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Barriers to Social Enterprise Growth

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Abstract

This study investigates the barriers to social enterprise growth. The research employs qualitative case study data to examine the interplay between social enterprise and individual, organizational and institutional barriers to growth. We find that social enterprise barriers to growth are based on values differences, business models and institutional norms. We theorize three strategic responses to overcome barriers to growth: values-based decision-making, leveraging social mission, and anchoring.

Barriers to Social Enterprise Growth

Introduction

Scholarly interest in the barriers to growth faced by commercial ventures shows no sign of abating (Acs, Audretsch, Braunerhjelm, and Carlsson 2012; Coad and Guenther 2014; Storey 1994). This interest has been driven by the importance of commercial ventures to economic competitiveness, stability and development (Alvarez and Barney 2014; Bruton, Ketchen, and Ireland 2013; Carter and Jones-Evans 2006). The dominant view of commercial venture growth has focused on economic gains, for instance to increase market share, competitiveness, profits and employment opportunities. More recently however the commercial perspective has given way to an appreciation of wider motivations for new venture creation and growth (Doern 2009; Parry 2010; Wiklund, Davidson, and Delmar 2003). For this reason social enterprise, in which the aims of the venture are to achieve both financial sustainability and create social value (Costanzo, Vurro, Foster, Servato, and Perrini 2014), has attracted increasing attention from scholars, policy makers and practitioners.

Social enterprise is defined as organizations that engages in economic activity and pursues an explicit social mission. In addition, they are independent, employ participatory governance models and, if profits are generated from trading, distribution of surpluses are limited (European Commission 2015). The wide array of activities accomplished by social enterprise include social and economic integration of the disadvantaged, excluded and low income populations; education, health and social care; community services; ethical agriculture, horticulture and food processing; advocacy and activism; and environmentalism, e.g., energy efficiency, green energy production and recycling (Defourny and Nyssens 2008; European Commission 2015; Santos, Pache, and Birkholz 2015).

Social enterprises are thus explicitly motivated by the dual mission to achieve economic and social goals (Costanzo et al. 2014) and this implies that they will encounter a more complex array of barriers to growth than faced by commercial ventures. In essence, they face barriers to achieving financial sustainability as well as barriers to creating social impact. In this paper we investigate the barriers to growth faced by social enterprises. The research is guided by the question: What are the impediments to social enterprise growth and how might they be overcome?

The paper is structured as follows. First we situate our inquiry by reviewing the literature concerning barriers to growth, considering commercial ventures first and then social enterprises. We next examine social enterprise dual mission and the challenges associated with achieving growth on multiple dimensions. We then explain our choice of qualitative methodology and the research methods adopted. This is followed by the analysis and discussion in which we identify a range of social mission driven barriers to growth and then theorize responses for overcoming these barriers. We conclude by commenting on our contributions and suggest areas for further research.

Barriers to Growth

The importance of a vibrant sector of prosperous small and medium sized commercial ventures for economic and social development is well established (e.g., Lee and Cowling 2013; Storey 1994; Obeng, Robson, and Haugh 2012). Yet commercial ventures vary in the extent to which they seek and achieve growth - some actively seek to grow, whereas others languish and remain small. Research has identified that barriers to growth can be categorized into two fields; first impediments to opportunity identification and exploitation (Morrison, Breen, and Ali 2003; Parker, Storey, and van Witteloostuijn 2010), and second, impediments

to growth (Felsenstein and Swartz 1993). In this literature a complex pattern of barriers emerges in relation to individual, organizational, and institutional constraints.

A range of individual, demographic variables comprising age, race, gender and education have been found to influence commercial venture growth. Growth is positively associated with older, male and more highly educated entrepreneurs, and negatively associated with ethnic minority entrepreneurs (Brown, Earle, and Lup 2005; Felsenstein and Schwartz 1993; Mead and Liedholm 1998; Shelton 2010). Edelman, Brush, Manolova, and Greene (2010), for instance, found that minority entrepreneurs were more interested in setting up ventures for self and family employment, rather than to pursue growth. Prior entrepreneurial experience (Jovanovic 1982; Parker 2004) and personality traits, such as an entrepreneurial mind-set (Ireland, Hitt, and Sirman 2003), are also associated with growth orientation. In a rare example of an interpretivist study of barriers to growth, Parry (2010) explores how entrepreneurial self-identity forms an important barrier to commercial venture management and performance. The individual characteristics of the entrepreneur thus are an important consideration in the analysis of barriers to growth.

Organizational strategy defines the overarching direction and goals of a venture, and intention to grow is an important influence on venture growth rates (Edelman et al. 2010; Wiklund et al. 2003). In particular, entrepreneurs with an international (Clerides, Lach, and Tybout 1998), or technological market focus (Coad and Tamvada 2012) are more likely to pursue growth, whereas necessity entrepreneurs; with limited alternative employment options, are unlikely to seek venture growth (Levie and Autio 2008; Coad and Tamvada 2012). Although the strategic intention to grow has been linked to investment in research and development and innovation (Acs et al. 2012; Coad and Guenther 2014), the number of small ventures which make such investments in R&D is low. Lee (2014) found that fifty per cent of

new jobs were created by just seven per cent of commercial ventures, and these ventures had the greatest intention to grow.

A relationship between access to resources and venture growth is also well established in the literature (Penrose 1959). The combination of physical, financial and human capital has repeatedly been found to explain differences in venture growth (Aldrich and Martinez 2001; Dodd, Jack, and Anderson 2006; Ireland et al. 2003). Financial constraints are consistently the most difficult barrier to overcome (Moy and Luk 2003; Orser, Hogarth-Scott, and Riding 2000; Tagoe, Nyarko, and Anuwa-Amarh 2005), and render entrepreneurs reliant on their savings (Leff 1979), informal loans from friends and family (Allen et al. 2006), or short-term bank funding (Freel 2000). However, lack of entrepreneurial competences and information about financing options has been mooted as an influential variable in perceptions of finance availability (Doern 2009; Orser et al. 2000). Similarly, the social capital embedded in networks is increasingly recognized as an important resource for entrepreneurs to overcome other barriers to growth (Aldrich, and Martinez 2001; Cooper et al. 1995; Jack and Anderson 2002; Spence, and Schmidpeter 2003). Other organization level barriers to commercial venture growth include firm size (Almus 2002; Biesebroek 2005), location (Davidsson et al. 2002; Robson and Obeng 2008), and type of premises (Felsenstein and Schawatz 1993; Lee 2014).

