder, has two components:

- the provision of a loan fund of £100,000 – this fund provided the loans to the applicants. The loans plus interest have been repaid in full by the applicants;
- a grant of £160,000 to administer and support the programme – this provided the support from the business development team and all admin and overheads related to the programme;

For the purpose of the SROI evaluation we have not attached a monetary value of the loan component. The loan has been fully repaid and Esmée Fairbairn has received an adequate compensation for the risk involved in the form of an interest rate of 6% that was above the market rate.

The total value of Esmée Fairbairn's input in the BGLS is therefore £160,000.

#### Loan Panel

The Loan Panel, who gave their time without charge, consisted of:

- Sydney Levinson (Chair), Chair of Trustees at Cockpit Arts, Partner at Rhodes and Rhodes tax accountants
- Sian Prime, Course Director, MA Creative and Cultural Entrepreneurship at Goldsmiths, University of London and freelance coach, facilitator and trainer
- Prof. Neil Alford, Head of Department of Materials, Imperial College London
- Robin Alvarez, entrepreneur

We have valued the input of the panel members at an average consultancy rate of £ 1000 per day<sup>3</sup>. On average we estimate each panel member spend two hours per application. In total there have been 23 applications, which means 184 hours or 23 days (4 panel members \* 23 applications \* 2 hours = 184 hours/ 8 hours = 23 days).

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<sup>3</sup> This value is an average of the rates of 3 of the 4 loan panel members that have responded to our enquiry into their day rates.



The total value of the panel member's input in the BGLS programme is therefore £23,000.

Participants found the feedback of the panel members with a substantial experience in the business very valuable.

*["I gain from the curiosity and the professional opinions of the panellists. In particular gaining new insights in to how budgets are read and also thoughts about materials and processes. I have also gained more confidence in my ability to judge a business plan, feedback and give advice."]*

*["It has been an extremely positive experience, personally rewarding and increasing my professional insight into the Craft Sector."]*

### Applicants

In total there have been 15 successful applicants who have spent time in preparing the application and attending the support meetings. On average we estimate each successful applicant has spent four days on the loan application and business plan and another eight days of their time on meeting with the support team. This is a total of 12 days per successful applicant, or 180 days in total.

We estimate that the two unsuccessful applicants have only spent the 4 days in preparing the loan application and business plan. They also received some post application support, which we have estimated at 1 day. This is a total of 10 days.

The ten organisations that received support only have spent an average of eight days on meeting with the support team. This is a total of 80 days.

To value the applicant's input we have used the average London hourly rate for skilled tradesmen of £ 12.50 per hour, or £100 per day<sup>4</sup>.

**Table 3.1** shows the value of the input for all applicants.

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<sup>4</sup> 2009 Annual Survey of Hours and Earnings (ASHE), Analysis by Government Office Region by Occupation, Table 3.5A. London Skilled Trades Occupations, median gross hourly rate - £12.50 \* 8 hours = £100.00 per day.



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	<b>Days</b>	<b>Daily Salary</b>	<b>Total Value Input</b>
Successful Applicants	180	£100.00	£18,000.00
Unsuccessful applicants	10	£100.00	£1,000.00
Support Only	80	£100.00	£8,000.00

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### **Staff, Contractors and Interns**

We have not attached a monetary value to the time and effort of this stakeholder group.



## 4. Outcomes and Evidence

This section describes the identified output and outcomes of the activities, the indicators for achieving the outcomes, the quantity and duration of the outcomes and the financial proxies identified to measure the value of the outcomes.

From the stakeholder consultations a range of outcomes emerged. The output and outcomes identified through the stakeholder consultations are shown in **Table 4.1**.

Stakeholder	Output	Outcomes
Successful Applicant	21 loans, 15 business plans produced and support received by 15 Cockpit Arts studio holders	<ul style="list-style-type: none"> <li>Improved business performance to be profitable enough to sustain longer term future of the business</li> <li>increased objectivity leading towards seeing the undertaking more as a business and less as a hobby/lifestyle</li> <li>Increased motivation and confidence to take decisions to develop the business</li> <li>Improved work-life balance</li> <li>Increased job satisfaction because being able to concentrate on artistic side of the business</li> <li>Extra workload and stress resulting from the implementation of the business plan</li> <li>Added responsibilities for employees</li> <li>Worry about repaying the loan</li> </ul>
Designer-makers with Support Only	10 business plans produced and support received by 10 Cockpit Arts studio holders	<ul style="list-style-type: none"> <li>Increased peace of mind and feeling more optimistic about the future</li> <li>increased objectivity leading towards seeing the undertaking more as a business and less as a hobby/lifestyle</li> <li>Improved business skills (financial, strategic, operational) and marketing and communication skills leading to improved business performance</li> <li>Increased motivation and confidence to take decisions to develop the business</li> <li>Decreased job satisfaction because of an increased focus on selling, less on making</li> </ul>



Unsuccessful Applicants	1 business plan produced and support received by 1 Cockpit Arts studio holder	<ul style="list-style-type: none"> <li>• Improved communication skills leading to other grants, loans and awards</li> <li>• Increased confidence to develop the business</li> <li>• Increased marketing skills leading to the development and implementation of a marketing strategy</li> </ul>
Staff, contractors and interns	3 paid or unpaid positions with successful applicants	<ul style="list-style-type: none"> <li>• Increased career prospects through work experience and an increased network in their chosen career</li> <li>• Increased business skills and entrepreneurial thinking</li> <li>• Increased happiness caused by improved career prospects in chosen field</li> </ul>

## Outcomes

The consultation with stakeholders has identified a range of outcomes for the various stakeholders.

## Materiality of Outcomes

The outcomes reported in **Table 4.1** represent the outcomes that are deemed to be material. Some outcomes that were mentioned were very specific to the personal situation of the stakeholder and have not been included in this evaluation to avoid over-claiming.

## Successful Applicants

The successful applicants identified a range of outcomes that can be classified in three groupings:

- outcomes related to the business and professional development of the owner:

The successful applicants reported a number of related intermediate outcomes:

- improved business model (related to the business) – interviewees reported vast improvements to their business model, including withdrawal from some markets, entering new markets, diversifying product ranges and changing production processes.

*["I was able to contract production to outworkers. Sales increased as a direct result."]*



*["I know which products make the most money and which don't"]*

- increased business skills (professional development) – interviewees reported a range of business skills that enabled a more efficient running of the business, including financial skills, planning skills, people management and production planning.

*["I have the cash flow forecast on my wall and am regularly checking against my targets"]*

*["I have always wanted to make a living from my work, but I didn't fully understand how"]*

- increased marketing skills (professional development) – interviewees reported improved marketing and communication skills that resulted in an improved public profile, which in turn made that they could increase the prices they charge for their work and they benefitted from other development opportunities, such as loans, investment and awards.

