A guide to ‘Impact Enterprise’

Exploring the motivations, characteristics & approaches of organisations that use business to create positive impact.

Revised 2021
‘Impact enterprise’ is a constructed concept that seeks to put an umbrella over the multitude of organisations who use business for the primary purpose of creating positive societal impact.

The concept of ‘social enterprise’ is often used in this way (as an umbrella term) but we’re deliberately not using it here. This is because many social enterprises, and social enterprise ‘sectors’, define their practice in specific ways and as distinct from other groups that we include here – who often also see themselves as different to ‘social enterprise’.

Therefore, we use ‘impact enterprise’ as a catch-all descriptor for purpose-led business activity. It is a new and overarching term which is neither owned nor contested by any particular group.

It follows that the majority of organisations we include as ‘impact enterprises’ will not identify with the term. However, we believe it’s important to start articulating the full ‘set’ of purpose-led business activity (a ‘movement of movements’), and to differentiate it from ‘business as usual’ where private profits are prioritised, alongside the interests of shareholders over stakeholders. Ultimately, if we are to achieve the Sustainable Development Goals (SDGs) – which articulate the interdependence between social, environmental, cultural and economic outcomes – we need to better understand blended models of value creation and develop new business mindsets.

We also believe that organisations ‘doing’ impact enterprise don’t have to identify with being ‘impact enterprises’ to be more appreciated by customers, investors and policy makers. If we can better differentiate, understand and support these approaches to business, we can both individually and collectively amplify better outcomes for people, planet and places.

NB: This guide focuses on forms of enterprise – it doesn’t cover types of investor or investment instruments. These are interconnected with, and critical to the success of, impact enterprises (as are types of customer!) but aren’t included here. Also, the positioning of terms and categories in the concentric circles on the following pages, is random. Ideally, the circles would be movable dials, reflecting all the possible combinations and the diversity of impact enterprise.
Introduction

In this document, we use the term ‘impact enterprise’ to describe organisations that develop and operate businesses with the purpose of delivering positive impacts for people, planet and places. As we see it, the term ‘impact enterprise’ reflects a way of ‘doing’ business more than a specific type or form of organisation. As a result, organisations that ‘do’ impact enterprise can have very different motivations, and operate with a range of identities, perspectives, business models, and legal structures. They can also be found in nearly all geographies and sectors of the economy.

While this diversity should be celebrated (as it demonstrates that business can be used as a tool to create positive impact in nearly any context), the plurality of practice also fragments a common narrative and defies consistent definition. It can also undermine the effectiveness of enabling policies and resourcing strategies. In some cases, it can lead to competitive tensions between actors who might be allies.

Going beyond the criteria and continuums often used to define and differentiate purpose-led business activity, this ‘guide’ focuses on deconstructing the various characteristics, properties and applications that make up impact enterprise approaches.

The aim is to assist practitioners, students, policy makers, and other interested parties, to better navigate the constituent parts of any given impact enterprise approach, and the plurality of this growing and dynamic field.

By broadening how we interpret the nature, diversity and operating contexts of impact enterprise, we also hope to improve understanding of the field, and the quality and scope of strategies used to support its development and growth.
Business in the ‘doughnut’

Kate Raworth, ‘Doughnut Economics’. Image from Time Magazine, 2021
The core attributes of an impact enterprise

The rest of this guide explores the diversity of properties, strategies and operational contexts that determine the sum nature of any given impact enterprise. However, there are some non-negotiable attributes that all impact enterprises share – namely, they trade for the primary purpose of creating positive impacts for people, planet and places. We propose that these two core attributes are the fundamental determinants of what is and what isn’t an impact enterprise.

Primary purpose can be demonstrated by:

- An explicit impact-focused mission statement, constitution and / or binding legal structure, alongside evidence of business strategies which are consistent with the stated purpose.
- Transparent reporting on what impact is being achieved (and for whom).
- Actions to optimise (or mitigate) other social, cultural, economic and environmental impacts generated through operations (outside of the organisation’s core mission).

Trading activity can be evidenced by:

- A viable and repeatable business model that provides goods, services or monetised outcomes*.