Finally, four categories of institutional barriers to growth have been noted (Aidis 2005): formal (laws, regulation and taxes); informal (corruption and unfair competition); environmental (lack of finance and purchasing power); and skills (human resources). Although the strength and impact of institutional barriers varies by the field of study, Aidis (2005) found that entrepreneurs strongly affected by any one of the institutional barriers were often strongly affected by all of them.

The barriers to commercial venture growth reviewed above prioritize economic above social and environmental value creation. Yet maximizing economic returns to stakeholders with an ownership interest in a venture is one, amongst many, motivations for creating and growing a venture (Edelman et al. 2010; Wiklund et al. 2003). It is not insignificant that managers and owners possess both economic and social agency, and hence, social and psychological motivations for venture creation are important for understanding venture growth (Thornton 1999). In the study by Parry (2010), two motivations drove the identity of the entrepreneur: to be an artist, and to provide employment. Our focus on social enterprise barriers to growth thus responds to suggestions to develop more nuanced insights into the impacts of multiple motivations on barriers to growth (Doern 2009; McKelvie and Wiklund 2010).

Social Enterprise Growth

The emergence of social enterprise as a distinct field of research provides a frame for investigating the impact of beyond economic barriers to growth (Battilana and Lee 2014; Doherty, Haugh, and Lyon 2014; Moss, Short, Payne, and Lumpkin 2011). Social enterprises are distinguishable from commercial ventures by the explicit mission to create economic and social value (Costanzo et al. 2014; Dacin, Dacin, and Tracy 2011; Moss et al. 2011; Teasdale, Lyon, and Baldock 2013). Social enterprise growth is therefore more complex than in commercial ventures since it concerns improving commercial performance and social impact (Hynes 2009). Strategies for growing social impact comprise scaling up so that more benefits are delivered to the same beneficiary groups and expanding the number of beneficiaries served (Lyon and Fernandez 2012). Social enterprise business models to scale up and out include endogenous growth (Lyon and Fernandez 2012), partnerships (Austin, Stevenson and

Wei-Skillern 2006) and social venture franchising (Camenzuli and McKague 2015; Tracey and Jarvis 2007).

Investigating social enterprise barriers to growth is however hindered by two constraints. First, much of the current social enterprise literature has adopted a positive management frame in which advantageous values, virtues and impacts are proselytized. The small number of critical studies that have recently been published have exposed that social enterprises face resource deficits (Austin et al. 2006), and that strategic manipulation of communication is employed to tailor appeals to different stakeholder groups (Dey and Teasdale 2015; Teasdale 2012). Second, scholarly interest in social enterprise to date has focused on defining this relatively new field of research, and explored social enterprise survival rather than growth (Lumpkin et al. 2013 Hockerts, and Wuestenhagen 2010; Foster and Fine 2007). Therefore little research has been conducted that directly explores barriers to growth. Some typical barriers to social enterprise growth can be gleaned from previous studies. External barriers include low public awareness of social enterprise (European Commission 2015; Hynes 2009; Lyon and Sepulveda 2012), and difficulties in accessing finance (European Commission 2015; Hynes 2009; Santos et al. 2015). Internal barriers include lack of personnel with commercial acumen (European Commission 2015; Lyon and Sepulveda 2012), and the scarcity of viable business models that successfully combine dual mission achievement (Camenzuli and McKague 2015; European Commission 2015). We therefore contribute to the literature by explicitly investigating barriers to growth and theorizing strategic responses.

Social enterprise dual mission provides a fulcrum for investigating barriers to growth. For commercial ventures there is an implicit assumption of the benefits of venture growth, even when the intention to grow is not prioritized strategically, as in petty entrepreneurship and some family firms. The dual mission of social enterprises however creates intriguing

empirical questions concerning intentions to grow, the impact of the relative prioritization of commercial and social mission, and barriers to growth. In the next section we explain how we gathered data to investigate social enterprise barriers to growth.

Methodology

To investigate the impediments to social enterprise growth we adopted an in-depth, exploratory, interpretive research design (Guba and Lincoln 1998). We followed a multiple case study approach to gather rich and contextualized data with theory building potential from ten growth-orientated social enterprises. (Eisenhardt 1989; Eisenhardt and Graebner 2007). Since perceptions and experiences are deeply personal constructs, the methodology and research methods are aligned with the aims of the research.

Following an exploratory case study research design (Gillham 2000; Yin 2013), two pilot stages preceded the main empirical data collection. First, informal interviews were conducted with three founders of social enterprises in order to develop a clear understanding of the context of social enterprise growth. We then gathered secondary and primary data from one pilot social enterprise (Yin 2013) to discern appropriate means of data collection that would provide deep insight into barriers to growth and strategic responses. Telephone interviews were conducted with a cofounder and face-to-face interviews with the chief executive, head of operations, and strategic advisor. The interview data was triangulated with information from internal documents e.g., business and strategic plans; information from the website, blog, and Facebook; and secondary data from Factiva and LexisNexis. Analysis of data from the pilot case study suggested the need for a storytelling approach to primary data collection, supplemented by secondary sources for triangulation.

Storytelling is an essential component of an entrepreneur's toolkit (Lounsbury and Glynn 2001; Martens, Jennings, and Jennings 2007) and our research approach was geared towards gathering deep narrative data from informants. This was achieved by inviting informants to talk about three general topics: the intentions and key events in the creation of the social enterprise; an account of the mission, aims and business model; and the barriers to achieving mission and aims. Interview questions such as "Please tell me more about how you set up this venture..." encouraged informants to reflect on their perceptions and experiences of intentions and barriers to growth. The interviews were recorded and transcribed verbatim (over 500 pages of single spaced text). Each transcript was then reviewed for accuracy by another member of the research team and, where needed, corrected. Table 1 describes the sample and case studies.