*["Because I had invested so much in marketing I felt able to up the prices, which has made a big difference to turnover and profit"]*

These intermediate outcomes are all related to improved business performance and form a chain of outcomes leading to the longer-term outcome of:

- *Improved business performance to be profitable enough to sustain longer term future of the business – to avoid double counting we have only included and valued this outcome in the impact map.*
- extra workload – some interviewees reported an additional workload and related stress involved with implementing the business plan. This was viewed as a negative outcome.

*["It was additional work for me to do; extra pressure on top of an already heavy workload."]*

- outcomes related to the feeling of the owners with consequences for the business:
  - increased motivation and confidence – interviewees reported an increased confidence and motivation to take the necessary decisions to develop the business.

*["It gave me confidence and made me decisive"]*



*["I am better at saying yes and no to the right things"]*

- Increased job satisfaction – interviewees reported an increased job satisfaction because they were now able to concentrate on the artistic side of the business, which they like best.

*["It allows me to spend more time on my own leather work, so from this perspective it has been very successful"]*

- responsibility for employees – some interviewees reported the added responsibility for staff as a negative outcome.

*["The shift in role and strain of managing so many outworkers was too much for me and created a lot of stress eventually"]*

- worries about repaying the loan – some interviewees reported having worries about the responsibility to repay the loan as a negative outcome.

*["Yes I worry about being able to pay back the loan"]*

- outcomes related to the personal life of the owners:

- seeing the undertaking as a business – by thinking about taking on a loan and preparing the business plan, interviewees saw their undertakings in a different light. They started by thinking of their business as a kind of hobby or a lifestyle business, but at the end of the process they regarded it as a business. They referred to this more detached view as seeing their business more 'objective'.

*["I am less precious about the work now – it's no longer an extension of me"]*

*["I always looked at myself as an artist selling my wares, but now I see myself as a business"]*

*["I look at it more objectively, its purpose is to make a living rather than to express my creativity"]*

- improved work-life balance – some interviewees reported a better work-life balance, spending less time at the studio and have more time for friends, family and to pursue other interests.

*["I have been able to reorganise my social life and take holidays"]*



*["I am not working weekends anymore which is good; my quality of life has improved"]*

Of course outcomes for a stakeholder in a project are always related and part of the same process of growing and developing the business. However, we have carefully examined the outcomes for chains of events and ensured all outcomes are independent outcomes. For example:

- improved job satisfaction and improved work-life balance seem to be related, but the first reflects the fact that, because of improved planning, organisation and production processes, the designer makers were able to concentrate more on the creative process, which they enjoy, and less on the production and admin. Improved work-life balance represents a better division of time between work and home life (family, friends, other activities).

### **Designer-makers with support only**

The designer-makers that only received support and no loan reported partly the same outcomes as the successful applicants and partly different ones.

The support only designer-makers reported increased business skills and marketing skills as did the successful applicants.

*["I started focussing on items with a higher price point that appeal to a more exclusive gallery market"]*

*["I'm thinking more broadly about opportunities, applying for more of them and I'm not worried if they don't actually happen"]*

The designer-makers with support only also shared the outcome of increased confidence and motivation with the successful applicants.

*["The support has been hugely beneficial in making decisions, which in turn impacts on the business"]*

*["I now have the confidence to stick to my guns and say no"]*

They also expressed a more objective, detached view of their undertaking.

*["I try to look at my practice as much more of a business than a hobby."]*

*["I'm now looking at my business in a more business oriented way"]*

*["I have realised that running a business is not just about being creative"]*



The support only designer makers, however, did not achieve an improvement of their business model, as the successful applicants did, but they were more optimistic about their future.

*["I am more confident at making more of the business"]*

*["I'm finally able to pay myself a small wage and generally feel good about the business"]*

Instead of an increased job satisfaction, they reported less job satisfaction because they had to spend more time and effort on selling and less on creating.

*["A negative effect is that I'm spending more time on selling and less on making"]*

*["I would like more time to be creative again"]*

Again we have examined the outcomes for chains of events and, like the successful applicants, the increased business skills and increased marketing and communication skills are both intermediate outcomes leading to the longer-term outcome of improved business performance, which was included and valued in the impact map as:

Improved business skills (financial, strategic, operational) and marketing and communication skills leading to improved business performance.

### **Unsuccessful Applicants**

We were only able to interview one of the two unsuccessful applicants and we did not feel confident to extrapolate the results from this interview to the other unsuccessful applicant.

Although not getting the loan, the interviewee reported some significant benefits from going through the process and the support from the business development team.

Firstly, the unsuccessful applicants reported improved communication skills that enabled them to represent their business better. She used her new skills to attract other investment into the business. She further reported improved marketing skills and an increased confidence that the business would develop in the future.

*["My marketing strategy is now on paper instead of in my head"]*

*["These skills have helped me present on my business many times and has helped me win grants, loans and awards"]*



## Staff, Contractors and Interns

All interviewed had relevant designer-maker qualification and have struggled to find employment in their chosen field. The growth of the successful applicants as a direct result of the BGLS has enabled them to recruit additional labour.

The staff, contractors and interns reported the importance of relevant work experience and, perhaps more important, the increased network gained through their work.

*["It is also about who you know"]*

*["My network has grown considerably"]*

Interviewees also expressed their happiness that they have found work with a designer-maker in the field that they want to work in.

*["It took me almost 10 years to get where I am"]*

*["I wasn't happy, now I enjoy coming into work"]*

*["I struggled, these jobs are hard to find"]*

Through their work the staff, contractors and interns have gained a better insight in what it takes to run a designer-maker business. Even though not all interviewed had the ambition to run their own business, they thought their increased business skills and improved entrepreneurial thinking would benefit them in their later life and career.

*["I'm learning about how to run a business"]*

*["I can use the things I learned in running my own business in the future"]*

## Unintended Outcomes

Many of the outcomes reported by the stakeholders in the consultation were intended by the programme and part of our Theory of Change. However, we also found a number of unintended positive and negative changes:

- Successful Applicants:
  - Improved work-life balance
  - Extra workload and stress



- Added responsibility for employees
- Worries about repaying the loan
- Designer Makers with Support Only:
  - Improved marketing and communication skills
  - Decreased job satisfaction
- Unsuccessful Applicants:
  - Increased confidence to develop the business – this is opposite of what we expected. We believed that the rejection of the loan may have dented their confidence<sup>5</sup>.
  - Increased marketing and communication skills
- Staff, contractors and interns:
  - Increased happiness

### Negative Outcomes

Interventions seldom only have positive changes as a result, most of the time negative outcomes also occur. To paint a true picture of the impact of the BGLS and to avoid over-claiming, we have specifically probed for negative outcomes in our consultations and several have been reported:

- Successful Applicants:
  - Extra workload and stress
  - Added responsibility for employees
  - Worries about repaying the loan
- Designer Makers with Support Only:
  - Decreased job satisfaction

### Outcome Indicators

**Table 4.2** shows how we would know if the identified outcome has been achieved (indicator) and the sources of these indicators.

