

# THE JOURNEY TO IMPACT INVESTMENT

A case study of Rise's journey to impact investment

## OVERVIEW

**Impact Collective** is a not-for-profit-led impact investment initiative for social enterprises. It aims to address social and sustainability challenges through investing in innovative social enterprise models that work to solve community issues in WA, by encouraging and supporting not-for-profit agencies to invest differently from their balance sheets.

**Rise** is one of WA's largest service providers and one of the founding members of WA's innovative Impact Collective. Impact Collective was born out of a desire by a number of change making not-for-profit agencies to invest differently from their balance sheets. Rise has undertaken a number of investments and this case study has been developed to share their journey, key learnings and some of the challenges along the way.

## Working with entrepreneurs to support the WA community

## RISE'S JOURNEY TO IMPACT INVESTMENT

About ten years ago, Rise began to consider investments as a part of their long term, financial sustainability approach, starting with managed investments. Over time and as their risk tolerance grew, they started investigating what others in the not-for-profit sector and more broadly, both nationally and internationally were doing. 'We had a real desire to ensure there was impact in the investments we were making, that were aligned with the work that we do in our community and our values' said Justine Colyer – CEO at Rise. We started by asking ourselves 'what does our long term future look like and are we investing back into the services we provide' to have an impact on prevention?'. Our board approached this with the view that we wanted to create social impact as well as create a return for our investment.

We became very clear about separating operational programmatic funding to achieve our mission and outcomes, and our strategic investment as a way to generate both income and deeper impact at a societal level. Over time, and in partnership with our colleagues within the Impact Collective we have developed a stream-lined, impact focussed approach to our impact investing.

“ The biggest risk is taking no risk at all and understanding innovation is the only way forward in the current and future not-for-profit environment. ”



## IMPACT COLLECTIVE MEMBERS



# CHALLENGES



Understanding the intersection between governance and entrepreneurialism. We need to show good governance, but having an appetite for something different needs to be an intrinsic board culture.



Being disciplined around ensuring we aren't just providing programmatic funding, there is due diligence and rigour around impact and investment returns.



From an operational perspective our challenge is also working out how to assure the board that the proposed opportunity is robust and we aren't just tipping money in without some opportunity for return.



Showing where a market exists and future potential for investment, can be difficult when an enterprise coming to you is in start up. Sometimes having faith in the founder is what determines the investment decision.



Having to cut a program due to funding, whilst investing in another business can be a tension and a difficult decision for the organisation as a whole. But its at different spectrums of strategic and operational financial sustainability and how we communicate that is crucial to all of our stakeholders.

## KEY LEARNINGS

1

Success in investing is underpinned by a board willing to take risks and learn from failures. A shared risk tolerance framework and an innovation sub-committee can help guide investments and encourage innovation. Starting with a small project and building on learnings is a good approach.

2

Getting advice from Impact Seed helped us to provide a sense of comfort and can help remove vulnerability and provide a sense of comfort when making investment decisions. It's important to have a professional skeptic and diverse leadership team to provide useful perspectives.

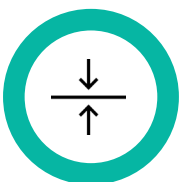
3

Once a decision is made, stick with it and learn from the process. Social enterprises are born out of personal vision and may lack complete information.

4

It's important to work with other like-minded agencies to create impact.

## KEY MESSAGES FOR OTHERS CONSIDERING IMPACT INVESTMENT



Ensure investment aligns with your strategy, core values and risk appetite.



Ensure there is a good amount of liquidity already within the agency to cover programmatic costs.



At an operational level, ensure you are providing the right information for the board to make a well informed decision.

At the board level, have the right people making the decisions, and ask the right questions. If you don't know the right questions, don't be afraid to ask external parties to support your journey. Impact Seed have been invaluable in this process of learning for us.



Jump in with us, dilute the risk if you have a great CFO or someone in charge of innovation send them along, do something differently.



Investments don't always have to be money – they can also be time and resources.



Challenges have been aligning culturally and from a shared risk base.



We have learned together, can pool funds and also sector expertise.



Step the process out and take respective boards on a journey.



The Dolphin Tank process had a strategic benefit, but supporting conversations which helped us frame our thinking to investment, and approach.