Insert Table 1 about here

Case Selection

Case study selection was guided by three principles. A minimum of four case studies is recommended for theory generation (Eisenhardt 1989), and in our exploratory study we sought a reasonable number of case studies to compare. Since commercial venture barriers to growth are influenced by industry (Wiklund, Patzelt, and Shepherd 2009), venture age (Dunne et al. 1989), size (Coad 2009), and institutional context (Aidis 2005), we restricted case selection to one market segment (personal health and natural lifestyles, worth ~\$546bn worldwide (NMI 2015)) and similar age (less than ten years since founding), size (less than twenty employees), and institutional context in each enterprise (Western Europe). An online search generated fifty seven social enterprises that both satisfied our criteria and the EU definition of social enterprise identified above. After emailing each social enterprise we established contact with thirty three, of which ten agreed to participate in the research. The

sample comprises sustainable food brands (Alpha, Beta, Delta, Zeta, Eta, Theta), ethically certified foods (Epsilon, Iota) and services to the food sector (Gamma, Kappa). All the case studies fall under the grouping of earned income social enterprises (Defourny and Nyssens 2012), in that they generate earned income from business activities, rather than donations or subsidies. The focused approach to case selection and the rigorous use of grounded theory coding principles (Charmaz 2000; Glaser and Strauss 1967) increases confidence that the findings also have theoretical resonance to other social enterprise sectors.

Data Analysis

The analysis of the interview data was carried out manually with the support of Nvivo 10 to store the data (QSR International, 2012). The transcripts were searched for speech utterances in which discrete topics were talked about (Grégoire, Barr, and Shepherd 2010; Hall and Hofer 1993). The first three post-pilot case studies were analyzed to develop a coding template for references to (1) economic and social growth intentions, (2) barriers to growth, and (3) how growth is achieved. Each unit of data; a part or a full sentence on a discrete topic, was allocated a label (first order coding). The coding template was then employed to analyze and code the remaining transcripts. We adopted a responsive and reflexive technique in that when additional codes were required to label new constructs, these were created and all transcripts reanalyzed with the extended coding template. To enhance the reliability of the data analysis we repeated the coding process one week after first coding. This procedure resulted in few, minor modifications to the coded data. The first order codes were then compared and contrasted, grouped into clusters of similar labels, and allocated to eight second order codes (ethical value differences, growth philosophy, operational principles, access to finance, access to human resources, identity authenticity, consumer behavior and traditional business norms). The secondary data for each case study was also analyzed

manually by searching for and labelling units of data, and then employed to triangulate the primary data, corroborate the informants' narratives, and enrich the depth of the case studies. In the final stage of analysis we theorized aggregate conceptual dimensions from the data (see the data structure in Figure 1).

Insert Figure 1 about here

Insert Figure 2 about here

Figure 2 provides a diagrammatic representation of the analysis presented in the following two sections. The first section presents a descriptive account of the barriers to growth in our case studies. The second section theorizes the responses to the barriers to growth, utilizing evidence of how the barriers were responded to by the case studies, and strategic responses from the wider management literature. From this iterative approach, and grounded theory data analysis, we generate three strategies for responding to barriers to growth which we label values based decision making, leveraging social mission, and anchoring.

Analysis of Barriers to Growth

Within case and cross-case analysis led to the identification of an array of perceived and experienced barriers to social enterprise growth. By encouraging our informants to talk at length about the creation and development of their organizations, we gained access to novel insights concerning the challenges associated with achieving economic growth, and scaling social impact. We present the empirical data below.

Values Based Barriers to Growth

Ethical Values Differences. An ethical values difference describes how conflicts between the

ethical values of the informants and those of other stakeholders impede social enterprise growth. The first order code *values and principles of suppliers* refers to self-imposed restrictions on the eligibility of suppliers of resources. For example, although loans and grants were available to finance social enterprise growth, our informants described how they would purposefully reject finance from funders whose values and principles did not align with their own values.

We did not want to go with conventional funders, because we want to maintain a number of the ventures founding ideals. Funders want to see these classic capacity building metrics ... the world[s] of finance and social entrepreneurship are divisive. (Iota)

Similar ethical values echoed in relation to other sources of finance, raw material supply and choice of distribution outlets. The first order code of *values and principles of distributors* is therefore grounded in informant narratives about how their ethical values conflicted with terms and conditions imposed by distributors and retailers. Although securing product listings with a national chain of supermarket outlets would provide access to mainstream markets, in eight case studies informants talked about the moral dilemmas arising from partnering with major retailers. Different value clashes include: the payment of product listing fees that would lead to profit distribution to supermarkets, not beneficiaries, and particularly the poor social and environmental performance of distributors and retailers:

There are companies that make lots and lots of marketing noise with sustainable development, but it is only applied as part of the marketing. The big companies but also supermarkets... I do not understand the logic! How can you sell products that follow a logic of sustainable development next to products that are hyper-pollutants that put micro-particles everywhere? I do not understand this logic.

(Zeta)

Growth Philosophy. This category describes the values that guide informants' attitudes towards achieving growth. The narratives from all our informants were laden with references to the importance of achieving financial sustainability, without sacrificing the commitment to social value creation. The first order code *commercial imperative* describes the philosophy of applying business principles to managing a social enterprise. For example, the need for prudent cost management and strategically targeting growing markets.

We now have our own production facility, so we probably will be expanding into other categories or producing for others more than we did before. Because we have this opportunity and this burden of our own facility so we really have to be able to produce enough volume and get enough market share to get the costs down. (Beta)

The first order code *preservation of social mission* describes the perspective from informants that although commercial performance is important, growth should not be pursued at the expense of social impact. In four case narratives the risk of compromising social mission led to the rejection of strategies to advance commercial growth.

I think we are starting to recognize that sort of the global economics isn't working and perpetual growth is impossible because we haven't got an infinite resource to fuel that growth. So you know, this question of where does the business stop. I think business has to stop growing at some point. (Delta)

Ethical Principles. Despite informants' appreciation of the challenges associated with balancing commercial growth and social impact, this was difficult to achieve across all business functions. For example, the management of social and environmental externalities incurred in ethical supply chains impacted on the cost structure of the organization. *Social*

fairness refers to the principle of acknowledging social externalities in purchasing decisions. Similarly, *environmental fairness* refers to the acknowledgement of environmental externalities in partnering with other organizations. In our case studies, informants decisions concerning suppliers and distributors were not based on cost alone, but on perceived fairness of extant policies and practices.

