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552 Victoria Street,
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Beyond the myth of sustainability: lessons from failure in social enterprise Kevin Robbie, Think Impact

Social enterprise conversations are often dominated by stories of success. Yet many of the sector's most important lessons come from the organisations, initiatives and investments that did not go according to plan. Drawing on two Social Enterprise Australia learning sessions delivered as part of the Social Enterprise Development Initiative (SEDI), this article explores lessons from social enterprise leaders and funders on growth, sustainability, risk and failure. It argues that many of the challenges facing social enterprises are not simply organisational issues, but reflect broader funding, market and policy settings. By moving beyond the myth of full sustainability, the article highlights the role that practitioners, funders and governments all have to play in creating the conditions for social enterprises to thrive.

At conferences and sector events, these social enterprise success narratives are regularly front and centre. We hear about organisations that have scaled, secured major contracts, attracted investment, or created employment opportunities for people who might otherwise be excluded from the workforce. These stories are important because they demonstrate what is possible. Yet they can also leave little room for conversations about the challenges, setbacks and failures that are an inevitable part of innovation and enterprise.

Exploring lessons from failure

Recently, Social Enterprise Australia hosted two open learning webinars exploring lessons from failure in social enterprise. Convened by Think Impact as part of the SEDI, funded by the Australian Government Department of Social Services, the first session brought together social enterprise leaders and the second session funders to reflect openly on what happens when things do not go to plan and, more importantly, what can be learned from those experiences.

The first webinar brought together social enterprise practitioners Jaison Hoernel (then at Civic People), Mick Cronin (Employ4Good), Ifrin Fittock (SisterWorks) and Pablo Gimenez (the Centre for Participation). The second explored the funder perspective, with contributions from Lisa Waldron (then at the Westpac Foundation), Matt Knopp (Disability Employment Investments and formerly the Paul Ramsay Foundation), Dr Alberto Furlan (Ian Potter Foundation), Anita Hopkins (Brian M Davis Charitable Foundation) and Stephen Torsi (Formerly of Greater Melbourne Foundation). Both sessions were facilitated by Kevin Robbie and Sofiah Mackay from Think Impact.

What was striking across the two conversations was the degree of agreement. While practitioners and funders approached the topic from different perspectives, many of the same themes emerged. Both groups challenged the assumption that social enterprise failure is primarily about poor leadership or weak execution. Instead, they pointed to a more complex reality involving growth pressures, underfunded impact costs, unrealistic expectations of sustainability, power dynamics between funders and organisations, and broader policy and market settings.

Taken together, the discussions suggest that many of the challenges facing social enterprises are not simply organisational issues to be solved by better leadership, stronger governance or improved business models. They are also ecosystem issues that require attention from funders, policymakers, intermediaries and social enterprises themselves. The conversations offered a timely reminder that failure is not always a sign that something has gone wrong. Often it is a sign that organisations are testing new approaches, navigating difficult trade-offs, and operating within systems that were not designed to support the outcomes they are trying to achieve.

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Failure is often structural, not personal

When social enterprises struggle, the instinct is often to look first at the organisation itself. Was the leadership strong enough? Was the business model robust enough? Were the right decisions made at the right time?

While these questions matter, both webinars challenged the assumption that social enterprise failure is primarily the result of poor leadership or weak execution. Instead, participants repeatedly pointed to structural factors that sit beyond the control of individual organisations.

Many of the examples shared involved organisations that were delivering strong social outcomes and creating meaningful employment opportunities. The challenge was not a lack of impact. The challenge was sustaining that impact within systems that often fail to recognise or fund its true cost.

As was observed, many social enterprises are expected to achieve outcomes that reduce demand on government services, strengthen communities and create employment opportunities. This tension was particularly evident in discussions about work integration social enterprises (WISEs), where the additional costs of supporting people facing barriers to employment are often not fully recognised by markets or funding systems.

The result is that organisations can be highly successful in delivering social impact while simultaneously struggling to achieve financial sustainability. In this context, failure is not always a sign that an organisation has performed poorly. Sometimes it is a signal that the systems surrounding it have not kept pace with the outcomes they expect social enterprises to deliver.

