



# Using the Equality Transformative Tool for early stage venture due diligence

**A HOW-TO GUIDE**

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# ACKNOWLEDGEMENTS

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This resource was developed in partnership with Equality Impact Investing Project, Connect Fund and nine impact-tech ventures: Mind of My Own, On Our Radar, Rights DD, AutonoMe, CityMaaS, Helsa, Good Boost, EduKit, SEO London.

We thank you for your continued support in our efforts to realise the potential of technology to create a fairer and sustainable future.

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## Further information

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If you're interested in following us on our journey to impact through investment, sign up for our newsletter via our website, follow us on [Twitter](#) and [LinkedIn](#), and look out for our blog series on [Medium](#). You can also contact us at [hello@socialtechtrust.org](mailto:hello@socialtechtrust.org).

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# PURPOSE

This guide introduces you to our [Equality Transformative Tool](#) for early-stage venture due diligence and gives guidance on how best to use the tool.



## What is an equality transformative venture?

We define it as a venture that is challenging inequality and creating alternative approaches that are designed to promote equality [1].

### Audience

Primary audience: Investors that want to invest in:

- Endeavours that yield both financial and social impact returns.
- Ventures with equality transformative potential, i.e. they tackle the root causes of inequalities and promote equality.

Secondary audience: Ventures providing services and/ or products:

- To marginalised and/or underserved members of society.
- To users who interact with marginalised and/or underserved members of society.

### How can I use this guide?

If you are interested in making investments into early-stage equality transformative ventures, this guide should be used alongside our Excel diagnostic tool - the [Equality Transformative Tool](#).

The diagnostic tool enables investors to:

- Identify early-stage equality transformative ventures.
- Perform due diligence on prospective Pre-Seed and Seed investments.
- Assess the equality transformative potential and assign scoring to a venture that you are currently assessing.

**It is an interactive tool that can be incorporated into your due diligence and portfolio management processes.**

If you are a venture founder you can use the guide alongside the Equality Transformative Tool to assess your current equality transformative potential and answer the following questions:

- Which principles are true for your venture?
- Which practices could you develop further to strengthen your equality transformative potential?

This will help you:

- Prevent mission drift.
- Serve your beneficiaries better.
- Build your financial resilience.
- Build authenticity and trust.

<sup>1</sup> The venture “seeks to identify and/or address the root causes or structures of inequality, as well as develop alternatives, with a view to supporting long term transformative change towards a more equal future”; C. Goddard, O. Dowsett, K. Miles, 2019; “Equality Impact Investing: From Principles to Practice.”

# Overview of the Equality Transformative Tool

## Identifying the equality transformative potential of early-stage ventures

### Navigating towards transformation

Balances short and long-term goals while prioritising impact and sustainability.

### Demonstrating reflective practice

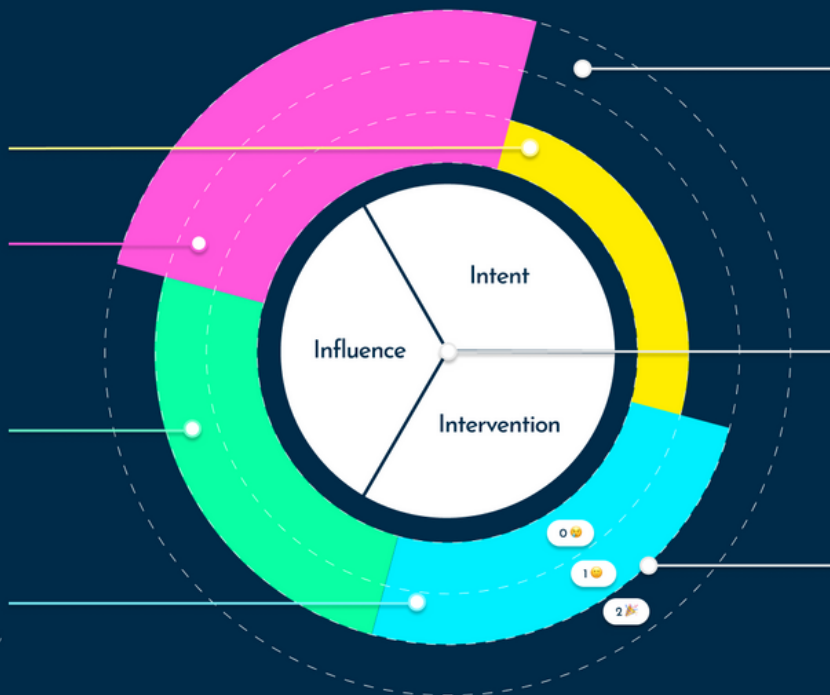
Reflects and reinvents an approach to tackle inequality, willing to pivot based on customer/beneficiary needs.