We could actually save £10,000 a year by sourcing a cheaper source of barley but we are committed to [these suppliers], and they guarantee the provenance of our barley.
(Delta)

We are paying more, we are paying for fair trade prices and biological premium prices and organic. And for this, they do sustainable forest management. (Theta)

Business Model Based Barriers to Growth

At the level of the organization our analysis finds that barriers to growth relate to access to finance, human resources, and identity authenticity.

Access to Finance. Across all the case studies the challenges associated with gaining access to financial resources features prominently in informant narratives. In eight of our case studies the initial capital was easy to secure from start-up grants or awards from social enterprise foundations. However personal savings, friends, crowdfunding, and community loans were also noted by informants. The first order code *lack of funding for social enterprise growth* refers to the post start-up difficulties associated with securing funds to finance commercial expansion and scaling social impact. Our social enterprises struggled with securing all forms of finance, including foundation grants which only two case studies had partial success in accessing to fund growth.

We are making decisions about cash every single day, about how to manage our growth

because you can be growing very strongly and collapse through lack of cash, so operationally it's the biggest issue. (Alpha)

The first order code *social enterprise governance structures* relates to informants' references to the conflicts between social enterprise business models and funding principles. Since organizations that adopt commercial business models predominantly fall outside the funding guidelines of charities and philanthropic foundations, the pursuit of income through trading constrained access to philanthropic sources of finance for growth. Conversely, governance structures that prohibit financial returns to stakeholders with a controlling interest in the organization are similarly unattractive to commercial funders, such as banks and venture capitalists, as this limits financial returns on investment.

We would love to [get more finance] but it seems to be almost impossible to do that with the business like ours because we give away 100% of profit we make. Venture capitalists don't like that because they want to make a return on that. And grant-giving foundations don't like the fact that we are a business. (Eta)

Overall we find our case studies struggling to secure growth capital from both commercial and social sources of finance. The dual mission is incongruent with the return on investment required by commercial capital, yet the commercial growth of an established social enterprise to further social impact is less appealing to social financiers than the creation of new social enterprises.

Access to Human Resources. In our sample, nine of the social enterprises comprised multiple founders linked through networks of friends and associates. The benefits of using networks to create a social enterprise were the low search costs, social relationships were already in place and the requisite skill set could be purposefully recruited.

As a group of people: I am a business development specialist and new products ideas person and a driver; my wife is a marketing specialist, brand specialist; and two other founders: one was an ex-solicitor and the other was a PR specialist. (Alpha)

However, network based recruitment also constituted a barrier to growth if skills in the network were insufficient to grow the social enterprise. The first order code *network based recruitment* refers to the shortcomings of using social networks to recruit employees, volunteers and trustees. Such shortcomings include the heavy burden of the management of too many founders and not enough employees, disagreements over future strategic direction, and the resource constraint of employing in specific required skills when the organizational headcount is already high. All these lead to resources being spread very thinly over a large, but senior, human capital base.

Since social enterprise business models commit to investing surplus in the pursuit of social mission rather than remuneration, governance structures ensure that surpluses are not disbursed in salaries and perquisites. The first order code *constraints on employee remuneration* refers to the limited availability of funds to attract and pay commensurate salaries to highly qualified employees.

But we have, all our employees, in some way, we all have less wages than what we were used to. So it is also a form of investment that all employees who work at [Zeta] make. (Zeta)

As such, social enterprise growth is constrained in terms of both recruitment and employee retention due to limited pools of human capital and low rewards for high achievement.

Identity Authenticity. The defining characteristic of the pursuit of dual mission is central to

social enterprise identity claims. In our case studies social enterprise legitimacy is intricately bound into ethical sourcing and quality control of products and raw materials. However, problems arising from poor quality control in supply chains features prominently in the informant narratives. The first order code *control of supply chain integrity* describes these barriers to social enterprise growth.

We use a general contract with a farmers union but we have no exclusivity... We would like to have this possibility but it's not possible. So every year we are in a challenge with other competitors to purchasing coffee, because the farmers are not obliged to deliver to our cooperative. They can also sell their coffee to other people. And we have to convince the cooperative, then the farmers union, to give us the coffee from the certified farmers. (Theta)

Our case studies often self-limit their access to supply based on their dual mission or personal ethical values as discussed above, but suppliers appeared to be less constrained in this way than the buyers. Suppliers were reported to be more interested in gross cash flow, and even more so when based in marginalized communities where small increases in sales revenue might produce significant differences in social impact. Social enterprises therefore have to battle to maintain identity authenticity with little control over their current suppliers or ethical alternatives.

Institutional Barriers to Growth

As well as the values and business model based barriers to growth described above, the case studies shed light on the institutional barriers that constrain social enterprise growth. Our analysis uncovers institutional barriers relating to consumer behavior and traditional business norms.

Consumer Behavior. Our social enterprises' financial sustainability is achieved through the adoption of commercial strategies to generate income from trading. At the heart of trading are relationships between the social enterprise and customers. The first order code *customer inertia* describes how disrupting routine buying behavior to secure a foothold in the market was difficult to achieve.

And we see [retailers] do not introduce our products. According to taste testing it is a better drink. They tasted it but they do not introduce them. For us it is difficult to understand. You have to fight, you have to fight, but above all keep the cost financially. So is the difficulty we have. We know we have a very good product but you cannot enter the market that easily. (Zeta)

In addition, consumer behavior models describe a process of moving customers from awareness to interest, desire and then action. The first order code *low customer awareness of social enterprise* describes how social enterprise marketing strategies needed to either achieve multiple goals simultaneously, or move potential customers rapidly from awareness to action.

We thought, OK, when we reduce the complexity with the measures, which means that people know about the topic, we could communicate the topic and then cite these scientific studies – people will act, people will do something. And over the course of three years we discovered, right, we did something, we did a lot of projects, but nobody else cares. (Kappa)

Ultimately the social enterprises in our study elected to communicate multiple messages simultaneously, to a largely ambivalent consumer market space. Whereas commercial ventures have a much simpler benefit-to-consumer-self message, social

enterprises have a benefit-to-distant-others message, which may or may not be congruent with a benefit-to-customer-self message. They also endeavor to accomplish this task whilst absorbing social costs into the financial architecture of the social enterprise.