Rather than asking why an organisation failed, a more useful question may be: what conditions made success difficult in the first place?

> *Many social enterprise failures are not failures of mission or intent. They are failures of systems that do not adequately fund the outcomes they seek to create.* ***– Dr Alberto Furlan***

Growth Is not always success

Growth is often treated as the ultimate indicator of success. More revenue, more staff, more contracts and more beneficiaries are usually seen as signs that a social enterprise is thriving. Yet one of the strongest themes to emerge across both webinars was that growth can create as many challenges as it solves.

Several participants reflected on organisations that encountered difficulties not because they failed to grow, but because they grew faster than their systems, governance, leadership capacity or financial foundations could support. Expansion into new markets, the opening of additional sites, or rapid scaling of employment opportunities can place enormous pressure on an organisation, particularly when margins are already thin.

As one participant observed, social enterprises are often expected to sail directly from Ireland to New York. In reality, much of the journey is spent navigating around icebergs. Market changes, procurement challenges, workforce pressures and funding uncertainty can quickly turn an ambitious growth strategy into a significant source of risk.

The discussion also highlighted the role funders can play in reinforcing these pressures. Funding applications, impact reports and investment proposals often reward growth, creating an expectation that organisations should continually expand. Yet growth is not always a sign of organisational health. In many cases, resilience, capability, deepening impact and improving cash reserves may be more important indicators of long-term success than growth itself.

The lesson is not that social enterprises should avoid growth. Rather, it is that growth should be viewed as a means to achieving impact, not as a measure of success in its own right. Sustainable impact

depends not only on the ability to grow, but on the ability to remain resilient when conditions inevitably change.

> *It's not about being the biggest. It's about building a great business.* ***– Matt Knopp***

The myth of full sustainability

Perhaps the most provocative discussion across both webinars centred on the idea of sustainability itself.

For years, social enterprises have been encouraged to pursue financial sustainability, often defined as the ability to generate sufficient trading income to cover all operating costs. The aspiration is understandable. A sustainable business is less reliant on grants, more resilient to funding cycles and potentially capable of creating greater long-term impact.

Yet several participants challenged whether this expectation is always realistic, or even desirable.

As Dr Alberto Furlan observed:

> *We should be extremely happy that a charity only needs 50% of income because the other 50% is taken care of by business. But we've seen that as a failure.*

The comment cuts to the heart of one of the most persistent assumptions within the social enterprise ecosystem: that social enterprises should eventually become fully self-sustaining. Underpinning the discussion was a broader question: are social enterprises being held to a higher standard than either charities or mainstream businesses? Many are expected to create social impact, generate commercial revenue, employ people facing barriers, and achieve full financial sustainability. Few organisations in any sector are asked to meet all of these expectations simultaneously.

This challenge is particularly evident for work integration social enterprises (WISEs). These organisations create employment opportunities for people facing barriers to employment, often providing additional training, mentoring and workplace support. These activities generate significant social value, but they also create costs that are not always recognised or funded through markets.

As a result, social enterprises can find themselves caught between two competing expectations. On one hand, they are encouraged to maximise their social impact. On the other, they are expected to achieve full commercial sustainability. The reality is that the more impact some organisations create, the greater their need for ongoing funding to support that impact, and ultimately that funding often needs to come from government which is frequently one of the greatest beneficiaries of social enterprise impact.

This does not mean social enterprises should abandon commercial discipline. Strong business models, effective management and financial rigour remain essential. However, the conversations highlighted the need for a more nuanced understanding of sustainability – one that recognises the value of blended revenue models, long-term partnerships and appropriate funding for impact costs.

Rather than asking whether a social enterprise can become completely self-sustaining, a more useful question may be whether it has the resources, relationships and revenue mix required to deliver meaningful impact over the long term.

Note, there are encouraging signs that policy settings may be starting to evolve. The Australian Government's recent decision to include social enterprises within the future employment services system acknowledges the important role that WISEs play in supporting people facing barriers to employment.

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Failure requires honest relationships

One of the most consistent themes across both webinars was the importance of trust and transparency.