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<sup>5</sup> Please note this is based on only 1 interview and caution should be taken to extrapolate this.



Stakeholder	Outcomes <sup>6</sup>	Indicator	Source	
Successful Applicant	<ul style="list-style-type: none"> <li>Improved business performance</li> </ul>	number of D-M <sup>7</sup> with business plan developed, implemented and evaluated, and increased sales or margins	loan application, CA Annual Business review reports , CA quarterly progress meeting reports, annual accounts	
	<ul style="list-style-type: none"> <li>increased objectivity</li> </ul>	number of D-M reporting seeing the undertaking more as a business; number of people turning to business full-time	CA Annual Business review reports , CA quarterly progress meeting reports	
	<ul style="list-style-type: none"> <li>Increased motivation and confidence to take decisions</li> </ul>	number of D-M reporting increased motivation and confidence; number of D-M that have made important business decisions	CA Annual Business review reports , CA quarterly progress meeting reports	
	<ul style="list-style-type: none"> <li>Improved work-life balance</li> </ul>	number of D-M reporting improved work-life balance; number of D-M reporting increased time spend on activities outside work	CA Annual Business review reports , CA quarterly progress meeting reports, time sheets	
	<ul style="list-style-type: none"> <li>Increased job satisfaction</li> </ul>	number of D-M reporting increased job satisfaction	CA Annual Business review reports , CA quarterly progress meeting reports	
	<ul style="list-style-type: none"> <li>Extra workload and stress</li> </ul>	number of D-M reporting increased stress from implementing the business plan	CA Annual Business review reports , CA quarterly progress meeting reports	
	<ul style="list-style-type: none"> <li>Added responsibilities for employees</li> </ul>	number of D-M reporting added responsibilities for employees; number of D-M employing staff/ apprentices	CA Annual Business review reports , CA quarterly progress meeting reports	
	<ul style="list-style-type: none"> <li>Worry about repaying the loan</li> </ul>	number of D-M reporting worries about repaying the loan	CA Annual Business review reports , CA quarterly progress meeting reports	
	Designer-makers with Support Only	<ul style="list-style-type: none"> <li>Increased peace of mind</li> </ul>	number of D-M reporting feeling more optimistic about the future	CA Annual Business review reports , CA quarterly progress meeting reports
		<ul style="list-style-type: none"> <li>Increased objectivity</li> </ul>	number of D-M reporting seeing the undertaking more as a business; number of people turning to business full-time	CA Annual Business review reports , CA quarterly progress meeting reports

<sup>6</sup> For practical reasons the description of the outcomes have been shortened in the rest of this report. For the full description see Table 4.1 or the Impact Map.

<sup>7</sup> D-M = Designer-Maker



Stakeholder	Outcomes <sup>6</sup>	Indicator	Source
Unsuccessful Applicants	<ul style="list-style-type: none"> <li>Improved business performance</li> </ul>	number of D-M reporting improved business skills; number of D-M with marketing plan developed, implemented and evaluated; number of D-M, and higher prices or increased sales	loan application, CA Annual Business review reports , CA quarterly progress meeting reports, annual accounts
	<ul style="list-style-type: none"> <li>Increased motivation and confidence to take decisions</li> </ul>	number of D-M reporting increased motivation and confidence; number of D-M that have made important business decisions	CA Annual Business review reports , CA quarterly progress meeting reports
	<ul style="list-style-type: none"> <li>Decreased job satisfaction</li> </ul>	number of D-M reporting decreased job satisfaction	CA Annual Business review reports , CA quarterly progress meeting reports
	<ul style="list-style-type: none"> <li>Improved communication skills</li> </ul>	number of D-M reporting increased communication skills; number of organisations that have received grants, loans or awards	CA Annual Business review reports , CA quarterly progress meeting reports
	<ul style="list-style-type: none"> <li>Increased confidence to develop the business</li> </ul>	number of D-M that report increased confidence	CA Annual Business review reports , CA quarterly progress meeting reports
	<ul style="list-style-type: none"> <li>Increased marketing skills</li> </ul>	number of D-M that report examples of increased marketing skills; number of D-M with a marketing plan; number of D-M that have evaluated their marketing plan	CA Annual Business review reports , CA quarterly progress meeting reports
Staff, contractors and interns	<ul style="list-style-type: none"> <li>Increased career prospects</li> </ul>	number of people reporting increased career prospects; number of people able to identify new relevant contacts	annual survey of employees, contract workers, interns and apprentices
	<ul style="list-style-type: none"> <li>Increased business skills</li> </ul>	number of employees, interns or apprentices reporting examples of increased business skills or entrepreneurial thinking	annual survey of employees, contract workers, interns and apprentices
	<ul style="list-style-type: none"> <li>Increased happiness caused by improved career prospects</li> </ul>	number of people reporting increased happiness	annual survey of employees, contract workers, interns and apprentices



We have identified one subjective indicator for every outcome and tried to back that up with an objective one. This should not be viewed as two indicators, but as a subjective and objective part of the indicator to avoid double counting. For the outcomes with only subjective indicators (self-reported) objective outcome indicators need to be developed.

The next step in the SROI-forecast is to establish for how many of the people in each stakeholder group the identified outcomes will happen (quantity) and for how long will they last (duration).

### Quantity

We have analysed the consultations with the successful applicants and the designer-makers with support only and calculated the number of times a certain outcome was reported by the stakeholder. This gave us overall percentages of occurrence of the outcome. We then multiplied these percentages with the total number of successful applicants (15) and the designer-makers with support only (10).

We were only able to interview one of the two unsuccessful applicants and three representatives of the staff, contractors and interns. These numbers are too small to extrapolate the reported benefits to the whole group. Therefore we have only valued the outcomes of the people interviewed.

It is likely that for the people we were not able to interview similar outcomes may have arisen and the value created for these beneficiaries is not represented in this report.