~~Industry~~ **Traditional Business Norms.** Barriers to social enterprise growth that relate to traditional business norms and practices also feature prominently in informants' narratives. Despite the increase in the population of social enterprises, and international media coverage of prominent social enterprises such as The Big Issue and Grameen Bank, our informants' narratives referred to the challenges arising from the relative newness of social enterprise when compared to commercial entrepreneurship. *Low investor awareness of social enterprise* describes how lack of investor knowledge about social enterprise made it difficult to raise investment capital. *Conservative lending policies* similarly describes how banking norms of conservatism and risk aversion made it difficult for social enterprises to raise finance from institutions such as high street banks.

They [banks] don't want us. They ask us, 'what is your business concept? We don't understand, we cannot give you the money because we don't understand this idea.'

(Theta)

Summary of Barriers to Growth

The analysis of the empirical data portrays a complex array of barriers to social enterprise growth. Guided by the literature on the barriers to growth faced by commercial ventures, the results of our phenomenological inquiry extends the literature by identifying values based and business model impediments to growth, as well as institutional barriers associated with consumer behavior and traditional business norms. In our case studies the pursuit of dual mission unfolds into barriers anchored in ethical values differences between social enterprise

founders and stakeholders, conventional and social enterprise orientations to growth, and ethical principles that acknowledge social and environmental externalities. The distinctive social enterprise business models are also associated with barriers to growth arising from accessing resources, and identity authenticity. Finally, in our study institutional barriers relate to cultural and normative impediments to social enterprise growth. We attribute the absence from informant narratives of any reference to regulatory barriers to growth to the research context, in which Western Europe is perceived to be at the forefront of institutionalizing social enterprise (Nicholls 2012). In the next section we discuss the barriers to growth and develop propositions to predict how the barriers might be overcome.

Responding to Barriers to Growth

So far this paper has explored the barriers to growth brought about by the pursuit of dual mission. In this section we propose strategies for overcoming these barriers without jeopardizing commercial mission and social value creation, utilizing a combination of examples from the case studies and theoretical insights from literatures on strategic change. Therefore we develop three strategies for overcoming barriers to growth: Values-based decision-making, leveraging social mission, and anchoring.

Values-Based Decision-Making

Previous research on small business management has noted how in commercial ventures, business decisions are guided by the principle of maximizing financial returns to stakeholders (Doern 2009; Edelman et al. 2010; Wiklund et al. 2003). This principle is manifest in the strategic goal of profit maximization in which decisions are cost-based and considerations prioritize the costs required to produce and deliver commercial products and services (Acs et al. 2012; Felsenstein and Swartz 1993; Penrose 1959). There are however, categories of firms

in which non-economic objectives feature in the goal structure of the enterprise. For example, decision making in family firms is influenced by family and business goals (Stenholm, Pukkinen, and Heinonen 2016; Vandemaele and Vancauteran 2015). In our study we find that decision making is frequently guided by ethical values in all ten of our organizations. Thus, for example, suppliers and distributors are not contracted with if their value system is not aligned with those of the social enterprise as evidenced earlier with Iota and Zeta. To overcome the barrier to growth arising from values differences between social enterprise, suppliers and distributors we propose that social enterprise adopt values-based partnerships. Values-based partnerships incorporate congruence between different value systems as the enduring principle that underpins contractual relationships.

The principle of values-based decision-making relates to attitudes to growth, such as Delta only seeking to scale up within the confines of its existing community, and Gamma's aim to grow the "slow food" revolution by progressively moving people to a fork (garden tool) to fork (table cutlery) approach to growing, preparing, and consuming food. Social enterprise growth is achieved through aligning the commercial imperative with social mission preservation (Costanzo et al. 2014; Teasdale et al. 2013). Thus, commercial strategies may not be implemented if they impede or detract from scaling social impact. We propose that social enterprise adopt values-based growth strategies in which commercial and social mission are aligned as an enduring principle that guides strategic growth. The achievement of mission alignment may be through integration or separation. In addition, values-based decision-making influences the ethical architecture of the social enterprise in which social and environmental fairness is explicitly acknowledged. For example, informants in our study acknowledged the impact of social and environmental externalities and built this knowledge into the organization's culture and value system. We propose then that social enterprise adopt

values-based decision making as an enduring principle that underpins the organization's culture.

Leveraging Social Mission

In our case study data and the literature access to financial resources proves critical to organizational survival and growth (Moy and Luk 2003; Orser et al. 2000). The financial architectures of small and medium sized enterprises comprise a bespoke portfolio of equity, debt and loan finance. In the last twenty years the new category of social finance has expanded to provide resources for social enterprises (Lehner and Nicholls 2014; Moore, Westley, and Nicholls 2012; Nicholls, Paton, and Emerson 2015). Social finance encapsulates the supply of equity, debt and loan finance from investors committed to social impact and social change (Benedikter 2011; Steinberg 2015). The pursuit of social mission enables social enterprises to seek to raise finance from impact investors and social funders committed to supporting social change. The pursuit of social mission is a pre-requisite for accessing social finance, and thus social finance is not accessible to commercial ventures. Further, the values and principles of social finance and social enterprise are in alignment. In eight of our case studies capital had been sourced from social funds in their start-up phase, for example Social Enterprise Foundations, Social Business Angels and Eco Angels. Although only two case studies had been able to fund growth from such sources. However, leveraging social mission has the potential to provide a route to crowd funding, community loans and community share issues. We propose that financial barriers to social enterprise growth are overcome by leveraging social mission to access finance.

Similarly, a wide range of variables influence employee selection, recruitment and motivation (De Kok and Uhlener 2001, Szamosi et al. 2004). In our study informants acknowledged the satisfaction gained from being associated with a social enterprise.

