Saila Tykkyläinen

GROWTH FOR THE COMMON GOOD?
SOCIAL ENTERPRISES’ GROWTH PROCESS
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Abstract

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Social enterprises are expected to contribute to solving some of the most vicious problems of our time, including poverty, inequality and environmental threats. Thus, social enterprises need to tailor scalable operational models and solutions to match the scope of those problems. So far, not much help has come from academia, as the research on social enterprise growth is still in its infancy. The purpose of this thesis is to pave the way towards a more holistic understanding of social enterprises’ growth process. Firm growth research is utilised as a reference point as it is a theoretically more mature research field. Prior studies on social enterprise growth have emphasised the distinctiveness of social enterprise growth, but separating these two domains of research may be unnecessary.

The study employs qualitative and quantitative research designs and longitudinal data from Finnish social enterprises. It addresses the following questions: Why do social enterprises pursue growth, what actually grows while they pursue growth and how is growth pursued? The findings call into question the dominance of social missions and social impact within the growth of social enterprises, showing that the financial aspects of growth play a role from formulation of growth-related goals to implementation of growth modes. Interestingly, this study found that social enterprises grow faster than commercial enterprises in a recession.

The thesis contributes to the theoretical development of research on social enterprise growth by drawing attention to the operationalisation of growth and influence of the operational environment on the growth process. In addition, it provides insights for policy-makers and practitioners by increasing the understanding of how the pursuit of growth can facilitate the common good. As the expected outcomes of growth are produced throughout the growth process, attention should be placed on ensuring that goals of growth and daily business activities foster the balance of financial and social missions.

Keywords: social enterprise, growth, scaling, growth process
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November 2019
Helsinki, Finland
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Abstract

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Publications
List of publications

This thesis is based on four papers. One of them is published in a journal (JUFO 1), one as part of a book published by Edward Elgar (JUFO 2) and two of them are conference papers. The publishers have granted rights to include the papers in this thesis.


The author is the corresponding and only author.


The research idea was formulated jointly. The author was responsible for collecting and analysing the qualitative data and assembling and writing the literature review on the growth of social enterprises. Annu Kotiranta was responsible for collecting and analysing the quantitative data.


The research idea was formulated jointly. The author assembled and wrote the literature review on social enterprise growth and the introduction. The theoretical background, hypotheses, discussion and conclusions were written in cooperation with Prof. Puumalainen. Annu Kotiranta is the corresponding author. She was also responsible for collecting and analysing the data, and carried the main responsibility in writing the results.


The author is the corresponding and only author.
1 Introduction

1.1 Background and motivation

Much is expected from social enterprises, including an ability to grow and scale their solutions. It is hoped that social enterprises can remedy contemporary problems, such as unequal job markets, environmental hazards and declining social trust and social capital (Baglioni, 2017; European Commission 2015; European Commission and OECD, 2016; Vickers and Lyon, 2014). The global scale of these problems and the profound social transitions required to solve them call for rapidly scalable solutions and operational models tailored to maximise social impact and serve the common good (Bocken et al., 2014; Seelos and Mair, 2014; Smith et al., 2016).

Social enterprises are forerunners in harnessing commercial activities to generate revenue while solving shared problems. They are not the only businesses pursuing social goals alongside financial ones, but many follow in social enterprises’ footsteps, as demonstrated by the rise of prosocial and sustainable enterprises (Santos, 2012; Shepherd and Williams, 2014; Zahra and Wright, 2016). Prosocial and sustainable enterprises are likely to run into similar challenges as social enterprises since financial and social goals do not always come together easily. Thus, social enterprises serve as a good example of how to pursue growth while fostering both financial and social missions.

Researchers play a big role in helping social enterprises and similar firms to live up to the expectations, as it is necessary to understand what prevents and promotes balanced and sustained growth and maximisation of social impact. Yet, there is little evidence regarding the effectiveness of social enterprises’ growth efforts and the positive social and environmental outcomes of their growth (Lepoutre et al., 2013; Saebi et al., 2019). Moreover, social enterprises’ ability to bring about changes at the societal level has been questioned as it is rarely a single heroic enterprise, but orchestrated efforts by a network of actors, that make these changes happen (Sud et al., 2009; Westley et al., 2017). This raises a question: where do dreams and reality meet?

Firm growth has been studied for decades, but despite the wealth of evidence, it appears that the interests of researchers and business leaders have not converged. While researchers have focused on comparing the growth rates of different firms, business leaders required information about, for example, the implications of growth on their firms’ internal processes. (Achtenhagen et al., 2010) Acknowledging this may prevent social enterprise researchers from making the same mistakes. However, by stressing the uniqueness of social enterprises’ growth, researchers may disregard common elements of the growth of social enterprises and other firms, thus losing the opportunity to draw inspiration from firm growth studies and benefit from advancements in this more mature research field. Consequently, this thesis aims to bridge these two domains of research.
The research on social enterprises’ growth has generally adopted a positive approach to the phenomenon, focusing on success stories, recipes for maximising social impact and the positive externalities of growth at the expense of the barriers and risks inherent to growth (Davies et al., 2018; Zhao and Han, 2019). Some consider growth to be woven into the definition of social enterprises (Alvord et al., 2004; Martin and Osberg, 2007). However, others describe social enterprises as risk-averse and lacking incentives to pursue growth (Lumpkin et al., 2013; Shaw and Carter, 2007; Weerawardena and Sullivan Mort, 2006).

Understanding social enterprise growth is difficult for various reasons. To begin with, ‘social enterprise’ is a fluid and multifaceted concept. Social enterprises take diverse forms and serve various functions depending on their context, resulting in several different types of social enterprises with different growth processes and expected outcomes of growth. Moreover, defining what growth actually means in the social enterprise context has proven challenging, and few studies on the issue have properly operationalised growth. In fact, the very concept of growth is contested and scaling innovations or social impact is favoured, sometimes at the expense of conceptual clarity.

