

CASE STUDY

On a social mission

Susan Hely helps a self-defence enthusiast expand her vision

NAME: Melanie Thomas
STATUS: Married with two young children
QUESTIONS: How do you start a business that will benefit the community?
SOLUTIONS: Set up the right legal foundations and a clear business plan. Investigate funding and sources of revenue.

Melanie Thomas is on a mission to teach self-defence and personal safety awareness to children with the KYUP! Project. The former Australian Hapkido (Korean self-defence) Woman of the Year received a grant from the Layne Beachley Aim for the Stars Foundation to start self-defence workshops for women and girls from age 14. Word spread, with interest from schools and government departments.

Melanie can see endless opportunities for her self-defence initiative, which is based on martial arts and street smarts. "I would love it to be available for all children and women too," she says. Up until now, she relied on pro bono support from others to run her courses and website, but there's only so much you can ask people to do for free. It is time to set up her service as a small business so she can pay people and herself. How should she go about it?

She doesn't want to charge high fees and wants self-defence available to all social groups, particularly vulnerable groups such as homeless youth. Who invests in a business that is set up for a social gain rather than a financial one? Also, she would like to concentrate on the vision and the teaching while someone else runs the back end of the business. Is this viable?

"I would like to see all kids have access to self-defence and personal safety," says Melanie. She would also like to be more empowered about her family finances, rather than leaving it all up to her husband. She seeks a good place to learn about family finances and be more involved in making decisions.



PABLO MARTIN

Business plan critical



IAN LEARMONTH

Ian Learmonth is executive director, impact investing, at Social Ventures Australia and a former Macquarie Group executive director. www.socialventures.com.au

Melanie has already taken the first important steps towards establishing a social enterprise – an increasingly popular reworking of the traditional business model that generates revenue through trading but also benefits the community in some way. Social Ventures Australia (SVA) works with and invests in such social enterprises. It looks for three things: strong management, financial sustainability and social impact.

Melanie should seek professional advice on the right legal foundations. Choosing between for-profit and not-for-profit structures will have important implications for her organisation – for example, a non-profit structure cannot issue traditional share capital. A clear business plan and testing important assumptions – such as people's willingness to pay for self-defence training – is critical. If Melanie does not want to charge high fees she should look at other revenue sources – group fitness training, corporate sponsorship, donations or government funding.

The plan should set out social impact goals – how many people she wants to train, what personal benefits will accrue to them and how to fund subsidised training for vulnerable communities.

Since Melanie has not run a business before, she might consider a social enterprise incubator program run by organisations such as the School for Social Entrepreneurs or Social Traders. These will help her develop a business plan, meet like-minded social entrepreneurs and build her financial and business skills. It may be worth considering seeking another partner so Melanie can pursue her passion – the self-defence vision and training rather than finance, marketing and administrative functions. Her business plan will need to consider whether it is feasible to take on an additional employee at this stage.

Melanie will, of course, require working capital. The easiest option might be for her to self-fund the business at start-up. She will retain full ownership and decision-making power. Alternatively, there are several groups of investors who might be willing to invest: first, family and friends; second, consider approaching "angel" investors, typically affluent investors who provide start-up capital to high-potential businesses. Third is the fledgling impact investor market. This includes dedicated impact funds, socially orientated superannuation funds and some philanthropically minded business investors or high-net-worths.

Social Ventures Australia has a social impact fund seeded by a \$4 million grant from the Australian government, matched with \$4.8 million from private investors. SVA's Social Impact Fund makes \$150,000 to \$1 million equity and loan investments in social enterprises and, like other impact-investing funds, we seek to achieve both financial returns and social impact for our investors.

The SVA Social Impact Fund has invested in a range of social enterprises, including an e-waste recycler, a medical clinic that uses profits to support a community health centre, construction clubs for children at risk of social isolation and a growing employer of disabled workers.

Do basic research



DAVID BROOKES

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Melanie's business has the potential to be a successful social enterprise. The social purpose of her enterprise is to empower women and young people by providing access to self-defence training. Melanie needs to undertake some basic market research. This can be as simple as speaking with potential customers and, in the case of youth at risk, people who have experience supporting and working with them.

This research will also help Melanie build evidence that there actually is a social need for her classes. Once Melanie has answers, she can start to develop a business model. This could include differential or subsidised pricing for some, volunteers to reduce costs, or simply designing classes more accessible in terms of location, times they run and how they are taught.

There are several places Melanie can go for help. Social Traders specialises in social enterprise development, assisting individuals and organisations to start up and grow their enterprise. We help social entrepreneurs like Melanie test and incubate their social enterprise ideas, develop a business model and plan with a view to attracting social investors. It includes understanding how much capital Melanie will need to operate the business until it reaches profitability, where that capital might come from and the best organisational structure to access that capital.

Interest in social investment or impact investing in Australia is growing. More individuals and organisations, including philanthropic foundations and governments, are keen to assist. Some social investors expect a financial return, while others are willing to forgo some or any return in exchange for significant social impact. Clearly demonstrating the impact that Melanie's proposed social enterprise will have for women and homeless youth will be critical to her success in securing start-up investment.

Understand finances



JOANNA McCREERY

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I find it is pretty common for one person in the household to make all the financial decisions, usually the one who takes the time to understand what is going on. I think the best way to feel more empowered is to better understand your financial direction. Start by looking at your credit card bills, bank account statements and loan statements. I find the people who really know what is going on have usually put their income and expenses information in a spreadsheet. This approach is not for everyone, though.

Even those who do have a good grasp of their monthly budget often don't have a plan for the future – for instance, by how much they need to be paying off the home loan or saving to achieve a particular goal.

Often it helps having a third party involved, usually a financial adviser. They can help you understand your financial position better and work out what you need to do to reach your goals. By working with an adviser you should become more involved with the financial decision-making as well as improving your understanding of your financial position.