Association might be as an employee, volunteer, trustee or customer and satisfaction relates to excitement, doing something innovative, and contributing to social change. The commitment to creating social impact enables social enterprises to recruit employees whose values and principles are aligned with the organization and are willing to compensate lower remuneration with the satisfaction accrued from working for an ethically motivated organization (Davies and Crane 2010). From our data we propose that human resources barriers to social enterprise growth are overcome by leveraging social mission to recruit and motivate employees, volunteers and trustees.

Organizational identity refers to the enduring characteristics of an organization and is essential for securing legitimacy (Ashforth and Mael 1989). Legitimacy is conferred by stakeholders onto organizations in which values and practices are in alignment, and compromised when values and practices are not congruent (Clegg, Rhodes, and Kornberger, 2007; Scott and Lane 2000). For example, ethical sourcing is a fundamental principle of fair trade certification, and stakeholder trust in the validity and reliability of ethical claims is built up over time (Schuler and Christmann 2011). When ethical sourcing procedures break down this has negative consequences that impact on organizational legitimacy (Anner 2012; Balsiger 2015). In our study we note organizations particularly concerned about the rigor of ethical sourcing policies. We propose that barriers to social enterprise growth are overcome by leveraging social mission to maintain identity authenticity.

Anchoring

Small firm communication strategies for raising customer awareness vary considerably (Renton, Daellenbach, Davenport, and Richard 2015). The importance of local connections is integral to many artisanal and food products, and features prominently in marketing communications (Askegaard and Kjeldgaard 2007; Giles, Bosworth, and Willett 2013;

Marsden and Smith 2005). Local anchoring is employed to raise awareness, stimulate interest, and prompt purchasing behavior in the local community as well to wider markets. We see this for example on the website of Delta, an organic brewer, when the text explains the connections between Delta, the public house, and the local community. Similarly Gamma, an organic farming technology company, stresses the extent of their community embeddedness in their communications to audiences. We propose that anchoring in community connections is employed to overcome customer inertia and raise consumer awareness of social enterprise.

In addition to creating and scaling social impact, social enterprise strategies also aim to deliver social and environmental change (Austin et al. 2006; Mair and Martí 2006). Finance is needed to achieve this goal. However, the relative newness of social enterprise on the economic landscape is associated with low investor awareness of social enterprise. The lack of awareness unfolds into insufficient information about social enterprise performance, and the consequent difficulty in credit rating social enterprise investment opportunities. To overcome this barrier to growth we propose that anchoring in industry connections is employed to overcome low investor awareness of social enterprise, and conservative lending policies.

Discussion

The aim of the study was to identify the impediments to social enterprise growth by analyzing data collected from ten case study organizations in which the pursuit of social mission was central to the goal structure of the organization. From our analysis we identified values-based, business model, and institutional barriers to growth. We then proposed three strategies for overcoming barriers and accelerating social enterprise growth (values-based decision making, leveraging social mission and anchoring). In the discussion that follows we

explain how our research contributes to the barriers to growth and the social entrepreneurship literatures.

Contributions to Barriers to Growth. The literature to date has identified individual demographic barriers to commercial venture growth (Brown et al. 2005; Parker 2004; Shelton 2010). With the exception of Parry (2010), the influence of personal values has not been considered as impeding organizational growth. In our study we find that ethical values underpin decisions about relationships with stakeholders, attitudes to growth, and organizational culture. We thus extend the literature by broadening the range of individual barriers to growth. Although our empirical data is gathered from social enterprises, the influence of ethical values on relationships and attitudes to growth may also be transferable (Lincoln and Guba 1985) to considerations of influences on commercial venture growth, as these are still run by people with personal, societal and political values.

Organizational barriers to commercial venture growth have been thoroughly explored in the literature (See Acs et al. 2010; Edelman et al. 2010). In our study we identify how organizational barriers arise from social enterprise business models which aim to achieve financial sustainability and social impact. In contrast to the extant literature on financial barriers to growth (Moy and Luk 2003; Tagoe et al. 2005), we find that funds were readily available and easily accessible to finance social enterprise creation. The challenge came when social enterprises sought finance to transition to the growth stage in business development. In commercial ventures, formal and informal venture capital are important sources of growth finance (Baum, Schwens, and Kabst 2011) however, the non-distribution of profits constraint (Hansmann 1987) reduces the appeal of investing in social enterprise to fund growth. Similarly when access to human resources is considered, low cost business processes that have been adopted as a result of resources constraints impact negatively on the pool of

potential employees. The research advances knowledge that organizational barriers arise from the interconnectedness of the specific components that comprise social enterprise business models.

Institutional barriers to social enterprise growth have been given focus by drawing our sample from similar environments. Thus for example, the formal, informal, environmental; and skills shortages highlighted by Aidis (2005) shape our case studies equally at an institutional level. Our analysis however, contributes by highlighting the ways in which institutionalized norms, particularly around consumer culture and traditional business norms, act to impede the diffusion of new organizational forms. Lack of public awareness and understanding of social enterprise makes it difficult for key stakeholders, such as customers, retailers and financial institutions, to identify the value-creating potential of new organizational forms. Although sustainable consumption (Prothero et al. 2011) and social finance (Nicholls et al. 2015) are noted to be emergent institutional fields that benefit social enterprise, their proven impact is as yet ambiguous. Sustainable consumers for instance are far less informed and prevalent than suggested by media rhetoric (Davies and Gutsche 2016). Similarly, as found in our data, social finance appears to favor new social enterprise formation rather than funding growth. In the two case studies where social finance had been secured to fund growth, the funding per-grant was lower than the capital investment required by the applicant and this therefore pushes social enterprises to invest in wider resource searching.

In addition we find that anchoring and networking help mitigate some aspects of institutional barriers to social enterprise growth. Anchoring in communities feeds into social enterprise identity creation and networks form a micro-environment in which macro institutional norms provide a context for shaping local action. We therefore find that network

relationships facilitate connections to markets for example, through alternative forms of distribution, such as online, or in retailers with shared values; and access to finance for example, crowdfunding, community loans and community share issues.