Social enterprise leaders spoke about the challenges of operating in uncertain environments, responding to changing market conditions and balancing commercial realities with social purpose. Funders, meanwhile, reflected on the difficulty of supporting organisations when problems only become visible once options are limited.

As Lisa Waldron succinctly put it:

> *If we know, perhaps we can help.*

The comment highlights a tension that sits at the heart of many funding relationships. Social enterprises can feel pressure to demonstrate success, particularly when future funding depends on evidence of impact and organisational performance. Funders, however, repeatedly emphasised that they were not expecting perfection. What they wanted was earlier visibility of risks, challenges and emerging problems.

Several panellists reflected on situations where organisations delayed difficult conversations until financial pressures, contract challenges or operational issues had become critical. By that stage, the scope for support or intervention was often significantly reduced.

The discussion also acknowledged that responsibility sits on both sides of the relationship. Social enterprises need confidence that honest conversations will not automatically jeopardise funding opportunities. Equally, funders need to create environments where vulnerability is possible and where learning is valued as highly as success.

Ultimately, resilient social enterprise ecosystems are built on strong relationships. The willingness to discuss what is not working may be just as important as the ability to celebrate what is.

Learning is the real outcome

Perhaps the most important lesson from both webinars was that failure itself is not the problem. The real challenge is whether organisations, funders and the broader ecosystem can recognise and act on its lessons.

As Anita Hopkins reflected:

> *The main thing is what can we learn from it?*

This question shifts the conversation away from blame and towards improvement. It recognises that innovation, experimentation and growth inevitably involve uncertainty. Not every new initiative will succeed. Not every business model will prove viable. Not every expansion strategy will deliver the intended results.

The danger lies not in failure itself, but in failing to capture and share the lessons that emerge from it.

Several participants observed that social enterprise stories are often told through the lens of success. We hear about organisations that have scaled, secured investment or achieved impressive impact outcomes. Far less attention is given to the setbacks, missteps and difficult decisions that often sit behind those achievements.

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Yet mature sectors learn from both success and failure. They create opportunities for practitioners, funders and policymakers to reflect honestly on what worked, what did not and what should be done differently in the future.

The conversations highlighted the value of creating spaces where these discussions can happen openly. Doing so not only helps individual organisations become more resilient, it strengthens the social enterprise ecosystem as a whole. If there is a common thread running through all of the lessons shared, it is that failure should not be viewed as the opposite of success. More often, it is part of the pathway towards it.

Rethinking success

The conversations across both webinars challenged some of the assumptions that have shaped social enterprise development over the past two decades. They highlighted that many failures reflect the realities of social enterprises operating within systems that often fail to recognise or fund the full value being created.

The lessons are relevant not only for social enterprise leaders and philanthropic funders, but also for governments, policymakers and commissioners. Building stronger social enterprises requires more than commercial discipline. It also requires recognising that social enterprises are often asked to meet a unique combination of commercial, social and financial expectations that would challenge any organisation. This requires realistic expectations, appropriate funding, honest relationships and policy settings that recognise the true cost of creating social impact.

Perhaps the most important takeaway is that failure should not be hidden or feared. If we are serious about building a stronger social enterprise ecosystem, we need to become better at talking about failure, learning from it and using those lessons to create the conditions for greater impact in the future. That conversation must involve practitioners, funders and governments alike, because many of the barriers identified in these discussions sit beyond the reach of any one organisation or sector to solve on its own. The future of social enterprise will depend not only on better organisations, but on better systems around them.

Kevin Robbie is a Director at Think Impact with over 25 years' experience working in the for-purpose sector. He was previously Executive Director at Social Ventures Australia (SVA) and CEO of United Way Australia. Prior to that he has been an advisor to the UK Government, Chief Executive of one of Scotland's leading social enterprises and a consultant to the UK Big Lottery Fund.

Think Impact is a specialist social impact and sustainability consultancy widely recognised as having one of the most experienced teams in Australia. Our team have decades of experience working with the for-purpose sector and have worked with over 400 organisations supporting them to manage for better impact. Our team are committed to evidence-based practise and utilising approaches that support our clients to improve their future readiness and develop solutions that address our most complex problems. For more information see www.thinkimpact.com.au