Social Traders

Unlocking business for good

2026 report

Sustainable Impact

How NFPs are building social enterprises that pay their way

Acknowledgement of Country

We acknowledge the Traditional Custodians of Country throughout Australia and their connections to land, sea and community. We pay respects to their Elders past, present and emerging. We extend that respect to all Aboriginal and Torres Strait Islander people.

Acknowledgements

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Certified social enterprises

We extend our sincere thanks to all the certified social enterprises that share their data with us through the certification process. This makes it possible to build the most comprehensive picture of the sector and to tell the collective story of how social enterprise is reshaping Australia's economy and communities.

We especially acknowledge the certified social enterprises that generously gave their time to participate in interviews for this research. By sharing your experiences, challenges and insights, you have brought the data to life and helped demonstrate the many ways trade revenue fuels impact. Together, your contributions strengthen not just this report, but the visibility and understanding of the social enterprise sector as a whole.

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Glossary

ACNC: The Australian Charities and Not-for-Profits Commission. A government organisation responsible for certifying and monitoring charities within Australia.

Breakeven: Refers to the point at which an organisation's revenue is equal to its costs.

Capacity building funding: Funding provided to a SE to grow or scale its operations and impact. Typically, the SE has moved beyond the seed funding stage by having a product or service in the market and is ready for additional funding to increase its sales and impact.

Certified SE: A Social Traders certified social enterprise. Social Traders certified social enterprises must meet the international definition of social enterprise[1] and must submit up-to-date documentation every 2-3 years to maintain certification.

Child SE: A social enterprise (SE) that has been created by a "Parent NFP".

Impact model: The mechanism by which the SE creates impact and delivers its mission. Social Traders defines three impact models as part of its certification:

- **Employment focused**: SEs that deliver impact by employing individuals that struggle to participate in the workforce. For example, a SE that employs asylum seekers in a catering business, and trains them to become commercial chefs.
- **Community need:** SEs that deliver impact through the products they sell. For example, a SE that delivers speech pathology services to rural communities that would otherwise remain underserved.
- **Profit redistribution:** SEs that deliver impact by distributing profits to a charitable organisation. For example, a SE that sells toilet paper and gives 50% of profits to water sanitation charities and projects.

Parent NFP: The not-for-profit (NFP) organisation that has created a "Child SE". Some NFPs may create multiple "Child SEs".

Revenue diversification: Refers to the composition of revenue sources of an SE. An organisation with a high degree of revenue diversification will have revenue from multiple sources such as government grants, philanthropy, donations and trade revenue.

Seed funding: Initial funding provided to a SE, often when it has not yet been launched or in the very early stages.

Unit economics: The profitability of a SE relative to each unit sold. A SE with 'good' or 'strong' unit economics is profitable for each unit of a product sold.

Forward

Every day, social enterprises across Australia prove that trade and impact are not competing priorities. They are two sides of the same coin. A catering business that trains asylum seekers for commercial kitchens. An op shop that funds affordable housing. An HR compliance platform that returns its profits to volunteer programs. These are not charitable activities with a business layer on top – they are businesses, built to last, driven by purpose.

At Social Traders, we have been building a thriving social enterprise sector since 2008. Our ambition is to make social enterprise business as usual. We hold Australia's most comprehensive dataset on the sector – and year on year, that data tells the same story. When social enterprises grow their trade revenue, their impact grows too. When they are built on strong foundations – capable leadership, the right funding at the right time, and a clear connection between the business and its mission – they endure.

But how does a not-for-profit actually build one of these enterprises? What does it take to move from a good idea to a business that generates its own revenue, delivers impact every year and no longer depends on the goodwill of funders to keep the lights on?

That is the question this report sets out to answer. Drawing on Social Traders unique certification dataset and a series of in-depth qualitative interviews, it identifies four Australian NFPs that have done exactly that, and examines what they have in common. The four organisations featured here operate in different industries, serve different communities and have taken very different paths to financial sustainability. And yet the same themes keep appearing: leaders who understand business, not just mission; volunteers used strategically rather than as a last resort; funding matched to the stage of the enterprise; and a relationship between the parent NFP and the social enterprise that evolves rather than stays fixed.

None of these organisations reached sustainability quickly. That matters. Financial sustainability in a social enterprise is not the product of one good hire or one well-timed grant. It is built incrementally, over years, through decisions made at each stage of the lifecycle. This report is an attempt to make those decisions visible, so that other NFPs can learn from them.

We know there are thousands of NFPs across Australia considering this step. We know there are funders who want to back them but are not sure what good support looks like. This report is for both of them. The case studies that follow are proof that it is possible, and a practical guide on how.