Contribution to Social Enterprise. In contrast to much of the social entrepreneurship literature to date in which conflict between commercial mission and social impact is reported (Battilana and Lee 2014; Doherty et al. 2014; Mair et al. 2015), our analysis suggests that success in commercial and social mission achievement is internally consistent, such that mission alignment is a precondition for investment in social enterprise growth. This finding is credible (Lincoln and Guba 1985) in that to implement a commercial strategy which runs counter to social mission attainment would impact negatively on social enterprise identity authenticity. This is not however, to suggest that commercial success is a guarantee of social impact success. When commercial and social mission are integrated, for example when seeking to positively change consumption habits, the relationship is direct. However, in cases where commercial and social activities are separated, there is potential for conflict between the achievement of both commercial and social mission. We thus extend the social entrepreneurship literature by providing a more nuanced understanding of the relationship between commercial and social mission alignment and achievement.

Previous research has noted how employment policies at work integration social enterprises impact on the commercial marketability of services (Pache and Santos 2013). We find that the pursuit of social mission also limits the design of social enterprise growth strategies. In our study, the eligibility of trading partners is moderated by values congruence, and resource acquisition is moderated by ethical values. For example, the policy of ethical sourcing at Theta prohibited purchasing from the cheapest suppliers, which would have provided short term financial benefits but impacted negatively on identity authenticity.

Although the barriers identified in our study impede social enterprise growth, the repertoire of strategies we propose to overcome the barriers build on the strengths of social enterprise and provide a substantial contribution to the social enterprise literature. Enterprises that offer unique or highly valuable products and services are better placed to take advantage of opportunities than organizations whose products and services are relatively indistinguishable from competitors. Growth strategies that build on social enterprise distinctive competences in values-based decision making, leveraging social mission, and anchoring, provide avenues for competitive advantage over the long term.

Conclusions and Directions for Future Research

Interest in social enterprise research is increasing as scholars appreciate the opportunities to make theoretical contributions arising from the complexities associated with organizations that pursue multiple goals and operate in resource-constrained environments. In this study we identify the benefits of integrating the barriers to growth and social enterprise literatures. By investigating the impact of dual mission on growth we are able to explore how personal values and institutional barriers impact on operational decisions and business models. We find that dual mission impacts on both the type of barrier to growth, such as finance, distribution and human capital, and strategies adopted in response.

We explain how dual mission orientation can provide access to resources, networks and markets inaccessible to purely commercial ventures. We proposed that value-based decision-making can authenticate ethical identity claims, leveraging social mission can provide access to novel resources, and anchoring can increase stakeholder buy-in and support. We conclude with suggestions for future research that arise from our study.

First, a next step in investigating barriers to growth would be to examine the relative

influence of different barriers on commercial, social and environmental performance. Are some barriers greater impediments to growth than others? The development of metrics to quantify social and environmental impact is still very much in its infancy and research that examined how social and environmental impacts are measured, and the relationships between economic, social and environmental impacts, would contribute to further developing our understanding of social enterprise performance.

Second, our study focused on one industry sector. Further research to compare barriers to growth across a wider range of industries would widen our understanding of the contextual determinants of social enterprise performance. Comparisons by organizational type, industry, and country would shed light on the relationships between environment and social enterprise performance and growth.

Third, several suggestions arise from the connections between individuals and barriers to growth. In relation to ethical values, research might investigate cognition and values-based decision-making. A comparative study might investigate the extent to which the cognitive processes of commercial and social entrepreneurs are in alignment or diverge. Research on strategies for social enterprise partnering would provide key insights into the roles of moral agency and dual mission in network development and would also provide a key context for understanding the cognitive pillar of social capital. Finally, we developed the concept of local anchoring. Historical accounts of mechanistic organizations isolated from their environments are slowly making way for research which grounds organizations in symbiotic relationships with their environments. Local anchoring situates the organization as an interdependent part of a community, both benefiting from and conferring benefits on collective 'others'. Research that explored how local anchoring might be harnessed for the collective good across other organizational forms would extend theory and assist in addressing many of today most

pressing social and environmental problems.

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Table 1**Sample and Case Description**

Firm	Founded	# of employees (participants)	Product/ service offered	Dual Mission
Alpha	2006	9(3)	Organic and healthy cereals and snacks	“With great food inside us, we feel we can do just about anything, change the nation’s eating habits [and] revolutionize farming...”
Beta	2003	3(3)	Organic smoothies	“‘Happy fruit’ are those that are all natural! As we would like to continue using ‘happy fruit’ in our smoothies, we protect the environment.”
Gamma	2010	6(3)	Technology for growing organic food in the urban environment	“We provide systems and solutions that enable ventures to grow the freshest vegetables... without fossil-fuel-based fertilizers, chemical pesticides, or antibiotics,”
Delta	2006	6(2)	Organic beer	“We believe an important element of developing long term sustainable communities is to strengthen the local economy.”
Epsilon	2006	1(1)	Fair trade Chocolate	“[Epsilon] is a chocolate concept store that is not like the others! Two key concepts are central: diversity and ethics.... We source products that respect people and the environment.”
Zeta	2006	2(2)	Organic and healthy soft drinks	“The search for the right ingredients, without doing harm to our environment or our body.”
Eta	2004	20(2)	Natural bottled water and other consumables	“All profit goes to fund water projects in Africa. [And] we bottle all over the world, local to our markets to minimize food miles.”
Theta	2003	> 10(2)	Organic, fair trade, wild-grown coffee	“[Our firm] was founded in 2004 by several innovative entrepreneurs with the ambition to create an integrated, sustainable development project in the desperately poor [region of Africa].”
Iota	2005	10(1)	Social integration venture producing fair trade chocolate	“Our company was created to become a modern organization, pioneering a new economic and social system that combines competitiveness with social responsibility, product quality with social support, customer satisfaction with concern for the overall well-being, professionalism with altruism.”
Kappa	2009	4(2)	Consulting on climate-friendly menus	“We realized that there is a potential to reduce carbon emissions by 50%! Now we have developed concrete measures that would enable each person to make decisions on climate-friendly food.”