**Table 4.3** shows the quantity of the outcomes:

Stakeholder	Outcomes	Quantity
Successful Applicant	• Improved business performance	15
	• increased objectivity	10
	• Increased motivation and confidence to take decisions	15
	• Improved work-life balance	10
	• Increased job satisfaction	9
	• Extra workload and stress	6
	• Added responsibilities for employees	6
	• Worry about repaying the loan	2



Stakeholder	Outcomes	Quantity
Designer-makers with Support Only	• Increased peace of mind	10
	• Increased objectivity	8
	• Improved business performance	8
	• Increased motivation and confidence to take decisions	8
	• Decreased job satisfaction	6
Unsuccessful Applicants	• Improved communication skills	1
	• Increased confidence to develop the business	1
	• Increased marketing skills	1
Staff, contractors and interns	• Increased career prospects	3
	• Increased business skills	2
	• Increased happiness caused by improved career prospects	3

### Duration

Some outcomes have the potential to last for the rest of someone's life (e.g. confidence, skills) while others will only last for the time when the activity occurs. We have not been able to identify any research done on comparable projects to establish the duration of the outcomes. Therefore we have made general assumptions based on the stakeholder consultation and the experience of the Cockpit Arts staff team. For the purpose of this study the outcomes have been considered for a maximum of three years. After three years it will be impossible to credibly link the outcomes with the provided activities.

**Table 4.4** shows the duration and the rationale for the duration.

Stakeholder	Outcomes	Duration (Yrs)	Rationale
Successful Applicant	• Improved business performance	3	Business will be more successful for more than one year as a result of the increased business skills, marketing skills and improved business model, but they will lose their relevance over time and need regularly updated to stay valuable. A business plan is usually developed for a three year period, that's why we decided to use that period for the duration.



Stakeholder	Outcomes	Duration (Yrs)	Rationale
Designer-makers with Support Only	<ul style="list-style-type: none"> <li>increased objectivity</li> </ul>	3	This outcome will last for the rest of the applicant's working life
	<ul style="list-style-type: none"> <li>Increased motivation and confidence to take decisions</li> </ul>	3	This outcome will last for the rest of the stakeholder's career, but will wear off over time and require to be 'refreshed' from time to time.
	<ul style="list-style-type: none"> <li>Improved work-life balance</li> </ul>	3	This outcome will last for the rest of the stakeholder's career, but will need continuous monitoring and fine-tuning. We believe that the effect of the BLGS will not be significant anymore after three years.
	<ul style="list-style-type: none"> <li>Increased job satisfaction</li> </ul>	3	This outcome will last for the rest of the stakeholder's career, but we believe that the effect of the BLGS will not be significant anymore after three years.
	<ul style="list-style-type: none"> <li>Extra workload and stress</li> </ul>	1	This outcome will only last during the intervention period
	<ul style="list-style-type: none"> <li>Added responsibilities for employees</li> </ul>	1	This outcome will only last during the intervention period
	<ul style="list-style-type: none"> <li>Worry about repaying the loan</li> </ul>	1	This outcome will only last during the intervention period
	<ul style="list-style-type: none"> <li>Increased peace of mind</li> </ul>	1	This outcome will only last during the intervention period
	<ul style="list-style-type: none"> <li>Increased objectivity</li> </ul>	3	Increased objectivity will last for the rest of the applicant's working life
	<ul style="list-style-type: none"> <li>Improved business performance</li> </ul>	3	Business will be more successful for more than one year as a result of the increased business skills, marketing skills and improved business model, but they will lose their relevance over time and need regularly updated to stay valuable. A business plan is usually developed for a three year period, that's why we decided to use that period for the duration.



Stakeholder	Outcomes	Duration (Yrs)	Rationale
Unsuccessful Applicants	<ul style="list-style-type: none"> <li>Increased motivation and confidence to take decisions</li> </ul>	3	This outcome will last for the rest of the stakeholder's career
	<ul style="list-style-type: none"> <li>Decreased job satisfaction</li> </ul>	1	This outcome will only last during the intervention period
	<ul style="list-style-type: none"> <li>Improved communication skills</li> </ul>	1	Although skills will last a life time, we have only valued these for a year because of the relatively light intervention
Staff, contractors and interns	<ul style="list-style-type: none"> <li>Increased confidence to develop the business</li> </ul>	1	This outcome will only last during the intervention period
	<ul style="list-style-type: none"> <li>Increased marketing skills</li> </ul>	1	Although skills will last a life time, we have only valued these for a year because of the relatively light intervention
	<ul style="list-style-type: none"> <li>Increased career prospects</li> </ul>	3	This outcome will last for the rest of the stakeholder's career
	<ul style="list-style-type: none"> <li>Increased business skills</li> </ul>	3	Skills will last a life time in principle, but they will lose their relevance over time and need regularly updated to stay valuable
	<ul style="list-style-type: none"> <li>Increased happiness caused by improved career prospects</li> </ul>	1	This outcome will only last during the intervention period

### Financial Proxies

SROI uses financial proxies to establish the value of the identified outcomes. Usually price is used as a proxy for the value of products and services, when there is a market to trade on. Most of the outcomes reported by the stakeholders cannot be traded at an open market or are intangible. For these we have identified the closest comparable value of a product/service with a market price.

**Table 4.5** shows the description of the financial proxy for each identified outcome and the source of this proxy. The source of the proxy can be found in the Impact Map (Appendix A)



Stake holder	Outcomes	Financial Proxy	Value
Successful Applicant	• Improved business performance	average additional increase in profit after the loan received	£6,948.56
	• increased objectivity	average value of increase from part-time to full-time job	£13,631.44
	• Increased motivation and confidence to take decisions	cost of cost of Assertiveness and Self-Confidence Training (in-house)	£1,556.40
	• Improved work-life balance	cost of Work-Life Balance Course	£510.00
	• Increased job satisfaction	average value of volunteering	£7,490.34
	• Extra workload and stress	cost of Stress Management Monday course	-£90.00
	• Added responsibilities for employees	cost of Employment Support Package for company with 1-3 employees	-£900.00
	• Worry about repaying the loan	cost of loan protection insurance for the average amount of the loan (£4,513, 24 months payback, 30 days excess)	-£87.60
Designer-makers with Support Only	• Increased peace of mind	cost of Positive Psychology Short Course, module Hope, Optimism and Resilience (University of East London)	£195.00
	• Increased objectivity	average value of increase from part-time to full-time job	£13,631.44
	• Improved business performance	Half of the average additional increase in profit of the successful applicants	£3,474.28
	• Increased motivation and confidence to take decisions	cost of cost of Assertiveness and Self-Confidence Training (in-house)	£1,556.40
	• Decreased job satisfaction	cost of hiring an admin assistant for 2 hours per week at minimum wage for a year	-£616.72
Unsuccessful Applicants	• Improved communication skills	cost of Communicate Effectively, a 4-day training course	£1,740.00
	• Increased confidence to develop the business	cost of Successfully Setting and Achieving Business Objectives course	£510.00



Stake holder	Outcomes	Financial Proxy	Value
Staff, contractors and interns	<ul style="list-style-type: none"> <li>Increased marketing skills</li> </ul>	cost of Microsoft PowerPoint XP Fundamentals training course	£318.00
	<ul style="list-style-type: none"> <li>Increased career prospects</li> </ul>	cost of Career Crossroads guidance programme	£714.00
	<ul style="list-style-type: none"> <li>Increased business skills</li> </ul>	cost of Developing a Business Plan in the Creative Industries course	£300.00
	<ul style="list-style-type: none"> <li>Increased happiness caused by improved career prospects</li> </ul>	cost of Find Your Ideal Career programme	£1,800.00

