

South Australia's Impact Entrepreneurship Sector Snapshot

This report was commissioned by the **Government of South Australia** and developed by **Fourth Sector Solutions**. The following information and stakeholder feedback relates to the period in which research and consultation was undertaken – late 2021.



**Government
of South Australia**

Department for Industry,
Innovation and Science

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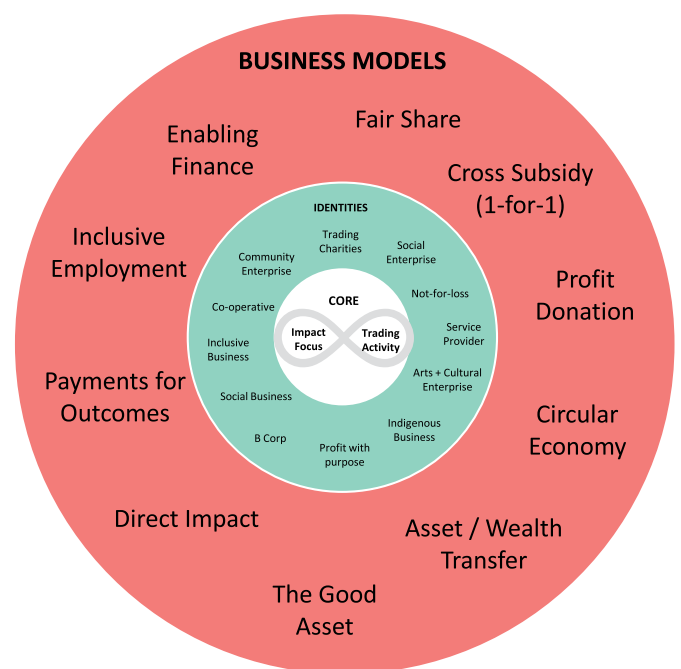
South Australia's (SA) impact entrepreneurship sector is made up of organisations which sit across all sectors and industries, and which operate under various legal structures and business models. What they do have in common is their use of innovative and sustainable trade models to drive intentional positive social and environmental impact, which contributes to the overall wellbeing and health of South Australia's people, place and economy.

Until now, the data to understand the size, shape, trends and impact contributions of this important sector has not been available. This data is essential to provide an evidence base to understand the needs of the SA impact entrepreneurship sector, how they fit into the SA entrepreneurship ecosystem, what impact contribution they make to SA, and what support this sector needs to grow and thrive.

The purpose of this report is to provide a baseline snapshot of the key insights and characteristics of the SA impact entrepreneurship sector. This information may be used to support decisions relating to policy, funding and activity to ensure that the impact entrepreneurship sector is able to access the support needed to thrive and generate positive sustainable impact.

It is important to acknowledge that all well-functioning entrepreneurial ecosystems have multiple players who work in complementary fashion to generate sustainable and healthy outcomes; including, but not limited to, entrepreneurs, universities, intermediaries, peak bodies, mentors, advisors, capital providers, customers, suppliers and government. The focus of this research is on those key players operating at the centre of the SA impact entrepreneurship sector – impact enterprises.

FIGURE 1. THE CORE OF IMPACT ENTERPRISE



What is an Impact Enterprise

The conceptual definition for this research has been adopted from the Impact Enterprise Framework developed by the Yunus Centre Griffith University (see Fig. 1 and Appendix 1 for the full model), which describes impact enterprises as *'organisations that develop and operate businesses with the purpose of delivering positive impacts for people, planet and places'*.

The Impact Enterprise Framework acknowledges the various motivations, models and contexts that impact enterprises operate within, with the only essential criteria being that *'they trade for the primary purpose of creating positive impacts for people, planet and places'*, with trade activity being defined as *'a viable and repeatable business model that provides goods, services or monetised outcomes'*.