### Role modelling change

Models equitable practices across its organisation, including management, and staff development.

### Bringing voice

Values end-users' input in strategy, culture, and product/service.



### Practices

Practices describe how the venture operates as an organisation. The practices enable the investor to understand the equality transformative potential of the venture.

The Practices are: **Role modelling change**, **Demonstrating reflective practice**, **Navigating towards transformation** and **Bringing voice**.

### Principles

The principles form the core of the tool. If a venture has all three principles, this is an indication that the organisation is fostering equality transformation.

### Scoring

Depending on your answers within the Equality Transformative Tool, you will receive scores for each of the **Practices**, between 0 - 2.



# HOW TO USE THE TOOL?

To identify ventures with equality transformative potential, we have moved away from binary thinking and asked: "To what extent can this venture advance equality transformation?"

We've identified **three core principles** and **four practices** that contribute to this potential, forming the basis of our diagnostic tool. The tool consists of two key assessment steps which you can read about in the due diligence and deeper due diligence sections.

## Step One



### SCORING PRINCIPLES

Score the three principles depending on how much Equality Transformative Potential the venture has.

- 0 No Equality Transformative Potential
- 1 Equality Transformative Potential
- 2 High Equality Transformative Potential

<b>Intent</b>
The venture is actively addressing inequality.
<b>Influence</b>
The venture can influence resources to advance equality over the long-term.
<b>Intervention</b>
The venture's intervention tackles negative cycles of inequality.

## Step Two



### SCORING PRACTICES

Score the four practices depending on how much Equality Transformative Potential you feel the venture has.

- 0 No evidence of practice
- 1 Some evidence of practice
- 2 Significant evidence of practice

<b>Bringing voice</b>
The venture values the voice of end-users.
<b>Demonstrating reflective practice</b>
The venture reflects and adapts based on customer and beneficiary needs.
<b>Navigating towards transformation</b>
The venture balances short and long-term financial and impact goals.
<b>Role modelling change</b>
The venture models equitable practices.

## Step Three

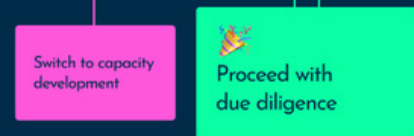
### CALCULATING SCORE

Low score - no transformative potential
Principles = 0-2      Practices = 0-1
Good score - transformative potential
Principles = 3-4      Practices = 2-4
High score - high transformative potential
Principles = 5-6      Practices = 5-8

## Step Four

### MAKING THE DECISION

Depending on the final score, either proceed with due diligence or provide capacity development to help the venture create its equality transformative potential.



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## Step 1. Initial due diligence: looking for evidence of the three equality transformative principles

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### Principles of ventures that have equality transformative potential

The three principles are at the core of the venture and need to be present for the venture to have equality transformative potential. Only if the venture has evidence of all three principles do we proceed to analyse if the practices are present. If the venture does not have all three principles, you can use the tool to provide developmental feedback to the venture and signpost them to relevant networks and resources to support them in their capacity development.

The three principles are:

1. Intent
2. Influence
3. Intervention

Scoring guidance:

Each principle is scored between 0 to 2.

- 0 = No equality transformative potential, the venture shows no evidence.
- 1 = Some equality transformative potential, the venture shows some evidence.
- 2 = High equality transformative potential, the venture shows significant evidence.

The principles form the core of the diagnostic tool. If a venture has all three principles at level 1 or higher, this is an indication that the organisation is fostering equality transformation. If a venture scored 0 in one of the three principles, it will not be viewed as having equality transformative potential. The scoring rubric is proportional and tailored to a venture at Pre-Seed and Seed stages. We have used a scale to describe what each characteristic looks like as well as different levels of development. If the venture scores 1 or 2 in a category it means it has evidence of the given principle.

## Principles deep dive

The below section explores each principle in detail and uses examples. If the information is publicly available, we use this information in the examples. If the information was gained as part of our consultations, it has been generalised to maintain anonymity.

### 1) Intent: measuring the extent to which the venture is addressing inequality.

0	1	2
The venture does not intentionally address inequality and cannot explain how it could reduce inequality.	The venture is working to reduce the effects of inequality and is knowledgeable about particular inequalities. They understand the challenges existing within the current system.	Tackling the root causes of inequality is a deliberate part of the venture's mission. They can explain how they are doing it and how it contributes to a positive deeper change.