Some proxies need more explanation:

- Improved business performance for successful applicants– the increased business skills, the increased marketing and communication skills and the improved business model has led to increased sales, higher prices and a higher net margin and ultimately a higher profit. This proxy represents the average increase in profit of the nine businesses still at Cockpit Arts who have been in receipt of a loan for at least one year. The figure represents the average growth in profit of two businesses that received loans over three years ago, three businesses that received loans between two and three years ago and four businesses that received loans between one and two years ago.
- Improved business performance for designer-makers with support only – we do not have the detailed profit figures for this group, so we decided to take only half of the value of the proxy for successful applicants for this outcome. This is because the designer-makers with support only experienced two of the three intermediate outcomes leading to this final outcome (increased business and marketing & communication skills and they have not experienced an improved business model)
- Increased objectivity – because designer-makers are seeing their undertaking more like a business and less like a hobby/lifestyle they are starting to work full-time in the business. The proxy value we have used here is the value of the extra time spent in the business, the value of the difference between working part-time and working full-time. We have taken the difference between a full time job (37 hours per week) and the average part-time job in London (19.9 hours per week) and multiplied that with the average gross hourly rate in London.



- Increased job satisfaction – here we have used as a proxy the value of another activity that gives someone internal satisfaction with what they are doing, volunteering.
- Decreased job satisfaction – here we have used the cost to hire someone to take over some of the work the licensee does not like doing.



## 5. Impact

It is important to establish the impact of the service to provide credibility and avoid over-claiming. The impact of the service will be determined by:

- attribution – what part of the outcome can be attributed to your activities and what part to others;
- displacement – what activities or services are replaced by your service;
- deadweight – how much of the outcome would have happened anyway; and
- drop off – the decline of the outcome over time.

### Attribution

In many cases change is not due to one single activity, but a result of more than one service and/or persons working together. To avoid over-claiming SROI uses attribution to assess how much other people or activities have attributed to the identified outcome. In SROI attribution is taken as a percentage and deducted from the total impact.

**Table 5.1** shows the attribution of others to the identified outcomes.

Stake holder	Outcomes	Attribution	Rationale
Successful Applicant	• Improved business performance	26%	The attribution percentages are a result of the number of interviewees identifying others to be partly responsible for the outcomes (see appendix B)
	• increased objectivity	25%	
	• Increased motivation and confidence to take decisions	8%	
	• Improved work-life balance	13%	
	• Increased job satisfaction	0%	
	• Extra workload and stress	0%	
	• Added responsibilities for employees	0%	
Designer-makers with Support Only	• Worry about repaying the loan	0%	The attribution percentages are a result of the number of interviewees identifying others to be partly responsible for the outcomes (see appendix B)
	• Increased peace of mind	18%	
	• Increased objectivity	20%	
	• Improved business performance	22%	
	• Increased motivation and confidence to take decisions	10%	
	• Decreased job satisfaction	23%	



Stake holder	Outcomes	Attribution	Rationale
Unsuccessful Applicants	• Improved communication skills	10%	For the unsuccessful applicant we have assumed a general attribution of 10% to others, to reflect help and advice from colleagues and their own personal efforts outside the CA support
	• Increased confidence to develop the business	10%	
	• Increased marketing skills	10%	
Staff, contractors and interns	• Increased career prospects	10%	For the staff, contractors and interns we have assumed a general attribution of 10% to others, to reflect any advice and support outside their employer and the CA support
	• Increased business skills	10%	
	• Increased happiness caused by improved career prospects	10%	

### Displacement

Displacement is an assessment of how much of the outcomes have displaced other outcomes. We have not been able to identify any displacement of other services or activities. One could argue that the loans displaced loans from commercial banks, but due to the nature of the businesses the Cockpit Arts studio holders are not eligible for a business loan.

There may be a displacement element in the improved business performance, in the sense that the growth of one business may be at the expense of other businesses. There is no evidence for this that justifies an inclusion of displacement in the impact map, but we have included displacement in the sensitivity analysis.

### Deadweight

Deadweight is a measure to describe the amount of outcome that would have happened anyway, even if the activity had not taken place. For this report we have defined the deadweight as what would have happened if the loans and support would not have been available.

**Table 5.2** shows the deadweight of the outcomes identified.



Stakeholder	Outcomes	Deadweight	Rationale
Successful Applicant	• Improved business performance	28%	The deadweight percentages are a result of the number of interviewees identifying some of the outcomes would have happened without the BGLS (see appendix B)
	• increased objectivity	12%	
	• Increased motivation and confidence to take decisions	26%	
	• Improved work-life balance	37%	
	• Increased job satisfaction	18%	
	• Extra workload and stress	0%	
	• Added responsibilities for employees	22%	
Designer-makers with Support Only	• Worry about repaying the loan	0%	The deadweight percentages are a result of the number of interviewees identifying some of the outcomes would have happened without the BGLS (see appendix B)
	• Increased peace of mind	13%	
	• Increased objectivity	5%	
	• Improved business performance	23%	
Unsuccessful Applicants	• Increased motivation and confidence to take decisions	13%	For the unsuccessful applicant we have assumed a general deadweight of 33% to reflect the fact that most interviewees said that they would have expected some of the outcome to have happened anyway but a lot later.
	• Decreased job satisfaction	14%	
	• Improved communication skills	33%	
	• Increased confidence to develop the business	33%	
Staff, contractors and interns	• Increased marketing skills	33%	For the staff, contractors and interns we have assumed a general deadweight of 10% to reflect the fact that some of the outcomes would have happened anyway when working a different career or in voluntary work.
	• Increased career prospects	10%	
	• Increased business skills	10%	
	• Increased happiness caused by improved career prospects	10%	

### Materiality of Impact

In our analysis of attribution of deadweight we have found no outcomes where attribution deadweight or a combination of these two has led to an impact that is not material.



## Impact

The impact of the service is calculated by the quantity of the outcomes multiplied by the value of the financial proxy, minus attribution and deadweight.