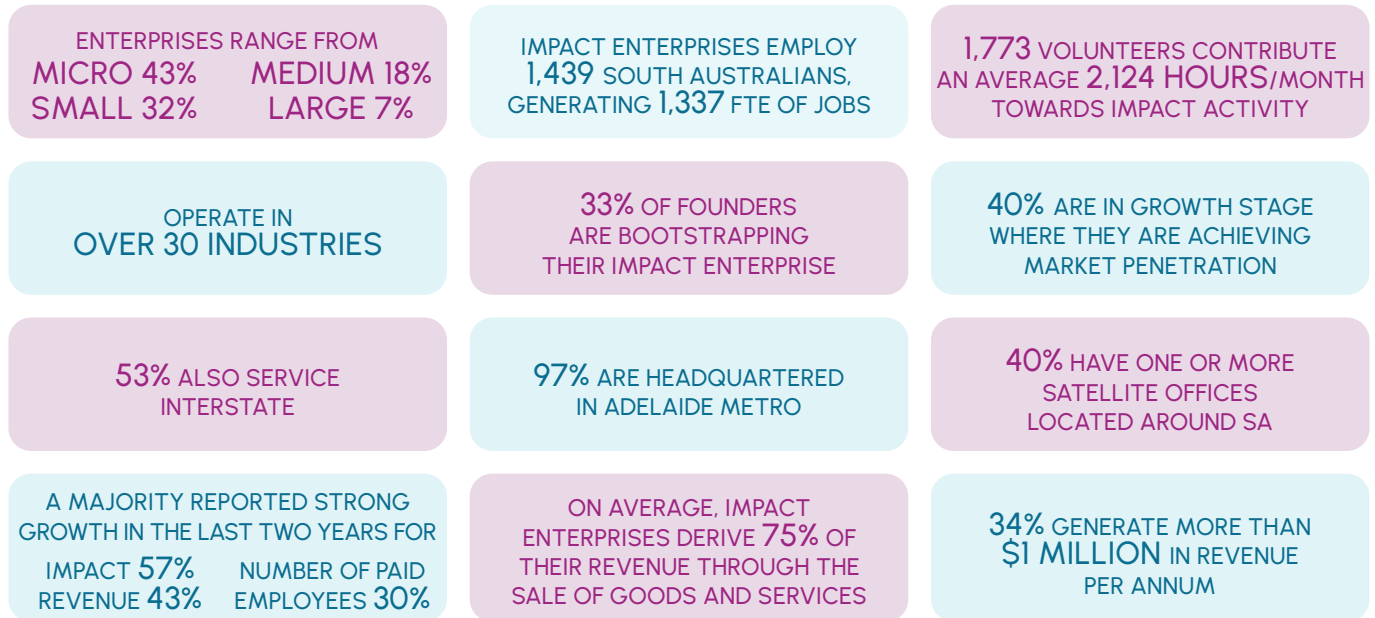
This research applied a minimum threshold of 40% revenue derived through trading activity to be considered as an impact enterprise.

For more information on the Yunus Centre Griffith University Impact Enterprise Framework please visit griffith.edu.au/griffith-business-school/yunus-centre/a-guide-to-impact-enterprise

A Snapshot of South Australia's Impact Enterprise Sector

90 impact enterprises were identified across South Australia and invited to participate in the research. The methodology used to inform this

research included an online survey (N=30), facilitated roundtable discussions (N=13), and 1-1 interviews (N=2) with impact enterprises.