Tara Anderson,

CEO Social Traders

Executive summary

How does a not-for-profit build a social enterprise that pays its way? That is the question at the heart of this report. Drawing on Social Traders certification dataset of over 671 certified social enterprises and a series of in-depth interviews, this research identifies four Australian NFPs that have created financially sustainable SEs – and examines what they have in common. Four key themes emerge:

- Leaders with business management and industry experience are integral to the SE reaching financial sustainability. In three of the four case studies, there were key inflection points when a leader was recruited, or a leadership group was established that transformed the SE.
- Volunteers were involved heavily in three of the four case studies. In some SEs such as op shops, volunteers are necessary to replace paid labour as part of the SE. Volunteers can also be highly motivated and skilled and can be given responsibility for innovative tasks and projects when the right structure is in place.
- Funding required can be categorised into seed and capacity building funding. Most NFPs were able to obtain grants for both categories of funding. Op shops managed to become profitable after receiving a single round of seed funding, whereas other business models have obtained other funding to support the SE until it reaches financial sustainability.
- The relationship between the parent NFP and child SE is very important. To start the SE, the parent NFP provides a number of resources which can include funding, premises, volunteers and branding. As the child SE reaches financial independence, it may be able to be self-sufficient, although there are benefits to continually sharing resources and maintaining close communication between both.

These key themes have important implications for NFPs:

1. Hiring a leader with business experience alleviates the ‘knowledge gap’ in the NFPs’ existing human resources.
2. Using volunteers offers significant advantages in terms of cost and skills.
3. Maintaining the relationship between the NFP and SE is important, as an SE often requires multiple years of support before reaching financial sustainability.

For funders, the key implications are to consider the lifecycle stage of the SE and thus the funding required:

1. For funding to start the SE, this should be considered seed funding. Aside from op shops, more complex business models involve higher costs and therefore this seed funding must be supplemented later for the new SE to reach sustainability.

2. For funding provided later in the SE lifecycle, this should be considered capacity building funding. The key with this funding stage is understanding the steps required to improve the unit economics or the scale of the SE and may require a multi-year investment to reach financial sustainability.

All case study SEs took multiple years to reach financial sustainability. It is not a quick process, however the returns over the long run can be immensely positive, with many returning significant funds and delivering social impact every year.

Introduction

Not-for-profits (NFPs) are organisations that address essential social issues not solved by business or government[2]. In comparison to for-profit organisations, whose primary goal is to maximise profits for shareholders, the defining characteristics of a NFP is the lack of a commercial goal and the prohibition on distributing profits to shareholders[3]. This focuses the NFP on delivering their mission; creating social impact and thereby a ‘better’ world.

Given the constraint on shareholder distribution and the emphasis on mission, NFPs do not attract investment capital and thus require other streams of funding. These funding streams may include individual contributions, corporate contributions, foundation grants, government funding and commercial activity[4].

Aside from some commercial activities, other revenue streams have a disconnect between how the NFP raises money and how it delivers impact. This in turn leads to an uncomfortable balance in the NFP; it must continually seek funding to deliver its impact and somehow deliver that impact with the resources it has been given. If there is a drop in funding, NFPs must reorganise or downsize to meet their new funding environment[5].

Social enterprise (SE) offers a potential solution to this problem. Social enterprises are organisations that meet the following criteria:

- *Purpose: Their reason for being is to solve a social or environmental problem.*
- *Operations: They prioritise purpose, people and planet over profit in day-to-day decisions.*
- *Revenue: They operate with a self-sustaining revenue model.*
- *Use of surplus: The majority of any surplus is reinvested towards their mission.*
- *Structure: Their legal and financial structures are designed to protect and lock in purpose for the long term.* [6]

SEs reduce or eliminate the need for external funding by generating enough trade revenue. Those that are profitable may use their profits to fund impact[7,8]. What makes SEs so enticing is the creation of a stable revenue stream independent of funders and donors, alongside an opportunity for innovative program delivery for some beneficiary groups. The power of that trade revenue is well evidenced: Social Traders 2025 sector report, Social Enterprise: Powered by Trade and Driven by Purpose, found that when trade revenue goes up, impact goes up too: 71% of social enterprises that increased their trade revenue also increased their spending on impact[6].

Unfortunately, previous literature does not provide detailed case studies of SEs launched from NFPs that have consistently generated profit or surplus. Whilst there are examples of ‘successful’ SEs that have launched from NFPs[7,9,10], it is unclear how ‘successful’ these have been in terms of financial sustainability, as well as how they were launched and operated at various stages of maturity.

Whilst there are multiple pathways for a NFP to launch a SE, there are no ‘success stories’ clearly showing how a financially sustainable SE has been created. This gap is worth closing. Australia’s social enterprise sector is substantial - the 2024 Report on Identified Social Enterprises (RISE)[11] identified almost 6,000 social enterprises across the country.

Most are not-for-profit organisations, and many sit within or alongside existing charitable structures. Understanding how NFPs build financially sustainable SEs is therefore not a marginal question – it is central to the future of a sector that contributes billions annually to the Australian economy.

The purpose of this research project has been to find and learn from Australian NFPs that have created financially sustainable SEs. Finding these SEs and sharing their ‘success stories’ provides insights to other NFPs considering starting a SE. The aim of these case studies is to highlight key resources that were acquired and used at different stages of the SE lifecycle. Whilst there is not a single blueprint for success across all four case studies, there are common resources that have been used to create and sustain each SE.