**Table 5.3** shows the impact for the first year for the identified outcomes.



Stakeholder	Outcome	Quantity	Value Proxy	Attribution	Deadweight	Impact
Successful Applicant	• Improved business performance	15	£6,948.56	26%	28%	£55,532.89
	• increased objectivity	10	£13,631.44	25%	12%	£89,967.48
	•					
	•					
	• Increased motivation and confidence to take decisions	15	£1,556.40	8%	26%	£15,893.96
	• Improved work-life balance	10	£510.00	13%	37%	£2,795.31
	• Increased job satisfaction	9	£7,490.34	0%	18%	£55,278.71
Designer-makers with Support Only	• Extra workload and stress	6	£-90.00	0%	0%	£-540.00
	• Added responsibilities for employees	6	£-900.00	0%	22%	£-4,212.00
	• Worry about repaying the loan	2	£-87.60	0%	0%	£-175.20
	• Increased peace of mind	10	£195.00	18%	13%	£1,391.13
	• Increased objectivity	8	£13,631.44	20%	5%	£82,879.13
	• Improved business performance	8	£3,474.28	22%	23%	£2,354.98
	•					
Unsuccessful Applicants	• Increased motivation and confidence to take decisions	8	£1,556.40	10%	13%	£9,749.29
	• Decreased job satisfaction	6	£-616.72	23%	14%	£-2,450.35
	• Improved communication skills	1	£1,740.00	10%	33%	£1,049.22
	• Increased confidence to develop the business	1	£510.00	10%	33%	£307.53
Staff, contractors and interns	• Increased marketing skills	1	£318.00	10%	33%	£191.75
	• Increased career prospects	3	£714.00	10%	10%	£1,735.02
	• Increased business skills	2	£300.00	10%	10%	£486.00
	• Increased happiness caused by improved career prospects	3	£1,800.00	10%	10%	£4,374.00



## Drop Off

For outcomes that last longer than one year, it is likely that the effect of the outcome will diminish over time. The outcome will be influenced by other factors and it will be less attributable to the activity. This is calculated by deducting a straight percentage from the outcome each year.

We do not have research data available to establish the drop off rate. Therefore the project team, based on their experience with the designer-maker businesses, have assumed a drop off percentage of 33% for this SROI evaluation. This is to reflect that:

- the impact of the programme on the business performance outcomes loses its importance over time. Other influences and interventions will enhance the performance of the business, or without any other interventions the business performance will drop again;
- the impact of increased skills will wear off over time, if they are not regularly updated; and
- the impact of the programme on changed attitudes and behaviour will become less over time, as these need to be regularly be reconfirmed and will be influenced by other events and interventions over time.



## 6. Social Return On Investment (SROI)

The Social Return Value is expressed as a ratio of return and is derived from dividing the value of the impact by the value of the Investment. However before the calculation is made, the Impact Value is adjusted to reflect the Present Value (PV) of the projected outcome values. This is to reflect the present day value of benefits projected into the future.

Discounting is applied to those values that have been projected for longer than 1 year. The interest rate used to discount the value of future benefits in this case is 3.5% as determined in the Government Green Book – recommended discount rate for public funds.

In the account that has been created for this forecast SROI the total Impact calculation is as follows:

$$\text{SROI} = \frac{\text{Total Present Value}}{\text{Total Inputs}}$$

In our calculations<sup>8</sup> of the impacts we have established the total of all impacts of the project at £750,021. This represents the total value created by the BGLS.

The Total Present Value for the project, at a discount rate of 3.5%, is £705,314. This represents the total value created by the BGLS whereby the earning capacity of the amounts in the future is discounted.

The Net Present Value, the Total Present Value minus the total of all investments (£210,000) is £495,314. This amount represents the total extra value created by the BGLS.

This gives an SROI ratio of £705,314 / £210,000= **£3.36: £1**. This means for every pound of investment in the BGLS £3.36 social value is created.

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<sup>8</sup> All amounts are rounded to pounds



## 7. Sensitivity Analysis and Verification of Results

The results presented in this evaluation are based on variables and assumptions according to available evidence including qualitative data on the experience of stakeholders.

Sensitivity analysis is used to test these variables and assumptions given that there are areas of the base case that could be derived from imperfect evidence. **Table 7.1** shows which areas were chosen as those with the most potential to affect the results:

Item	Base Case	New Case	SROI
Outcomes Successful Applicants	Forecast outcomes for clients	50% of the forecast outcomes are achieved	£2.22:£1
Outcomes Designer-makers with support only	Forecast outcomes for designer-makers with support only	50% of the forecast outcomes are achieved	£2.84:£1
Proxy – Increased objectivity	Average value of increase from part-time to full-time job (£13,631.44)	Outcome is only valued at 50% of the average increase from part-time to full-time job (£6,815.72)	£2.54:£1
Attribution	Depending on outcome ranging from 0% to 31%	50% attribution for all outcomes	£2.05:£1
Deadweight	Depending on outcome ranging from 0 to 37%	50% deadweight for all outcomes	£2.01:£1
Displacement	No displacement	33% displacement for all outcomes	£2.25:£1
Drop Off	Taken at 33% for all relevant outcomes	50% for all relevant outcomes	£2.61:£1



The sensitivity analysis shows that if the already conservative values used in the analysis are reduced even further, the SROI index does not fall below £2.01:£1. This value would be reached if there would be a deadweight of 50% for all outcomes. Even in this worst case scenario the BGLS is unlikely to return less than £2.01 for every £1 invested.

### **Verification of Results**

To verify the results of our evaluation we have organised a discussion with four of the successful applicants. We have presented the outcomes and valuation of the outcomes to check back the result. The stakeholder confirmed the outcomes once again and agreed with the impact and valuation in the main. This gave us confidence that our SROI report is accurate and believable.

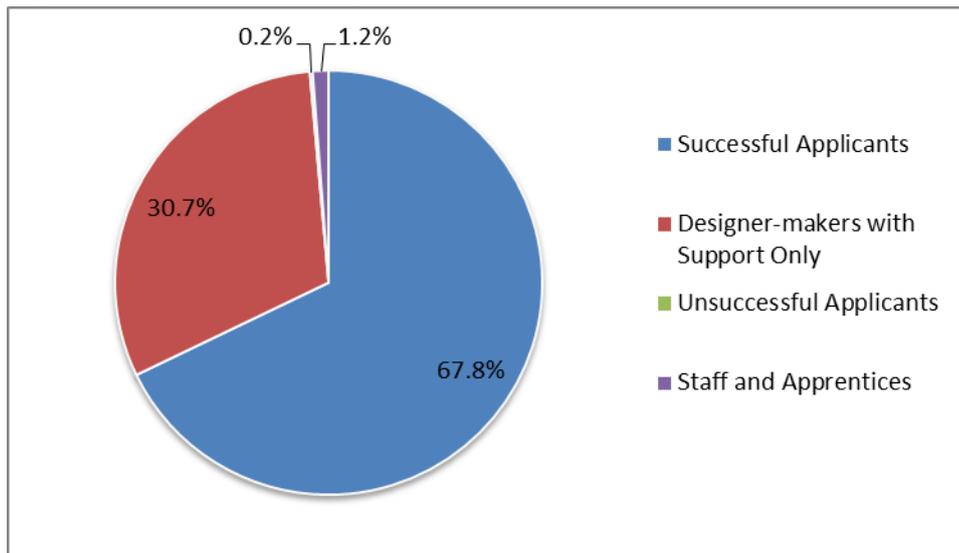


## 8. Analysis and Conclusion

This section presents an analysis of the results, the conclusions and recommendations of the SROI evaluation.