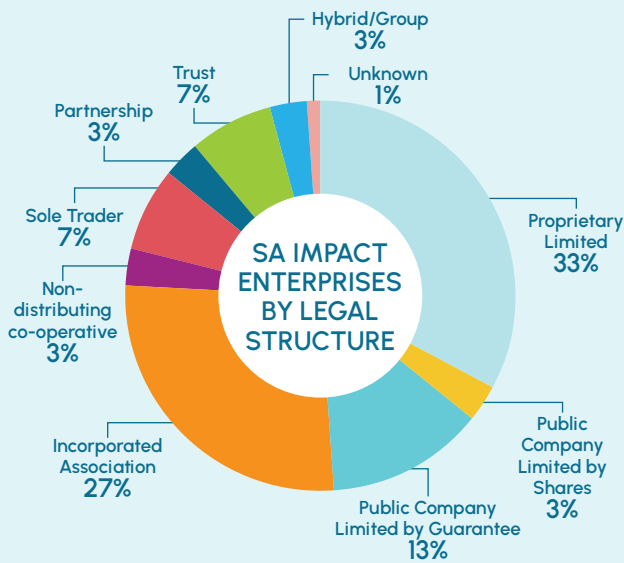
Impact contribution to South Australia

SA impact enterprises address social and environmental problems across a wide range of focus areas, with the most common areas being disability, youth, women, First Nations and those who work at the systems change level to drive impact across multiple areas. Other common focus areas include homelessness, refugee

and migrant communities, older people, mental health and environmental sustainability. Less common focus areas include current/formerly incarcerated people, LGBTIQA+ communities, veterans, regional development and diversion of waste.



A broad range of enterprise types and models



The majority of impact enterprises have a non-profit legal structure, however, only 37% have charitable status and 33% operate under a private (for-profit) structure.

25% of impact enterprises operate more than one enterprise within their structure (range = 2 to 8).

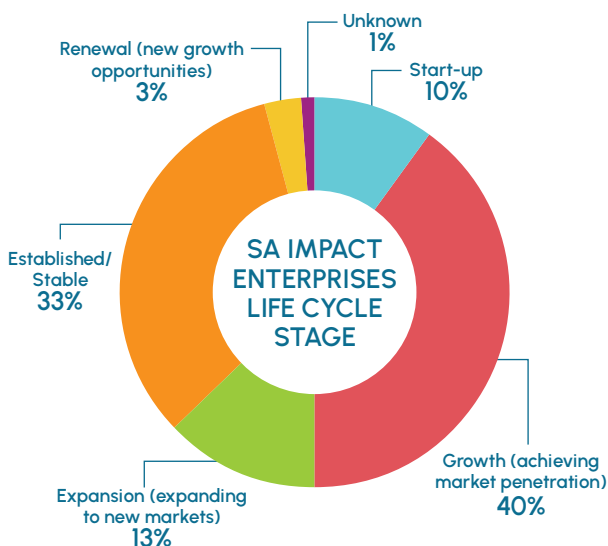
Impact enterprises service all types of customers and currently operate in over 30 industries in SA, with the most common industries being community services (includes disability services), education, training and business consulting, with event management, sports and recreation, healthcare, retail, assembly and packaging, facilities management, food and hospitality, and creative industries also being popular industries for impact enterprises to operate in.

The four most common primary models used by impact enterprises to drive impact are training and employment for marginalised people (27%), servicing an unmet need in the community (e.g., cross-subsidisation, providing low-cost or no-cost goods and services, inclusive activities, education and awareness generating activity) (23%), distributing a percentage of their profit to charitable/humanitarian initiatives (20%), and building the capacity and capability of others to drive impact (e.g., through provision of research, education, discounted goods/ services, consulting, professional services and funding mechanisms) (20%).

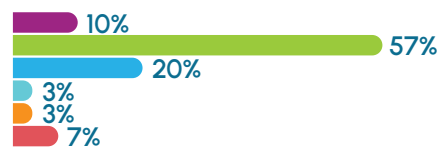
A Growth Sector

The majority of impact enterprises reported strong growth in impact, revenue and number of paid employees over the last two years.

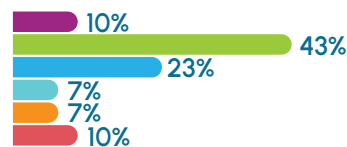
While 10% of impact enterprises are still in start-up stage, 40% of impact enterprises are achieving market penetration with a number also expanding into new markets.