'Score 1' example:

We noticed that ventures see and understand positive and negative feedback loops occurring within their 'system'. One venture noticed how beneficiaries through receiving a specific service provision were becoming increasingly dependent on the service. The service was there to help but because of how it was provided it sustained, or even increased, the beneficiary's reliance on it. Since the venture's intention was to drive a deeper change, they focused on developing a complementary solution to increase the autonomy of the beneficiaries, not over-reliance. The tech-enabled solution allowed beneficiaries to use it independently at a time convenient for them. This change enabled the venture to move from 'Score 1' to 'Score 2'.

'Score 2' example:

We could also see the intentionality reflected in ventures' mission or vision statements e.g. CityMaaS' vision of 'Making the World Accessible Online and Offline' is to personalise the way the disabled community consumes accessibility data and services. CityMaaS create a business benefit from improved engagement through increased revenues and decreased customer service costs. This shows a high level of intentionality.



## 2) Influence: measuring to what extent the venture is influencing resources to advance equality over the long-term.

0	1	2
The founders focus on their solution over addressing a specific inequality. They have a limited track record of applying their resources to further their mission.	The founders demonstrate deep alignment and long-term commitment to their mission, have a track record [2] of mobilising resources and adjusting their solution to achieve the mission.	In addition to 1, founders further their mission by building collective power and influencing key stakeholders. They have a track record [3] of challenging the status quo and creating financial value whilst prioritising the needs of those they serve.

'Score 1' example:

The ventures assessed as 'Score 1' had either a founder with past experiences working with people experiencing inequality or with lived experience of inequalities they're tackling. Those founders confirmed that this is the driving factor when setting up their ventures. They were able to balance their focus between long-term vision and shorter-term attainable goals to reflect available funding, i.e. providing a service that enables companies to fulfil their regulatory duty with future plans for change management consultations.

'Score 2' example one:

One venture had identified key elements currently upholding the status quo in relation to their beneficiaries and how certain behaviours, laws, beliefs and processes are harming people experiencing inequalities. This venture showed tenacity by initially building solutions addressing the impacts of inequality (poorer mental health due to experienced discrimination). The venture then pivoted to build a solution that tackles the root cause of inequality by influencing key stakeholders to change the norms and attitudes that are perpetuating discrimination.

'Score 2' example two:

We noticed that founders were driven and showed resilience. They are able to focus on making a serious business case whilst also building an emotional connection with numerous stakeholders. Founders understood that the needs of the client may be different from those of the person experiencing inequality. They are able to navigate and influence key stakeholders on how short, medium and long term goals can contribute to system change.

We found that a venture with B2G (business to government) business model has shown agility to gain access to a community and institutions with funding. Once trust was built with key stakeholders, they were able to focus on deeper, long-term, changes. The venture demonstrated that it takes time to change opinions, build alliances and create an environment of trust where system change can occur.

<sup>2</sup> When considering a 'track record' it's important to value lived experience and ensure it's appropriately evaluated.

<sup>3</sup> *ibid.*

### 3) Intervention: measuring to what extent does the venture's intervention tackle negative cycles of inequality.

0	1	2
<p>The venture's intervention does not tackle negative cycles of inequality.</p>	<p>The intervention successfully addresses inequality by either/ or:</p> <ul style="list-style-type: none"> <li>• changing social norms and attitudes of how people are seen or treated,</li> <li>• making things better for people who are being treated unfairly (directly reducing the impact of the inequality),</li> <li>• helping people deal with inequality by giving them the tools and confidence they need to challenge the system, make choices that work for them, and feel good about themselves.</li> </ul>	<p>In addition to 1, the intervention operates to change one or more of these things:</p> <ul style="list-style-type: none"> <li>• the ability of the person who is being treated unfairly to participate in the system,</li> <li>• the relational power structures in the system,</li> <li>• the processes and structures of the system so it doesn't perpetuate the current inequalities.</li> </ul>

#### 'Score 1' example:

One venture changed how people experiencing inequality feel about themselves and this enabled them to directly address inequality themselves through increased confidence or ability to make lifestyle choices.

#### 'Score 2' example:

We found that there needs to be a clear alignment between the venture's intervention (e.g. product/service) and the venture's intent (the first principle). We noticed equality transformative ventures were able to function within the current system. However, their intervention was only partially accommodating and optimised for the current system. Our ventures were simultaneously able to make a change in the existing system and had the potential to contribute and enable a new transformed system. The venture had the potential to contribute to transforming the design (i.e. underlying structures and relationships) and intent (i.e. underpinning values, goals, and mental models) behind the existing system. Importantly, the ventures also influence how other stakeholders operate in the system.