**Figure 1** shows the value created by each of the four stakeholder groups.

**Figure 1: Value Creation by stakeholders BGLS**

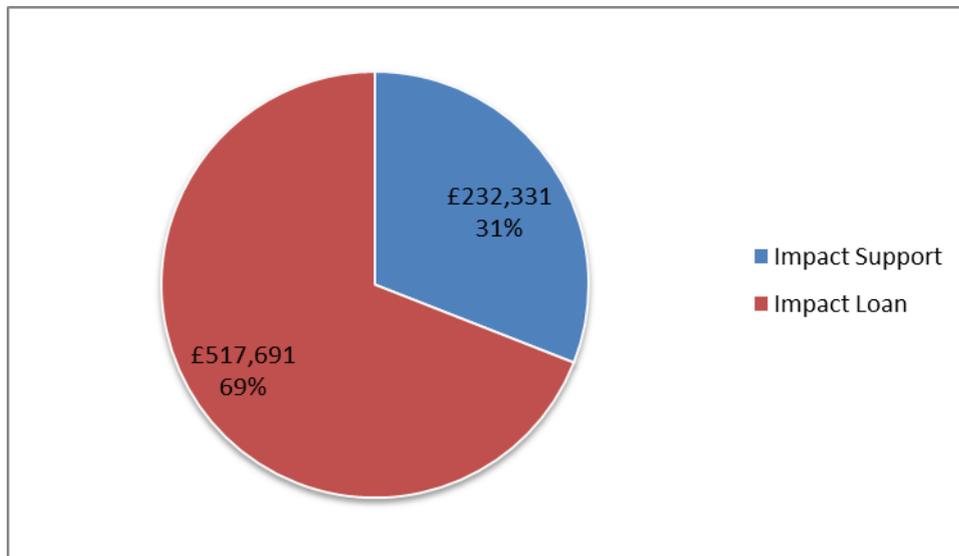


**Figure 1** shows that just over two third (67.8%) of the total value created by the BGLS was created for the successful applicants. The designer-makers with support only represent the second largest stakeholder value with just under a third (30.7%) of the total value. The value created for the unsuccessful applicants and the staff, contractors and interns is negligible and not material to the programme and could be excluded from future SROI analysis.

**Figure 2** shows how much of the value was created by the loan and how much by the support.



**Figure 2: Value Creation by components of BGLS**



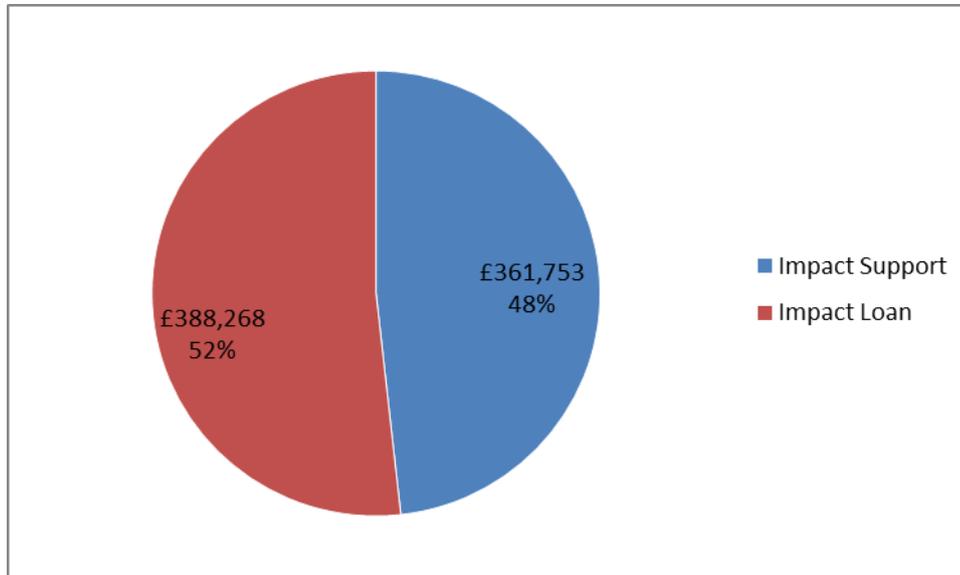
We have made an attempt to distinguish between the value created by the loan element of the BGLS and the support element. The loan element created over two-thirds of the total value (69%) and the support element counted for just under a third of the total value (31%).

However, it should be noted that the two elements are interrelated and it is questionable if the loan element on its own would have created the same outcomes and some of the loan impacts could be attributed to the support as well.

What could be said is that the support element of the BGLS created a social value of £232,331. If we assume that 25% of the loan value could be attributed to the support element, the social value created by the support element of the BGLS is £361,753 and the value created by each element is more or less equal, which is represented in **Figure 3**.



**Figure 3: Value creation by components of BGLS - adjusted**



The Esmée Fairbairn Foundation grant of £160,000 for the support element of the BGLS has thus created an SROI ratio of £2.26:£1, meaning for every pound invested in the support a social value of £2.26 is created.

### Conclusion

The SROI evaluation has shown that the BGLS has created a considerable social value of between £2.01 and £3.36 for every pound of investment and that a successor programme of the BGLS is a good opportunity for an investor with a social objective.

### Recommendations

From the study, a number of main messages and implications emerge as significant for Cockpit Arts. The main recommendations from this SROI-evaluation are:

1. Use the SROI evaluation to demonstrate the value created by the loan and the support programme to Esmée Fairbairn Foundation.
2. Use this SROI evaluation to demonstrate the added value of a support programme accompanying the loan scheme.
3. Use this SROI-evaluation to attract investment in a successor programme to the BGLS. This will help Cockpit Arts to provide clear evidence of outcomes of a loan programme with support and make the harder to measure social impacts of such a programme clear



4. Ensure funders, investors and partners learn about the outcomes of this SROI analysis and understand the implications of it.
5. Communicate the main messages from this SROI report to studio holders, their staff, contractors and interns and other interested stakeholders to promote the value of the support package.
6. Try to identify and/or develop additional objective outcome indicators for outcomes where only subjective, self-reported indicators are identified. This is the case for:

#### Successful Applicants

- a. Increased job satisfaction because being able to concentrate on the artistic side of the business<sup>9</sup>
- b. Extra stress and workload from implementing the business plan
- c. Worry about repaying the loan

#### Designer-makers with Support Only

- d. Increased peace of mind and feeling more optimistic about the future
- e. Decreased job satisfaction because an increased focus on selling, less on making

#### Unsuccessful Applicants

- f. Increased confidence to develop the business
- g. Increased happiness caused by improved career prospects in chosen field

7. Map the data collection requirement for undertaking SROI analysis, and ensure the appropriate data will be collected in a usable format. The data collection should be incorporated in the quarterly progress meetings and annual business reviews.