*NB: Some organisations mix business models with receipt of grants and donations, creating a blended-revenue approach to financing their activities. Receiving these revenues doesn’t exclude an organisation from being considered an impact enterprise as long as their trading activities, in themselves, are viable and sustainable. Typical ways that business models are mixed with grant / donations include stand-alone trading activities within a charitable or publicly funded operation (e.g. an animal welfare charity providing commercial veterinary services as part of its service mix), or taking on grants to deliver aligned services beyond core trading activities (e.g. a food-base social enterprise receiving grants to deliver education on nutrition in schools).
The diverse identities of impact enterprise

Business is a means to an end. With impact enterprise, the end is creating positive societal impact. However, beyond this primary goal, impact enterprise is initiated by individuals, groups and organisations with myriad interests, worldviews, motivations, and missions. These drivers create different identities and form a range of descriptors, types and movements under the broad umbrella of impact enterprise.

Identities are determined by different types of parameter, including: certification, definition, cultural origin, self-assertion, geography, nature of practice, or legal structure. Some identities under the impact enterprise umbrella are proudly business-first (e.g. ‘profit with purpose’). Others subordinate the commercial aspects of their operation in preference for descriptors emphasising their practice or mission (e.g. ‘arts collective’ or ‘charity’).

Some organisations hold multiple identities, leading them to be categorised in different ways depending on context. The breadth and fluidity of these various identities can create confusion because they are not necessarily comparable or consistent. For example, charities and social enterprises are often grouped as different entities due to how they self-identify. However, social enterprises can also be set up using charitable legal structures, and may present with either identity depending on who their audience is. Tricky.

Differences in identity can provoke frustrating debates about efficacy and legitimacy, overlooking the importance of context in determining any given approach and competence at the organisational level. As a result, while identities are very important for lots of reasons, they are less helpful for determining quality of impact. For this reason, when designing enabling policies, strategies and programs, the fidelity of mission and the materiality of results are, arguably, more reliable criteria than pre-qualification by category or identity – what they do is more important than who they are.
Impact and ‘blended value’ can be created in many ways

The critical function of impact enterprise is being able to create impact while also generating revenue. While these objectives are often seen as trade-offs, there are a number of ways they can work together – creating ‘blended value’. Some organisations combine multiple blended business models within their operations to increase their overall impact.

Some examples of blended business models (as we describe them):

**Profit donation** – these business models may not create any direct impact themselves but donate / reinvest their profits to resource impact-orientated activities. *Australian example: Humanitix*

**Cross subsidy (one-for-one)** – customers buy a product or service and an equivalent product is donated to someone in need. *Australian example: Clearly*

**Circular economy** – enterprise creates new value by recycling, repurposing or regenerating materials and / or natural resources. *Australian example: Substation 33*

**The good asset** – productive assets managed to generate public goods and also generate revenues that can be reinvested into impact projects and / or community development. *Australian example: Hepburn Wind*

**Direct impact** – delivering innovative products or services that address market failures and create positive impact, often with the potential to scale. *Australian example: Nightingale*

**Inclusive employment** – enterprises that train and/or employ people who experience barriers to work for a variety of reasons. *Australian example: Good Cycles*

**Fair share** – economic benefits (and decision-making) are distributed equitably within an enterprise and/or supply chain. *Australian example: CERES*

**Payments for outcomes** – the enterprise is able to attribute and verify the value of the outcomes they deliver and receive payments (usually from a government or philanthropic counterparty) based on their performance. *Australian example: Newpin*

**Enabling finance** – facilitating access to finance and resources for other impact-driven organisations and initiatives. *Australian example: StartSomeGood*

**Asset / wealth transfer** – generating and transferring assets and / or wealth to underserved groups or communities. *Australian example: The Cape York Partnership*
Impact enterprises can use different legal structures

Impact enterprises can be set up using different forms of incorporation and legal structure – you don’t have to be a company to do business, and you don’t have to be a charity to create impact.

The legal structure that an impact enterprise adopts will entail different benefits and constraints – e.g. an impact enterprise adopting a charitable legal form will be able to access philanthropic support but won’t be able to distribute profits or raise capital by selling equity. As we’ve seen, sometimes a chosen legal structure shapes an organization’s identity and stakeholder perceptions. Some legal structures, such as co-operatives, have deep implications for culture, governance and determining how decisions are made.

It is essential to make sure the legal structure is compatible with the goals and operational context of the business approach – often it is preferable to determine the legal structure after the business model has been developed. A useful guide on legal structures in the Australian context is provided by Justice Connect

Many impact enterprises set-up multiple legal structures to enable and safe-guard different aspects of their operations. Increasingly, specialised legal structures, such as Community Interest Companies and B Corporations, are being established by governments that want to grow impact enterprise in their jurisdictions.
Impact enterprise can be done in any sector or industry

Impact enterprises are active in nearly every sector of the economy. While the sector of business activity will always have implications for how impact can be created, it doesn’t necessarily determine the nature of the impact – e.g. an impact enterprise operating in the food industry may be focused on creating social outcomes by providing training and employment opportunities to young people at risk of homelessness.