Methodology

This research project focused on answering the question:

How can a not-for-profit create a financially sustainable social enterprise?

Given the lack of extant literature, the research was focused on finding financially sustainable SEs and then applying qualitative research methods to understand how these became financially sustainable.

Finding the social enterprises

An anonymised extract from the Social Traders dataset of 671 certified SEs across 1,103 certifications was obtained for analysis as part of the research project. The Social Traders dataset provides information on over 700 certified SEs in Australia, with most SEs certifying every two to three years. Certifications include company demographic and financial data such as revenue, prior year profit, the size of the organisation and the number of locations. The extract contains certifications from 2018-2025.

The extract was processed and filtered to find financially-sustainable SEs that were launched from NFPs. After an exploratory review of the dataset, the following criteria were used to identify financially sustainable SEs:

- SEs that have a NFP parent.
- SEs that have certified at least twice.
- SEs that have been profitable across all certifications and have made at least $15,000 average profit per certification.

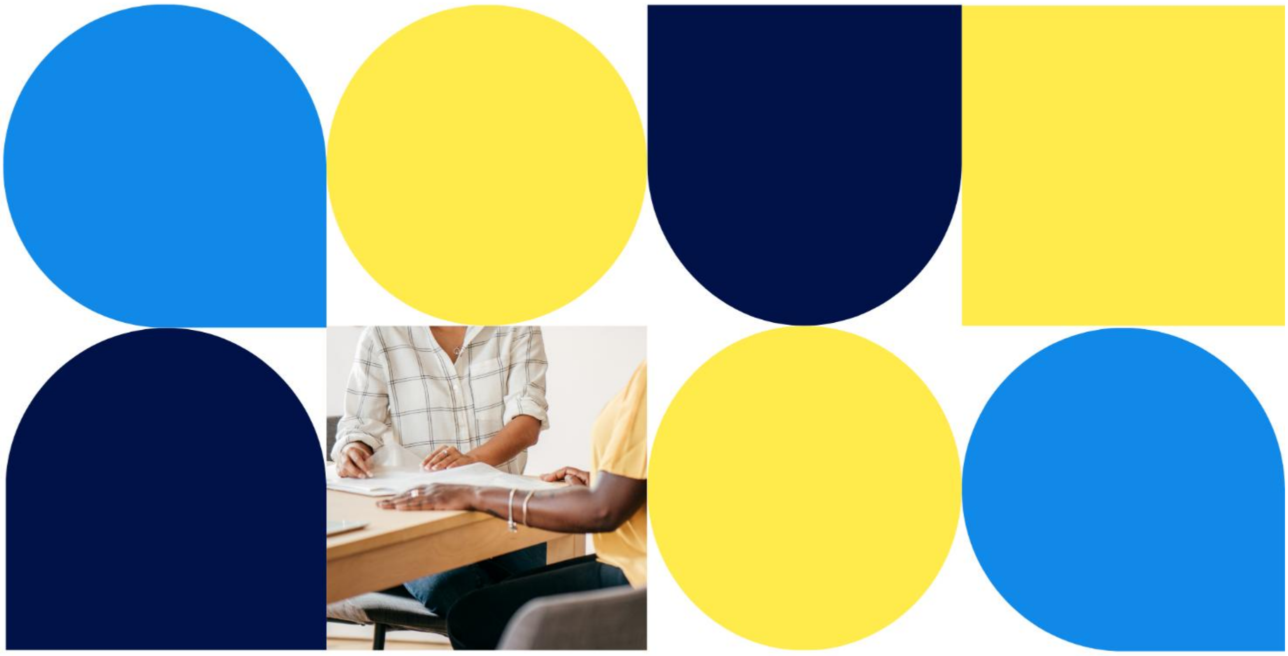
The last two criteria were included to ensure the SE has shown consistent financial performance and has funds that can be retained as working capital. This suggests the organisation is financially self-sustainable as it has funds to operate or expand in the future.

Applying this criteria to the extract identified 25 SEs that had associated parent NFPs. These SEs were then reviewed by the Social Traders team to confirm they could be included in the study. Nine organisations were identified as being established as hybrid organisations where both the NFP and the SE had been set up at the same time. These were excluded from analysis as the research question is focused on how an existing NFP can start a social enterprise. Four of the remaining SEs were recruited for the qualitative phase.

Conducting qualitative research

We conducted semi-structured interviews with leaders from each SE and, where possible, a representative from the parent NFP. Each conversation traced the arc of the enterprise: how it started, how it was resourced, what it took to reach financial sustainability, and where it is headed. For two SEs operating as separate legal entities, publicly available financial records from the Australian Charities and Not-for-profits Commission (ACNC) were used to verify the financial picture provided in interviews.

Interviews were transcribed and coded to identify common themes across the four cases, using an iterative process until stable patterns emerged[12,13].