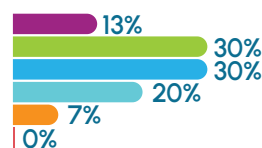
IMPACT



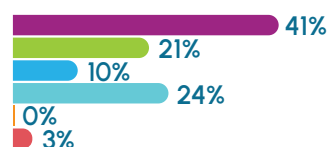
REVENUE



NUMBER OF PAID EMPLOYEES



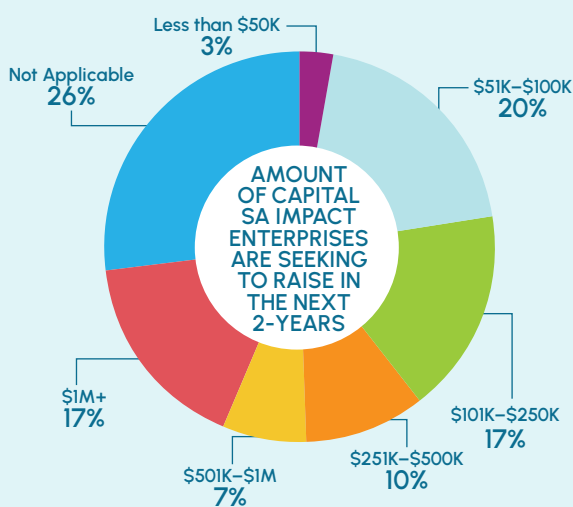
NUMBER OF VOLUNTEERS



Measuring Value and Impact

When measuring value and impact, 40% of impact enterprises don't use a particular impact measurement framework. Of those impact enterprises who do use one or more frameworks, 40% use the UN Sustainable Development Goals and 33% an internal documented framework such as a theory of change or a program logic.

Roundtable discussions indicated that while **impact measurement is critical for impact enterprises to communicate their impact to funders, customers and policy makers, it remains a significant challenge for impact enterprises**, with a lack of consistency in understanding, standardisation and application of key metrics and conceptual definitions being cited as key barriers. The implications of this is that impact is likely understated, difficult to validate, and focuses only on tangible outputs rather than the significant outcomes that impact enterprises are having as ripple effects (e.g., cost diversions, efficiency effects, flow-on effects to family and community).

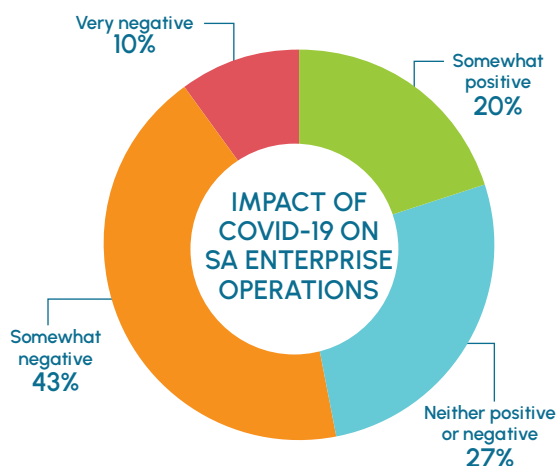


Resourcing for Impact

23% of impact enterprises have not raised capital for their enterprise through any formal means. The most common vehicles to raise capital by impact enterprises are through bootstrapping (33%) and philanthropy (27%).

Looking ahead, nearly **three-quarters of impact enterprises intend to raise capital through formal means in the next two years**, with a strong interest in raising via philanthropy (53%), Payment-by-Outcome schemes (40%), crowdfunding mechanisms (30%) and Social Impact Bonds (20%).

The majority of impact enterprises are seeking to raise between \$50,000–\$250,000, with 17% seeking to raise more than \$1million.



Sector Resilience – COVID-19 Impacts

While 43% of impact enterprises reported being somewhat negatively impacted by COVID-19, 20% of impact enterprises reported some positive impacts including increased interest from customers to support impact-driven organisations, increased support for flexible working arrangements, increased focus on employee wellbeing, increased interest from people wanting to give back in other ways, the shift to online environments opening up new markets and opportunities, a shift towards supporting more local/onshore work and improved attitudes towards the offerings of migrants and refugees.