Figure 1
Data Structure

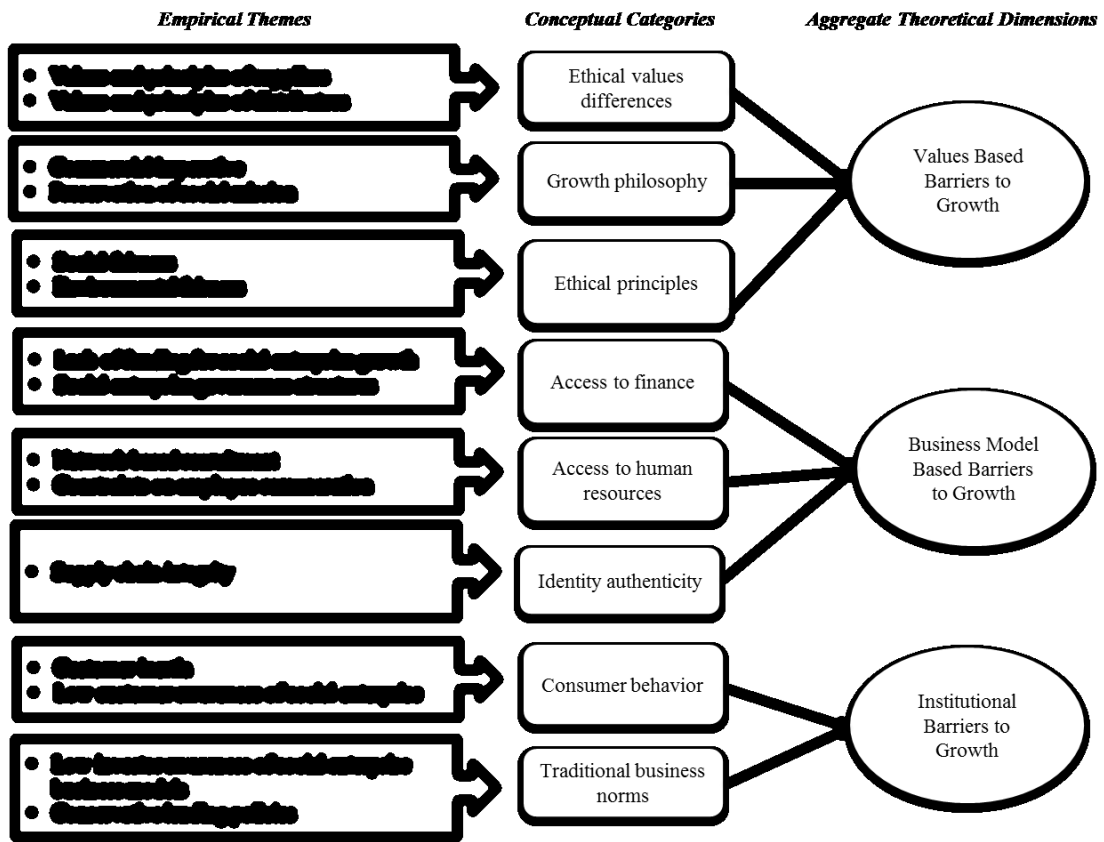
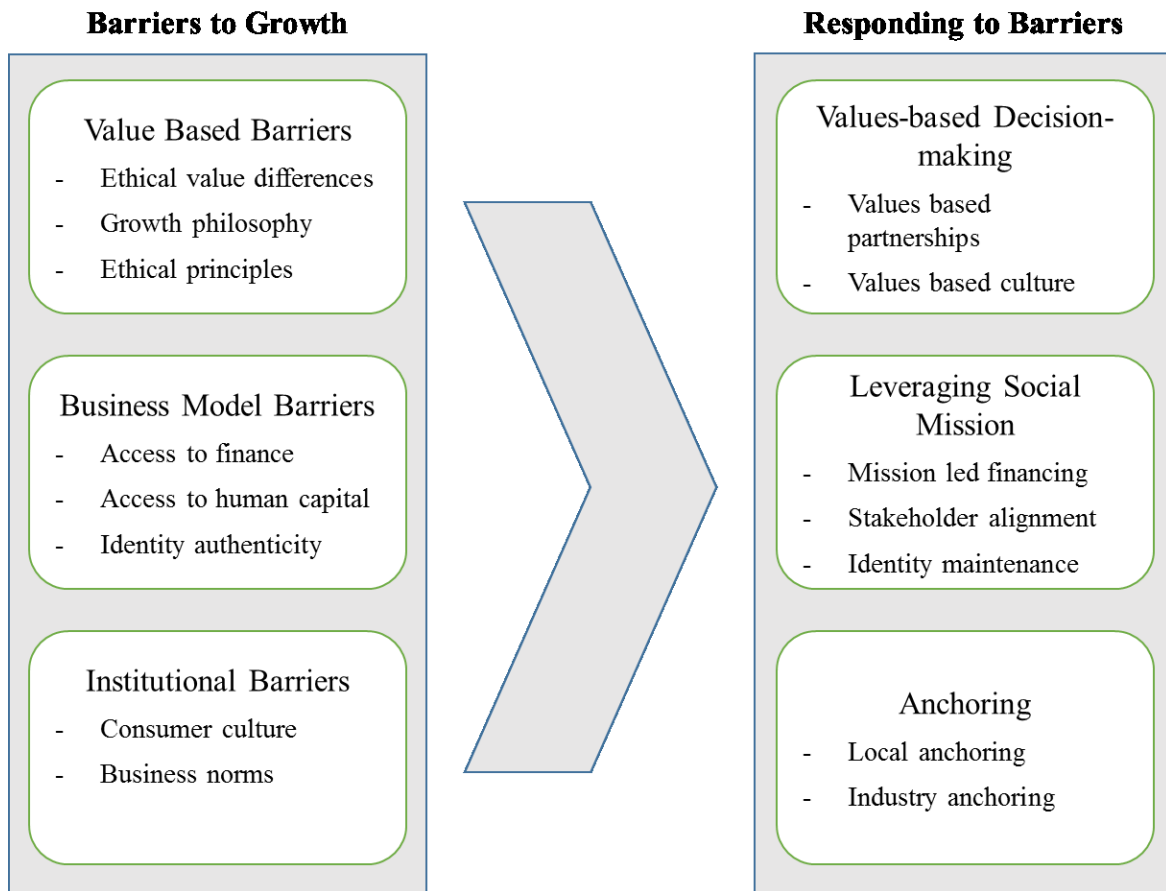


Figure 2

Barriers to Growth and Social Enterprise Responses



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