Case studies

Organisation 1

Trading since: 2018

Beneficiaries: Asylum seekers

Industry: Hospitality

Impact model: Employment focused

A catering business that turns cooking into a career pathway and a six-month training program into financial independence.

This child SE of a larger parent NFP operates as a catering business within the hospitality industry. The parent NFP is a religious organisation with a dedicated branch focused on helping asylum seekers and refugees. This branch has operated for over twenty years and is very well regarded in the sector. They operate a few housing and support programs that are aimed at empowering asylum seekers and providing pathways for integration into society.

The aim of the child SE is to support asylum seekers through integration into the workforce, offering paid employment and training in an Australian workplace through a six-month chef training program. This creates opportunities for them to practice English, integrate into Australian workplace culture and gain commercial hospitality skills. In contrast to the parent NFP's programs that are focused on providing support for housing, case work or employment, the child SE directly provides employment opportunities and training for asylum seekers.

Originally started as an opportunistic venture emerging from a funding opportunity, the business started with one professionally trained chef and a small group of asylum seeker trainees. After a temporary stoppage due to COVID, the SE grew quickly post-COVID due to its unique offering in the local geographic area. Over the next three years the SE was profitable as it grew both revenue and the number of team members. However, this growth also brought operational sustainability challenges that affected the financial performance of the SE, and after three years the SE was running at a loss.

A critical turning point was winning a grant to work on the SE's business model. This gave management the time and resources to review and plan the future development of the SE. After some strategic work and iterative testing of operations models, the SE was restructured to have greater independence from the parent NFP. An important part of this restructuring was having more resources allocated to the SE, including the creation of a social enterprise lead role. As with many employment-focused SEs, this SE currently relies on supplementary revenue (a government grant) to subsidise the additional costs of impact – for example, the training and support needed to employ people facing complex barriers to work[6]. A detailed budget and strategic plan have been developed for the next few years.

One of the biggest challenges this SE faces is the unpredictability in employing asylum seekers. Asylum seekers face uncertainty due to visa conditions for themselves and their family, with a few instances where trainees have had to leave the program due to visa issues. They face cultural and language differences operating in the workplace and often lack experience in a commercial kitchen environment. These factors create a few efficiency challenges and additional costs above and beyond standard business expenses that traditional businesses do not incur[6].

To overcome these challenges the SE has made effective use of partnerships and support from other organisations. Whilst the parent NFP provided initial funding to set up the program and some facilities, the SE has also been active in creating partnerships with values-aligned organisations. Partnerships with other asylum seeker organisations provide a stream of potential applicants to the program. Partnerships with educational institutions in the hospitality industry provide pre-qualifications and aligned syllabus materials that support the SE in training candidates. Some partnerships with values-aligned hospitality companies provide post-completion positions for trainees. There are also innovative opportunities in extending the program to support different beneficiaries that are being explored with various partners.

Organisation 2

Trading since: 2009

Beneficiaries: Women, children and families needing access to affordable housing

Industry: Retail

Impact model: Profit redistribution

Two op shops, both started by volunteers, both profitable and every dollar of profit going back to keep families housed.

This child SE comprises two op shops contained within a larger parent NFP in the housing sector. The parent NFP runs programs to renovate and build affordable housing for disadvantaged individuals and families. The organisation has built housing for people experiencing domestic violence and often partners with other NFPs to renovate their facilities. The child SE op shops were started independently by separate groups of volunteers in different geographical areas wanting to contribute funds towards these programs. Both have the same branding and are based on a similar business model, however they have different operating models. Both of the child SE op shops are profitable and redistribute their profits towards renovation and building projects run by the parent NFP.

The first op shop was founded entirely by volunteers and has been largely independent of the parent NFP. Over 15 years ago, a member of the charity's local volunteer branch placed a deposit on a retail lease and set up the op shop at the premises. From there, the op shop has grown organically in the community, with no paid advertising or professional staffing. This store has grown steadily and been profitable for over 11 years.

The second op shop was founded by volunteers at a separate location. Initially, the store sold primarily hardware products before diversifying into other product ranges. The store was staffed by volunteers initially but over time became more intertwined with the parent NFP, which employed a store manager responsible for managing the store. The store still heavily relies on volunteers for staffing and day-to-day operations. Given the higher rent of the storefront and competition from other op shops in the local area, this op shop has achieved modest profitability. Store management is prioritising marketing, primarily through social media, as well as improving the store's displays and customer experience to boost revenue and profitability.

Organisation 3

Trading since: 2007

Beneficiaries: Volunteers in the local community

Industry: HR Compliance

Impact model: Profit redistribution

What started as a clunky volunteer-run admin process became a profitable software platform and a steady source of income for the community programs it was built to serve.

This child SE performs HR compliance checks for a range of different organisations.

The parent NFP is an organisation running a range of programs in the community around transport, social support and connection to volunteer opportunities. The organisation operates closely with a number of local councils to promote community building in the local area. The child SE was originally started as a joint venture between similar NFP organisations needing HR compliance checks for their volunteers. Eventually one of the NFP organisations took responsibility for the venture and spun it out as a child SE. The goal of moving the venture into a SE was to reduce the reliance on volunteers and to generate profits to support the parent NFP's volunteer programs in the local community. These profits have been a reliable revenue stream for the parent NFP, providing greater funding stability in recent years.