Negative impacts reported by impact enterprises included loss of jobs, volunteers, income and reduced impact through cancelled or deferred services, events, and programs due to lockdowns and restrictions on activities, reduced sector confidence, time/cost in supporting staff to get vaccinated, staff fatigue, isolation, and reduced access to markets.

The Power of Policy for Impact

Policy lessons at both Federal and State levels indicate the power of policy to direct customers, funding and resources towards impact enterprises to drive sustainable impact at scale.

Since 2015, the Federal Indigenous Procurement Policy has generated over \$5.3 billion in contracting opportunities for over 2,140 Indigenous businesses.¹

In 2017, the Victorian Government launched a Social Enterprise Strategy and a Social Procurement Framework in 2018. The Victorian social enterprise sector is now the largest in Australia, with over 3,500 social enterprises employing around 60,000 people, and generating \$5.2 billion to the State's economy every year. In the 2019/20 financial year, Victorian Government departments and agencies directly spent \$14.1 million with 79 certified social enterprises and \$83 million with 273 non-certified social enterprises. In the same period, the major road and rail projects indirectly spent \$15.3 million with social enterprises.²

In 2015, the NSW Government established the Office of Social Impact Investment (SII) to implement their SII Policy, which has seen eight social impact investments developed, which together will deliver innovative programs to approximately 16,000 people and represents ~\$235 million in payment by outcomes contracts and ~\$320 million in expected future financial benefits to government.³

In 2020, Queensland Government announced an \$8m Social Enterprise Jobs Fund to help new and existing operations to grow, create more jobs for marginalised Queenslanders and provide needed services and products to customers.⁴

Asks of State Government to support the Impact Entrepreneurship Sector

The top three areas impact enterprises would like support with are raising finance (53%), social procurement readiness (47%), and impact measurement (43%). The impact enterprise sector would like to see State Government leverage their influence and position to drive more customers for impact enterprises (including government as a customer), validate the sector through recognition and inclusion in policy, research and practice, unlock access to funding and affordable finance, and work in partnership with impact entrepreneurs and key ecosystem bodies to fill the key gaps to enable impact enterprises to scale (including internationally).

"Bootstrapping prevents us from being able to scale."

"Social procurement policy is essential to help us get more customers."

"Stigma is still an issue for impact enterprises – partnering with government and universities gives our enterprise some validation."

"We need a shared language and set of standardised metrics for impact measurement to help drive investment."

"Invest in regional and rural logistical networks and ICT to enable entrepreneurial ecosystems to thrive outside of built up areas."

"We should invest in the commercialisation of social sciences research in SA."

"We need to take a systems approach to address the complex social policy problems that our State faces."

"We should be assessed based on our ability to deliver on outcomes, not by what legal structure we work under."

"Every day, when the sun rises, I launch out of bed and have another crack – because that's what it takes to build realities that don't exist yet; to see the complexity and ambiguity and forge a path forward through all the discomfort, instead of taking the path of least resistance; to swallow the vulnerability of potential failure as you attempt to develop new ways to solve wicked problems that are collecting dust in the 'too hard basket', and create the change that needs to happen."
– SA IMPACT ENTREPRENEUR