In the future, an 'evaluation wheel' technique could be used where the expected outcomes, as discovered through this SROI evaluation, are the spokes of the wheel and each applicant should rate where

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<sup>9</sup> completed time sheets would provide an objective indicator, but this would be too great a time commitment for the applicants



they feel they are at a scale of 1-10 before they receive the loan and support package and again when the impact of the package has become clear. This will present a clear visual picture of progress and can be used as indicators for these outcomes.





## Appendix B: Attribution and Deadweight Successful Applicants

ATTRIBUTION	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total	%
- Improved business model	33%	33%	10%	10%	10%	50%	10%	10%	10%	50%	10%	10%	10%	10%	10%	276%	18%
- Improved business skills	25%	25%	25%	25%	25%	50%	25%	50%	25%	50%	25%	25%	25%	25%	25%	450%	30%
- Improved marketing and communication skills	25%	25%	33%	33%	33%	50%	25%		25%	50%		25%	25%	25%	25%	399%	31%
Improved business model, business skills and marketing and communication skills leading improved business performance and to be profitable enough to sustain longer term future of the business																1125%	26%
increased objectivity leading towards seeing the undertaking more as a business and less as a hobby/lifestyle			10%	10%	10%		10%		50%	50%	50%	50%	10%	10%	10%	270%	25%
Increased motivation and confidence to take decisions to develop the business	0%	0%	0%	0%	0%	50%	0%	0%	0%	50%	25%	0%	0%	0%	0%	125%	8%
Improved work-life balance	25%	25%	0%	0%			0%	0%	0%	25%	50%	0%				125%	13%
Increased job satisfaction because being able to concentrate on artistic side of the business	0%	0%	0%	0%			0%	0%					0%	0%	0%	0%	0%
Extra workload and stress resulting from the implementation of the business plan	0%	0%			0%		0%		0%			0%				0%	0%
Added responsibilities for employees			0%	0%						0%			0%	0%	0%	0%	0%
Worry about repaying the loan					0%							0%				0%	0%

Based on the interviews we have used the following percentages for attribution:

- 50%: stakeholders that attributed change to their own efforts and those that had a Crafted mentor
- 33%: stakeholders that mentioned help from others in achieving the outcomes
- 25%: standard attribution for skills-related outcomes
- 0-10%: standard attribution for other outcomes
- Blanks: outcome not mentioned by stakeholder



DEADWEIGHT	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total	%
- Improved business model	33%	33%	33%	33%	0%	0%	33%	67%	33%	33%	0%	0%	33%	33%	33%	397%	26%
- Improved business skills	33%	33%	33%	33%	0%	0%	33%	67%	33%	33%	0%	0%	33%	33%	33%	397%	26%
- Improved marketing and communication skills	33%	33%	33%	33%	0%	0%	67%		33%	33%		33%	33%	33%	33%	397%	31%
Improved business model, business skills and marketing and communication skills leading improved business performance and to be profitable enough to sustain longer term future of the business																1191%	28%
increased objectivity leading towards seeing the undertaking more as a business and less as a hobby/lifestyle			33%	33%	0%		33%		0%	33%	0%	0%	0%	0%	0%	132%	12%
Increased motivation and confidence to take decisions to develop the business	33%	33%	33%	33%	0%	0%	67%	33%	33%	33%	0%	0%	33%	33%	33%	397%	26%
Improved work-life balance	67%	67%	33%	33%			33%	33%	0%	67%	33%	0%				366%	37%
Increased job satisfaction because being able to concentrate on artistic side of the business	0%	0%	0%	0%			33%	33%					33%	33%	33%	165%	18%
Extra workload and stress resulting from the implementation of the business plan	0%	0%			0%		0%		0%			0%				0%	0%
Added responsibilities for employees			67%	67%						0%			0%	0%	0%	134%	22%
Worry about repaying the loan					0%							0%				0%	0%

Based on the interviews we have used the following percentages for deadweight:

- 67%: stakeholders that said that the change would have happened anyway
- 33%: stakeholders that said that the change would have happened later or not in the same way
- 0%: stakeholders that explicitly said nothing would have happened and those that said they would have closed the business
- Blanks: outcome not mentioned by stakeholder



### Appendix C: Attribution and Deadweight Designer-Makers with Support Only

ATTRIBUTION	1	2	3	4	5	Total	%
Increased peace of mind and feeling more optimistic about the future	10%	10%	50%	10%	10%	90%	<b>18%</b>
increased objectivity leading towards seeing the undertaking more as a business and less as a hobby/lifestyle	10%	10%	50%	10%		80%	<b>20%</b>
- Improved business skills	10%		50%	33%	10%	103%	26%
- Improved marketing and communication skills	10%	10%		33%		53%	18%
Improved business skills (financial, strategic, operational) and marketing and communication skills leading to a better public profile, higher prices and better use of development opportunities						156%	<b>22%</b>
Increased motivation and confidence to take decisions to develop the business	10%	10%		10%	10%	40%	<b>10%</b>
Decreased job satisfaction because of a focus on selling, less on making	10%	10%	50%			70%	<b>23%</b>

Based on the interviews we have used the following percentages for attribution:

- 50%: stakeholders that attributed change to their own efforts and those that had a Crafted mentor
- 33%: stakeholders that mentioned help from others in achieving the outcomes
- 10%: standard attribution
- Blanks: outcome not mentioned by stakeholder



<b>DEADWEIGHT</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Total</b>	<b>%</b>
Increased peace of mind and feeling more optimistic about the future	10%	0%	10%	10%	33%	63%	<b>13%</b>
increased objectivity leading towards seeing the undertaking more as a business and less as a hobby/lifestyle	10%	0%	0%	10%		20%	<b>5%</b>
- Improved business skills	33%		10%	10%	33%	86%	22%
- Improved marketing and communication skills	33%	10%		33%		76%	25%
Improved business skills (financial, strategic, operational) and marketing and communication skills leading to a better public profile, higher prices and better use of development opportunities						162%	<b>23%</b>
Increased motivation and confidence to take decisions to develop the business	10%	0%		10%	33%	53%	<b>13%</b>
Decreased job satisfaction because of a focus on selling, less on making	0%	10%	33%			43%	<b>14%</b>

Based on the interviews we have used the following percentages for deadweight:

- 33%: stakeholders that said that the change would have happened later or not in the same way
- 0%: stakeholders that explicitly said nothing would have happened and those that said they would have closed the business
- Blanks: outcome not mentioned by stakeholder