The journey to financial sustainability took many years. Prior to the joint venture, HR checks on new volunteers could take up to two weeks. With the new joint venture, this was reduced to a few days. However, with the HR checks run by volunteers across five different NFPs, this still took substantial time and resources. After three years of operation as a volunteer-run joint venture, one NFP decided to commercialise the operation as a separate SE. This NFP's board believed other NFPs would need HR compliance checks like their own organisation and so decided to commercialise the offering. A CEO was hired to lead the SE, and with the support of casual staff and volunteers began operations as a separate entity. Whilst the customer base grew over the next three years, there were several management issues that prevented the SE reaching profitability.

A turnaround happened in the following year. A new general manager was hired who led two critical initiatives within the SE. The first initiative was to expand the service beyond NFPs to commercial entities. Expanding the service to a larger and well-funded customer base allowed the SE to grow its revenue quickly. The second was converting the manual checking process into a software platform that was made available to both staff and customers. This resulted in customers being able to action their own checks and receive responses within 5 minutes. Whilst there was some initial customer resistance to using the platform and associated teething issues, these were resolved over the first year. Customers found the new self-service process a lot faster, which enabled them to hire more quickly and thus increased adoption of the platform. These two initiatives led to the SE posting its first profitable year. It has been profitable nine out of the last ten years and has returned 5-10% of total revenue back to the parent NFP.

Organisation 4

Trading since: 2011

Beneficiaries: A range of local community members including asylum seekers and homeless people

Industries: Cleaning, gardening, NDIS services and retail

Impact model: Employment focused, community need and profit distribution

An op shop, a cleaning business, a café, an allied health service – all part of one organisation, supporting the local community.

This child SE runs a number of different business units and community programs under a single brand. The parent NFP is a religious congregation who asked themselves a simple question; if we disappeared tomorrow, would the community even notice? Their answer to this question was taking a more proactive approach in improving lives within their local community, with social enterprise as a model for sustainable impact. The child SE has organically grown over time into a group of different business units and programs include an art program, playgroups, a mentoring program, allied health services, cleaning, gardening, NDIS services and an op shop with a cafe attached. Whilst some programs only achieve break even, the op shop and the cleaning services of the child SE provide enough profits to fund homeless services in the local community.

Seed funding was secured to set up a cleaning business and train refugees who had recently arrived in the local area. Whilst the cleaning business continued to grow organically for the first two years, the board decided to start an op shop to speed up growth. An initial round of grant funding was obtained for the op shop, which generated revenue quickly and achieved 2-year revenue projections within the first 6 months. This growth was attributed to a strong community involvement given its links to the parent NFP and a cafe attached to the op shop to allow customers to socialise in store. As the op shop was growing quickly, a part time manager was hired to run the store within the first 12 months. The manager eventually moved into a full-time position working alongside a dedicated team of volunteers.

Over time, the cleaning services business grew organically as well, diversifying into gardening and NDIS support services. Currently the cleaning business employs over 50 staff, with two key managers from refugee backgrounds. It continues to run as a profitable business, employing asylum seekers and using its profits to fund homeless programs.

Other services have grown over time as well, including the art program, playgroups, mentoring program and allied health services. These are 'breakeven' services that aim to be financially sustainable. Most of these are run in partnership with the parent NFP, receiving support in the form of volunteers and shared facilities. The allied health service was a separate addition in recent years and is being explored as a future growth opportunity.

Insights

Whilst each of the case study SEs had their own unique nuances, including industries, sectors, marketing strategies, cultures and so on, there were some common resources used to drive financial sustainability. Although there is not a single 'blueprint' for success, there are common resources that can be applied to other NFPs.

Leaders with business management and industry experience are crucial

In three of the four case studies, there were key inflection points when a leader was recruited, or a leadership group was introduced that transformed the SE.

In Organisation 1, the social enterprise lead has been pivotal in developing and implementing the three-year strategic plan towards financial self-sustainability. They also developed partnerships to improve the quality of applicants coming into the SE, which has iteratively improved the efficiency and success rate of trainees. This leader had over twenty years of experience across marketing, general management and social enterprise roles.

In Organisation 2, the first op shop grew significantly when it was handed over to a larger committee. Whilst it was originally established by a founder with experience working in op shops, several of the committee members had small business or finance experience that they put into action as part of the committee. They made decisions to invest small amounts of money to improve the store experience and vastly improved documentation of core processes to ensure operational efficiency across multiple volunteer shifts.

In Organisation 3, the SE was unprofitable until the general manager was hired, who led two critical initiatives which resulted in profitability within their first 12 months. Both the increase in market size and the focus on efficiency through a self-serve software platform led to financial sustainability. The general manager's previous twenty plus years of experience in management, engineering and security roles allowed them to manage these initiatives effectively.