¹ Source: National Indigenous Australians Agency niaa.gov.au

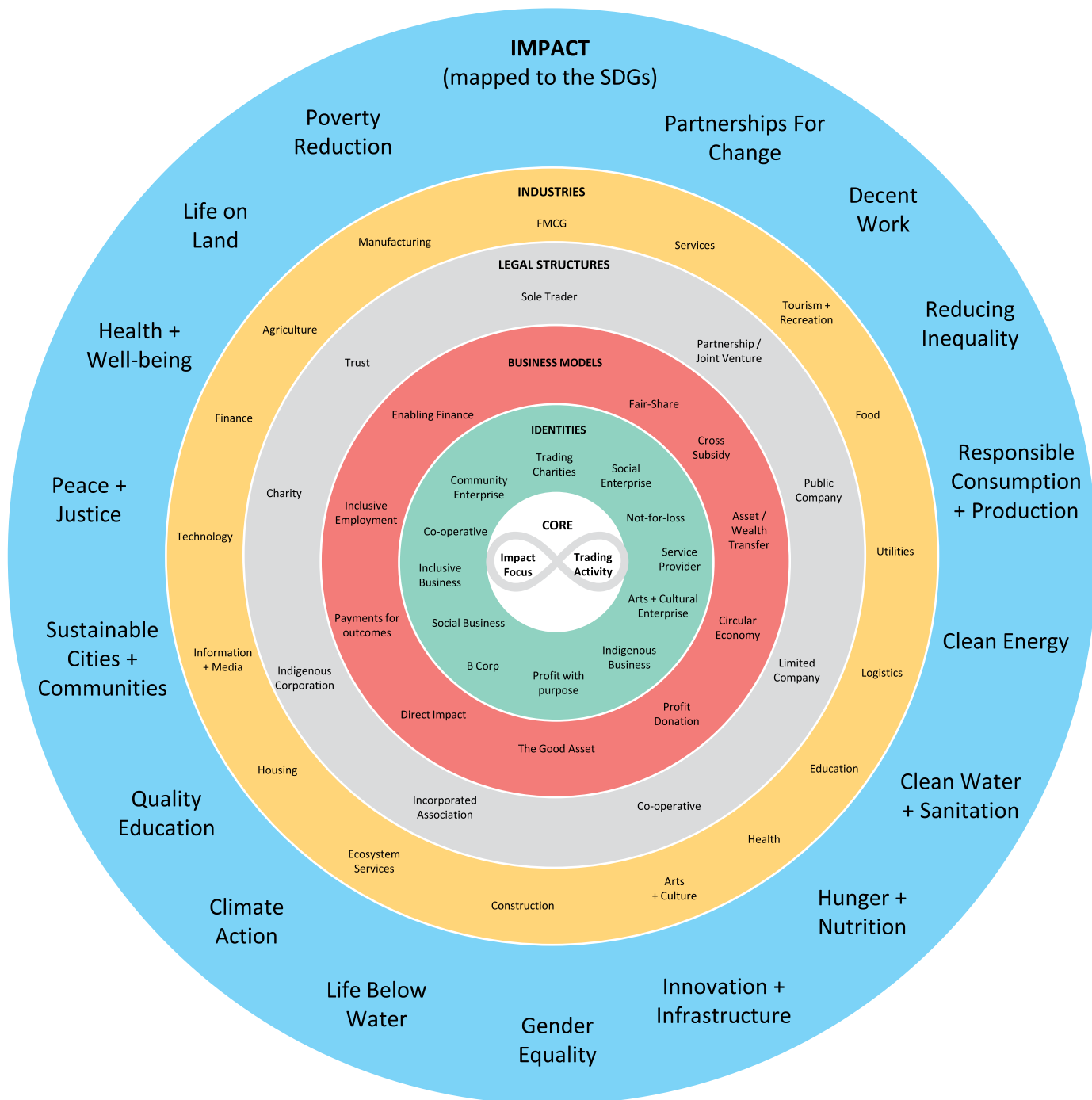
² Source: Victorian Social Enterprise Strategy 2021–2025 djpr.vic.gov.au

³ Source: Office of Social Impact Investment Statement of Outcomes osii.nsw.gov.au

⁴ Source: Queensland Social Enterprise Council Press Release 16 Dec 2020 qsec.org.au

APPENDIX 1. IMPACT ENTERPRISE FRAMEWORK

Developed by Yunus Centre Griffith University



⁵ Source: griffith.edu.au/griffith-business-school/yunus-centre/a-guide-to-impact-enterprise