We found that ventures have a comprehensive understanding of the inequalities they tackle and possess valuable data and case studies for influencing policy change. Moreover, many ventures are well-equipped to transition to 'Score 2' and contribute to transforming the environment by utilising their data and insights. They can effectively leverage their holistic approach to mobilise resources across the system, including legislation, regulation, funding, and attitudes.

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## STEP 2. Deeper due diligence: utilising the four practices to deepen understanding of a venture's equality transformative potential

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The four practices of ventures that strengthen their equality transformative potential

The principles allow for the identification of ventures advancing equality transformation whereas the practices provide guidelines for understanding the depth and advancement of their equality transformative potential. The more advanced the practices are, the higher the venture's equality transformative potential.

The four practices are complementary to the principles. The practices are:

- Bringing voice
- Role modelling change
- Demonstrating reflective practice
- Navigating towards transformation

### Practices deep dive

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Once you have qualified a venture by assessing core principles, you can proceed to assess the venture's practices. Exploring the venture practices enables the investor to quantify the venture's equality transformative potential. We are suggesting a three-point scale and using a simple Likert approach. However, you might want to adjust it and increase the number of levels in the scale depending on your context.

Each practice below is scored between 0 to 2, judging to what extent you feel the venture has evidenced the practice:

- 0 = No evidence of practice.
  - 1 = Some evidence of commitment to the practice (either past evidence or plans to implement it).
  - 2 = Significant evidence of practice.
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Practices	Example
<p><b>Bringing voice</b></p> <p>The venture puts the voice of end-users and those with lived experience at the forefront of their strategy, culture and intervention.</p>	<p>We noticed that lived experience was at the forefront of how the venture thinks about its decisions, strategy, and priorities. They found ways of ensuring they listen to key stakeholders e.g. if a venture cannot read young users' input/surveys due to privacy settings, they proactively include consultations with beneficiaries or survey adults in childrens' network.</p>
<p><b>Role modelling change</b></p> <p>The venture proactively models the change towards equitable practices it wants to see across its own organisational structure, governance, management and leadership practices, recruitment and staff development practices.</p>	<p>One venture whose primary beneficiary group are Disabled people has a business model where they expect businesses to pay for reducing barriers and not Disabled people. They are role modelling the change by being a disability confident employer themselves.</p>
<p><b>Demonstrating reflective practice</b></p> <p>The venture values reflection and continuous learning to refine its approach to tackle inequality. It recognises that transforming itself is crucial to transforming inequality and is willing to adapt based on customer and beneficiary needs.</p>	<p>A venture had a practitioners' circle every 2 weeks to share learnings and users' insights. We also noticed how ventures internally reflected across their leadership and decision-making and made significant changes over time.</p>
<p><b>Navigating towards transformation</b></p> <p>The venture drives positive, lasting change towards equality (i.e. equality transformation) while also prioritising sustainable income and addressing short-term inequality challenges (i.e. equality mitigation).</p>	<p>One venture evidenced how their current product/service was being limited because their current funders were focused on short term outputs rather than creating longer-term structural changes. The venture is proactively seeking to find alternative sources of funding to build a scalable wrap-around structure to provide support to the most underserved members of marginalised communities.</p>

## Step 3. Calculating scores

To calculate the venture score please go to our Equality Transformative Tool. Please download the Equality Transformative Tool [here](#).

## CONCLUSION

This guide and the Equality Transformative Tool are intended predominantly for investors. If you want to invest in early-stage equality transformative ventures, you can use this guide and the Equality Transformative Tool for:

- Due diligence of prospective ventures
- Management of portfolio containing equality transformative ventures

The tools can be adapted to your current processes. You might want to adjust the scoring and level of the required evidence to your context.

This guide and tool aim to recognise early signs of ventures' equality transformative potential. Our intent is to increase investment into equality transformative ventures by creating a 'common language' to talk about equality transformation and support other investors to identify these ventures at an early stage.

## Integrating the toolkit in your investment processes

# 1

The principles and practices were designed with a degree of flexibility to allow for their customisation. We recommend that investors make changes and adjustments based on their investment context.

# 2

We acknowledge that it can be challenging to integrate seven criteria points (three principles and four practices) into your due diligence process. We recommend that you initially integrate the three principles. If this is helping you identify equality transformative ventures, then integrate the four practices into your processes.