In Organisation 4, there was no inflection point that coincided with leadership changes. Instead, the founding CEO of the SE had over twenty years of experience running and consulting with small businesses and so ran the organisation similar to a group of small businesses. The CEO was conscious of setting realistic organic growth targets and managing cash flow closely. They were also innovative and opportunistic with a number of initiatives within each small business, such as implementing the cafe in the op shop and using grants to acquire property assets.

Whilst each leader or leadership group implemented different initiatives, the key was their strategic approach to solving business challenges at critical points in the SE lifecycle. Other studies found that NFPs lacking staff with business management experience struggle with different aspects of the business such as marketing and sales[14,15]. In the case study SEs, every leader was very clear on the need to get the unit economics right before pursuing expansion. Having leaders that have 'done it before' increases the financial sustainability of a SE established by a NFP, as they have a better understanding of how to manage the business and solve key issues that arise. This aligns with the global evidence synthesised in What Works: The Global Evidence on Social Enterprise Success Factors[16], which identifies human capital as a critical determinant of SE resilience and impact. Specifically, the report finds that entrepreneurial orientation, grit and values-led leadership support opportunity recognition and persistence through uncertainty – qualities on display in each of the leaders profiled in these case studies. For NFPs launching SEs, this reinforces the importance of investing in leadership from the outset.

Volunteers play a key role

Volunteers were used heavily in three of the four case studies.

Organisation 1 does not heavily rely on volunteers. However, it was noted that pro-bono support from a consultant, who had previously worked at other hospitality NFPs, was critical in identifying and communicating the need to have a more sustainable business model. They provided some initial advice on how this might be achieved prior to the employment of the social enterprise lead.

Organisation 2 heavily relies on volunteers as part of their op shop model. Whilst both op shops were initially founded and run by volunteers, the second store was taken over by the parent NFP and had two professional staff put in place to manage the store. The first store remains entirely volunteer run, with a unique management structure and culture that promotes volunteer engagement and retention.

Organisation 3 was originally founded and run by a team of volunteers before dividing it into a separate SE. Volunteers could be considered to have tested the concept and 'test drove' the processes before commercialisation. Even after separating into a separate venture, the general manager has continued to engage volunteers strategically on projects to test new ideas, including reaching out to new market segments and developing new information systems that were highly complex. They recruited volunteers from the parent NFP and a partner NFP with a database of skilled volunteers.

Organisation 4 is a combination of various programs and small businesses within one SE. Given the close ties between the SE and the parent NFP, there are still several volunteers participating in the community need and engagement programs. The op shop also relies heavily on volunteers as part of its business model, with only one paid staff member.

In many cases, volunteers are a necessary part of a SE established by a NFP. This is particularly the case in models that rely on low-cost goods and services sold to customers, so using volunteer labour is necessary to reduce the overheads of the businesses. As shown by Organisation 2 and Organisation 3, volunteers can also be highly motivated and skilled and can be given responsibility for more innovative tasks and projects if the right structure and support are in place.

The right funding at the right time is important

Three out of four case study SEs reported receiving seed funding from the parent charity. In addition, two of the four organisations reported receiving grants from philanthropic organisations. This funding was used in different ways.

Organisation 1 was initially funded by the parent NFP, including funds for a kitchen renovation in the second year of operation. The SE later obtained separate grant funding to fund a strategic revamp of the organisation to help it reach the next stage of growth. This funding is in place for the duration of a three-year strategic plan and is intended to support the organisation to become financially self-sufficient within this timeframe. The organisation has also run small scale community fundraising and sees this growing to be an integral part of the revenue mix on a long-term basis.

Organisation 2 had different funding approaches for each op shop. The first op shop was entirely self-funded with initial funds provided by the founding volunteer. The founder later recouped these funds over multiple years of trading. As this store has remained volunteer run, it has been very profitable and has not required any additional funding. The second op shop also started as a volunteer run store, however transitioned to being run by the parent NFP after some years. Although the store is now modestly profitable, there was support and resources provided by the parent NFP during the transition period.

Organisation 3 was initially funded and run by volunteers. The transition to a separate SE was funded by one of the founding NFPs and continued to be funded by that NFP for some years. No grant funding specifically for the SE was reported.

Organisation 4 received multiple rounds of funding at different stages. Initial funding was provided by the parent NFP. The SE later obtained a grant from a philanthropic organisation to start the op shop. Given the success and growth of the op shop and cleaning business, the SE then approached larger, well-known philanthropic trusts to support their work with homelessness.

To their own surprise, they obtained funding to purchase and renovate a property they were renting at the time. This provided space for many of their programs and social enterprise activities, and they made a choice to expand their real estate assets by placing a deposit on another property with the funds they had and moving the op shop there. This SE also receives a small amount of public donations as part of their revenue mix.

Across all these case studies, the business model of the organisation affects the amount of funding required on an ongoing basis. Op shops across all case studies required only initial funding before becoming profitable and delivering returns to the organisation, as did the cleaning business run by Organisation 4. Organisation 3 required continuous support from the parent NFP until it was able to reach profitability by pivoting into new market segments and a software as a service model. Organisation 2 also required funding provided by a government grant and has planned to build multiple non-trade revenue streams.