That said, most impact enterprises using a ‘direct impact’ model are focused on tackling an aspect of market and / or systems failure within a chosen industry – such as impact enterprises that innovate around the affordability and sustainability of housing, or increasing access to appropriate and high-quality health care.

Given the systemic nature of the challenges we face, many impact enterprises will need to work at the intersection of multiple sectors – e.g. a food-focused enterprise may innovate in a range of sectors, including: ecosystem services, utilities, agriculture, manufacturing, logistics, education and health.
Areas of impact

There are many areas where a positive impact can be made and is needed. The SDGs articulate a cohesive, high-level framework of all things we need to get right if humanity is to thrive. Impact enterprises often concentrate on tackling specific issues / areas of impact, although some are able to create benefits in multiple areas. All should aim to mitigate any negative externalities in areas outside their primary focus – e.g. an enterprise focused on education can also be carbon neutral.

The focus of impact can have implications for business viability. Where markets work well it is easier to grow a scalable enterprise – e.g. solar panels. Where markets don’t work well, or don’t exist, such as responses to domestic violence, finding a viable business model can be difficult and usually needs to work tangentially – i.e. using a ‘profit donation’ model to resource a dedicated and non-revenue generating service.
The diversity of impact enterprise

**An indigenous business**
Operating circular economy & fair share models
Structured as a co-operative
Operating in the tourism & arts sectors
Improving life below water and reducing poverty

**An animal welfare organisation**
Reinvesting profits generated from a software product
Structured as a charity
Operating in the technology sector
Improving the welfare of life on land

**A ‘B Corp’**
Delivering direct impact
Structured as a Ltd Company
Operating in the utilities sector
Providing clean energy & promoting responsible consumption

**A community bank**
Donating profits & providing enabling finance
Structured as a public company
Operating in the finance industry
Focused on community development

**A social enterprise**
Offering cross-subsidised services
Structured as a partnership
Operating in the legal sector
Focused on supporting refugees
To enable peace & justice

**A profit with purpose crowdfunding platform**
Providing enabling finance
Structured as Ltd Company
Operating in the finance industry
Focused on partnership for change, gender equality & reducing inequality

**A coffee producer co-op**
Operating a fair-share model
Structured as co-operative
Operating in the agriculture & FMCG goods sectors
Creating decent work, providing quality education & reducing poverty

**A community enterprise**
Providing an inclusive employment model
Structured as a charity
Operating in the housing industry
Creating decent work, reducing inequality and improving health & wellbeing

**The diversity of impact enterprise**
The sum is greater than the parts

A shared and fundamental property of all the impact areas articulated by the SDGs is their interdependence – the success of any one outcome is bound up with the success of others. Together they provide the life-giving environment and social foundations that humans need to thrive. Pursuing these goals is not in competition with economic development, it is an enabler of it. Furthermore, their achievement is essential for our long-term prosperity.

The ‘impact economy’, at its simplest, represents a reshaping of the economic system to account for a broader range of value creation and destruction – the true costs and benefits of our individual and collective actions, and how they enhance or degrade the systems and assets that underpin the viability of our societies and the prospects of future generations.

To transform our economic system at a meta-level, we will require more organisations to become impact enterprises at the micro and meso-levels, regardless of their size, identity, legal structure, geography, or industry. In this respect, impact enterprise represents a new paradigm, and a diverse and dynamic movement, that need widespread understanding, adoption and amplification.
About us: The Yunus Centre

Impact-led innovation is the business of the Yunus Centre. Our purpose is to accelerate transition to a regenerative and distributive economy by growing knowledge and capability. We believe that experimentation and innovation are central to achieving this goal and needed in all sectors, contexts and places.

Through our work, we seek to amplify the practice of impact-led innovation, and enable change at the individual, organisational and systems level.

If we are successful in what we do, we will support the development of innovators and professionals across society, have direct impact in the places we work, and generate knowledge that can enable change across Australia, and around the world.

The Centre is part of the Griffith Business School and based out of the Logan Campus. We are active across Griffith’s campuses and work at the local, regional, national, and international levels.
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