# 3

We also invite you to use the four practices in active portfolio management. You could consider how you can bring in advisors to help investees deepen their practices and increase their equality transformative potential.

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# Appendix 1: How we created the tool and key learnings from the process

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This guidance document covers the following topics:

- Why did we create the tool, and why it is important.
- Our process for creating the tool, and how we tried to do things differently.

## Why did we create the tool?

Impact investing is becoming more established, and we know that it has the capability to drive change and influence systems. We also know that inequalities are getting worse across society and that the lack of equality is a thread that underpins a lot of social and environmental challenges. Over the last 12 months we have been holding a key question - is it possible to invest in ventures that aim to tackle the root causes of inequalities and drive systemic change? As an impact investor, we want to identify and invest in equality transformative ventures. With the help of a Connect Fund grant, we ran a learning project to understand the principles and practices of equality transformative ventures and created a tool that allows us to turn the Equality Impact Investing (EII) strategy [4] of investing in equality transformative ventures into practical application. Our tool aims to help impact investors move towards solving deep-rooted inequalities by backing early-stage ventures.

## How did we create the tool?

We brought together key practitioners across multiple sectors: systems change, equality transformation, impact investing, human rights, community consultations and social entrepreneurship.

This project was developed in partnership with [Equality Impact Investing Project](#), [Connect Fund](#) and nine impact-tech ventures. We ran a set of focus workshops and one to one venture conversations to ensure that our insights are informed by ventures' day-to-day realities and are applicable to real life scenarios.

We then invited expert partners and impact-tech founders to co-create, re-design and validate our findings. Through this process, we unearthed the principles and practices of equality transformative ventures.

At the centre of the process, we aimed to:

- Let go of unrealistic expectations for early-stage ventures whilst grasping differentiating factors and characteristics that are supported by evidence.
- Take a consultative approach and hold our assumptions lightly.
- Co-create and facilitate a space that enabled everyone to participate and contribute, ensuring that everyone is an expert and was compensated for that expertise.
- Bring in diverse perspectives and a range of diverse founders working on different facets of equality transformation.

The process used to create insights was equally as important as the insights themselves.



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## KEY LEARNINGS FROM THE PROCESS

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**1**

To keep our work grounded and practical, it was essential that we put the voice of the founders and their lived experience at the centre of the process. Aligning their insights with experts from the fields of systems and equality transformation helped us narrow the gap between theories and practices.

**2**

The high degree of complexity of concepts and definitions presented a challenge. We invested the time to provide training to all partners and ensure that language and jargon was not a barrier to collaboration. For example, we spoke about 'deeper change' rather than 'systems change'. We learnt the importance of using simple language throughout the whole process of workshops, consultations and tool creation.

**3**

To reduce affinity bias (i.e. the unconscious bias in which people gravitate toward others who appear similar to them) we built a round of feedback loops into the process. This enabled an iterative process whereby all partners provided feedback in groups. This also supported us to distil the project learnings and changes to produced materials.

**4**

Consulting across a range of diverse ventures that work across industries, geographic markets, technologies, and equality contexts enabled us to identify common characteristics and practices for investors. We were able to differentiate between insights relevant to a specific context and insights that apply across diverse ventures.

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## Appendix 2: Helpful resources to compliment the Equality Transformative Tool

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### Equality Impact Investing

- Introduction to Equality Impact Investing: "[Understand Equality Impact Investing - definition, key premises and principles](#)"
- A good introductory guide to the concept of equality transformative ventures: C. Goddard, O. Dowsett, K. Miles, "[Equality Impact Investing: From Principles to Practice](#)", p. 36-37, 2019.
- To read an abbreviated summary of key concepts introduced in this guide, read our article: "[Investors can tackle structural inequality – here's how](#)".

### Systems transformation

- C. Leadbeater, S. Smith, J. Winhall, [The Path to a Preferable Future: Investing in System Innovation](#). Working paper for the Making The System Shift Learning Festival, November 2022
- C. Leadbeater, J. Winhall, "[Building Better Systems. A Green Paper on System Innovation](#)".

### Impact Management

- Interactive toolkit with examples of equality and equality transformative outcomes:  
<https://www.goodfinance.org.uk/measuring-social-impact/outcomes-matrix/app>
- Introduction of the 'Most Significant Change' evaluation method which could be helpful in collecting stories and evidence of equality transformative potential:  
<https://www.betterevaluation.org/methods-approaches/approaches/most-significant-change>



Thank you for taking the time to read this guide. We are continuing to refine the tool and our approach, and we welcome further collaboration. If you'd like to discuss this work further, please get in touch.

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