Higher cost business models require more capital, which places more emphasis on funding from the parent NFP or other funders in the short to medium term. The global evidence supports a clear principle here: the most effective external funding is mission-compatible and patient rather than short-term or output-driven. As the What Works report[16] notes, grants play an important role in building organisational capability and absorbing early risk - but they are most valuable when they complement trade revenue rather than substitute for it. The case studies presented here demonstrate exactly this dynamic: the SEs that thrived were those where funding was catalytic, creating the conditions for trade-led sustainability rather than perpetuating dependency.

An ongoing relationship with the parent NFP plays a role in success

Each SE has a unique relationship with their parent NFP that has evolved over time.

Organisation 1 remains a business unit within the parent NFP and has only developed its own brand within the past couple of years. The parent NFP provides the premises from which the SE works alongside other NFP staff. Other parent NFP programs are also integrated with the SE, in the sense that potential candidates for the training program are identified and supported by the parent NFP. The parent NFP is also well regarded in the asylum seeker sector, which has created opportunities for the SE to form partnerships with other NFPs in the sector. The new brand developed for the SE still references the parent NFP in the name, so the bond remains strong between the SE and the parent NFP. Whilst the SE aims to become more independent in terms of funding and decision making, there are no plans for it to move completely away from the parent NFP.

Organisation 2 has differing relationships between the two op shops. The first op shop maintains a high degree of independence from the parent NFP. Whilst this has created certain cultural differences, the parent NFP and the op shop respect each other's autonomy and have been working to improve processes and communications between each other. Whilst there are still some governance improvements to work through, from a strategic and a day-to-day basis, the first op shop remains independent of the parent NFP.

In contrast, the second op shop transitioned from being entirely volunteer run to being managed by the parent NFP. A social enterprise lead and store manager are both employed to run the store, which is funded by the turnover from the op shop itself. The parent NFP provides all administrative functions for the second op shop, including accounting, IT, compliance and so on. The goal with the second store is to have it reach a strong level of profitability that is a template for opening new stores in the future.

Organisation 3 is now essentially its own organisation. Set up as a separate NFP entity, it has over time separated from the parent NFP, including brand, premises, board and management. This process took some years with challenges of culture and strategic priorities along the way. Aside from distributing profits back to the parent NFP they are now effectively independent and there are no future plans to change this arrangement.

Organisation 4 is an interesting case considering there are both strong elements of independence and co-dependence between the SE and the parent NFP. The SE was set up as a separate entity and has been financially independent, aside from the initial seed capital provided by the parent NFP. However, the organisation shares facilities for certain programs with the parent NFP and many SE volunteers are members of the religious congregation. The CEO praised the relationship with the parent NFP and, whilst there is now a separate board for the SE, both organisations work to retain a close relationship with each other.

The greater the financial performance of the SE, the more independence it can gain from the parent NFP. Whilst for both Organisation 2 and 3 this was the case, there are still a number of benefits in maintaining a close relationship with the parent NFP as shown in the case of Organisation 4. Sharing of resources between the SE and the parent NFP is one way to ensure the relationship remains strong.

Recommendations

Based on the evidence, we recommend:

For NFPs launching or operating a social enterprise

1. Hiring a leader with business experience alleviates the 'knowledge gap' in the NFP's existing human resources. In every case study SE, leaders with previous business management and industry experience made a clear impact on the financial sustainability of the SE. This aligns with findings from the What Works report16, which highlight the importance of a leader's entrepreneurial orientation and competence as key contributors to SE success. Each of these leaders were recruited at different lifecycle stages and via different means. Whilst an experienced business leader is not necessarily required to start the social enterprise, in all cases employing one has put the organisation on the path to long term financial sustainability.

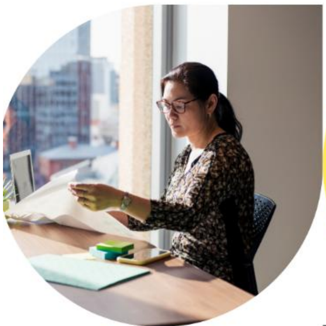
2. Using volunteers offers significant advantages in terms of cost and skills. Volunteers allow NFPs to take risks on new SEs or projects within the SE at a much lower cost than paid employees. In addition, accessing skilled volunteers provides skills that are not available to the SE or parent NFP. Volunteers were responsible for founding three of the four case study organisations. Whilst many NFPs already have a volunteer base, utilising external partners to find other skilled volunteers can be a good strategy to broaden the skill sets available.

3. Maintaining the relationship between the SE and parent NFP is important, as an SE is a multi-year investment in sustainability. Every case study SE took multiple years to reach a point of financial stability, and three of the four SEs continued to share premises, volunteers and other resources on an ongoing basis. Business models with higher costs such as employment-focused SEs take longer to 'find their feet'. And whilst reaching financial sustainability allows the SE to be independent from the parent NFP, there remain a number of advantages in sharing resources and maintaining a close working relationship. This relationship is fostered through having good communication between the SE and parent NFP, encouraging interaction through complementary program delivery and resource sharing.

For funders

1. For funding to start the SE, this should be considered seed funding. This should not be expected to be the only funding round a SE will require. More complex business models involve higher costs and therefore this seed funding must be supplemented later for the SE to reach financial sustainability. An important point to consider with any seed funding is ensuring that additional support from the parent NFP, including the use of volunteers, premises or other resources, has been earmarked for at least a few years.

2. For funding provided later in the SE lifecycle, this should be considered capacity building funding. Assuming the SE has already established itself and ‘validated’ the product or service in the market, this funding should support a transition to a financially stable business model. As noted in the What Works report16, access to philanthropic funding enables SEs to invest in human capital and organisational development without pressure to achieve short-term financial returns. The key with this funding stage is understanding the steps required to improve the unit economics or scale of the SE. The SE should have employed or plan to employ a leader with business management and industry experience.



Questions for future research

This research opens as many questions as it answers. The four case studies presented here represent a purposive sample – organisations that have already reached financial sustainability and were identified through Social Traders certification data. They are success stories, by design. Future research should seek to address the following questions.

What is the failure rate of NFP-launched social enterprises, and at what stage do most fail?

The Social Traders dataset provides a longitudinal view of certified social enterprises, but certification itself is a self-selecting process. NFPs whose social enterprises have closed or stalled may never have certified or may have lapsed without renewal. A fuller picture of the NFP-to-SE pathway would require tracking a cohort from inception – including organisations that did not reach sustainability – to understand where the most common failure points lie and what distinguishes those that persist.

How does impact model shape the trajectory to sustainability?

The case studies in this report span all three Social Traders impact models – employment focused, community need and profit redistribution – and already suggest meaningful differences in the funding required and the time taken to reach sustainability. Social Traders 2025 Social Enterprise: Powered by Trade and Driven by Purpose report6 confirmed that employment-based models carry higher impact costs than profit redistribution models. Future research could examine these differences more systematically: how do the unit economics, funding needs and leadership requirements vary by impact model, and what does 'financial sustainability' look like for each?

What role does scale play in the sustainability of NFP-launched social enterprises?

Social Traders sector data shows that larger social enterprises are generally more resilient – they are better able to absorb shocks and reinvest in impact. But scale is not the only pathway. The case studies here include enterprises that have reached sustainability at quite different sizes. Future research could explore the relationship between scale, impact model and financial sustainability in more depth: what are the viable scaling strategies for different types of NFP-launched SEs and what are the practical implications for funders and NFP boards?

How does the governance relationship between a parent NFP and its social enterprise evolve over time – and does it matter?

Each of the four case studies features a different kind of relationship between the parent NFP and the child SE, from deeply integrated to effectively independent. The research suggests these relationships all ‘work’, in the sense that each SE has reached financial sustainability. But it does not establish whether some governance models produce better outcomes than others, or whether the relationship that works at one stage of the lifecycle becomes a constraint at another. Longitudinal governance research would add significant depth to this picture.

What does the picture look like across a larger and more diverse sample?

Four case studies, carefully selected, are a strong starting point. They are not a representative sample. Future research could build on this foundation by expanding the qualitative cohort to include more organisations, different geographies, and underrepresented impact models and beneficiary groups. The Social Traders certification dataset – which now spans over 750 certified social enterprises and more than 2,500 certification events – provides a robust platform for identifying a larger cohort and tracking their financial trajectories over time.

Conclusion

Social enterprise offers NFPs opportunities to create new revenue streams and new programs for specific beneficiary groups. The four case studies identified in this research project show it is possible for NFPs to create financially sustainable SEs.

Given they operate in different industries, with different cultures, operational models and marketing strategies, this shows there are a range of pathways to sustainability. However, there are still common resources all utilised.

In all case studies a key resource is a senior leader with business management and industry expertise that alleviates the ‘knowledge gap’ in the NFP’s existing human resources. Other key resources unique to NFPs include volunteers, grants and philanthropy.

Finally, all case study SEs took multiple years to reach sustainability. It is not a quick process, however the returns over the long run can be immensely positive, with many case study SEs returning significant funds and delivering social impact every year. These findings sit within a growing body of evidence on what makes social enterprises resilient and impactful.

The 2025 Social Traders sector report[6] confirmed that trade revenue is the engine of social enterprise impact – and that diversification of offerings and customers is the shock absorber that sustains it.

The 2024 RISE report[11] showed the scale at which this model operates across Australia, with certified social enterprises spending 27% of total revenue on impact costs. And the What Works global literature review[16] confirmed that success is not driven by any single factor – it requires alignment across policy, capital, markets, human capability and culture.

The four case studies presented here bring that systemic picture to life at the organisational level, showing how real NFPs have navigated those same dimensions to build social enterprises that last.

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