The purpose of this study is to pave the way towards a more holistic understanding of the growth process of social enterprises. Its process-based view is inspired by Edith Penrose’s (1959) two ways of looking at growth: as an increase in size or as the process leading to this increase. Investigating growth as a process is regarded as elementary, for the firm growth literature has shown that qualitative differences in firms’ growth trajectories and processes influence the outcomes of their growth (Davidsson et al., 2010; McKelvie and Wiklund, 2010). It is holistic in that it covers different phases of the growth process, such as growth orientation and modes of growth. This study also looks at the connections between phases and analyses the process at multiple levels: individual, organisational and institutional.

To conclude, this thesis develops a theory about social enterprises’ growth process, drawing mainly on firm growth theories, previous literature on social enterprise growth and data collected from the Finnish social enterprise field. It aims to address the following research questions: Why do social enterprises pursue growth? What is it that grows when social enterprises strive to grow the volume of their business, and does their growth performance differ from that of commercial enterprises? Lastly, how do they pursue growth (i.e. by what types of growth modes)?

1.2 Social enterprise growth

1.2.1 Key concepts

In this study, social enterprises are understood as a special type of hybrid organisation that combine the missions and operational logics that are typical of the public sector or civil society organisations with the missions and logics of the private sector (Bacq and
1.2 Social enterprise growth

Janssen, 2011; Doherty et al., 2014). This definition accommodates various types of social enterprises, from local and community-oriented cooperatives to global social franchising chains. It is not attached to an organisational form nor a business sector. Instead, the boundary condition is that social enterprises have to simultaneously promote their financial and social missions. (Defourny and Nyssens, 2017; Saebi et al., 2019.)

Social missions can manifest in various ways, including serving the poor and underprivileged (Desa and Koch, 2014), addressing environmental concerns (Vickers and Lyon, 2014), employing people in vulnerable positions within the job market (Pättiniemi, 2006) or providing early childhood care (Lyon and Fernandez, 2012). Financial missions, on the other hand, depend on the degree of market orientation of the enterprise, the role of earned income and the enterprise’s attitude towards profits and policies regarding profit distribution. Although the co-existence of financial and social missions is the boundary condition for a social enterprise, there are several more fine-grained conceptualisations of social enterprises in academia and different regions. Specifically, the definition varies based on the relative importance of financial and social missions and the degree of market orientation. (Bacq and Janssen, 2011; Defourny and Nyssens, 2010, 2017.) Some emphasise the processes by which social enterprises promote their missions, while others focus on the outcomes of these processes (Teasdale, 2011).

Lately, researchers have tended to interpret financial and social missions as ends of a continuum instead of rigid either-or categories, positioning social enterprises along these two continuums of financial and social missions. The amount of possible positions and combinations thereof lead to heterogeneity within the social enterprise field. (Defourny and Nyssens, 2017; Shepherd et al., 2019.) Furthermore, these positions and combinations are not static but may change over time, as shown by recent studies on social enterprises’ business models (Defourny and Nyssens, 2017; Muñoz and Kimmit, 2018). Also, context influences the likely forms and functions of social enterprises in different regions (Baglioni, 2017; Defourny and Nyssens, 2010).

This study uses longitudinal quantitative and qualitative data from Finnish social enterprises. These are among the most market-oriented social enterprises within Europe that still comply with the social enterprise definition proposed by the EU (European Commission, 2011; Russell et al., 2014). In Finland, social enterprises need to derive most of their revenue from the market and cannot rely on volunteer work. Making a profit is encouraged, but the majority of profits should be used to promote the company’s social mission. The features of Finnish social enterprises as well as the implications of the institutional context characterised by universal welfare state and corporatist markets are discussed in detail in chapter 2.1.2.

The definition of growth is ambivalent in the social enterprise context. Some researchers highlight the distinctiveness of social enterprise growth by using the term ‘scaling’ instead of ‘growth’. This distances the phenomenon from firm and organisational growth aimed at maximising the financial returns of the owners. (André and Pache, 2014; Dees et al., 2004; Lyon and Fernandez, 2012.) Scaling of social impact or innovation is framed
as a new paradigm for studying social enterprise growth (Bradach, 2003; Waitzer and Paul, 2011). This study uses the expression social enterprise growth, as growth can be operationalised in various ways including dissemination of a firm’s solutions or increase of social impact. (Davidsson et al., 2010).

Due to the theoretical immaturity of the social enterprise growth research field, the operationalisation of growth is oftentimes inadequate. To the author’s knowledge, no studies have used robust indicators of growth based on financial data. Instead, indicators such as increase in sales or the numbers of employees are based on informants’ estimates. Social indicators that have been employed include the number of beneficiaries, geographical scope, customer satisfaction and organisations’ capabilities to address the chosen problem (see Table 3 in Section 2.2.2, for more details).

1.2.2 Overview of themes in the growth literature

Table 1 presents the results of the literature review, comparing the topics covered by social enterprise growth research with the topics covered by firm growth research. First, both research domains have been dedicated to identifying factors of growth. There are some tested and replicated findings in social enterprise research implying accumulation of knowledge. Second, unlike their colleagues concentrating on firm growth, social enterprise scholars have specialised in growth processes and performed a wealth of studies on growth strategies and modes and their implications. They particularly favour hybrid and open modes. The prominence of the stream of social enterprise research that views growth as a process reflects the fact that growth is often approached as an intermediary phenomenon rather than something with intrinsic value.
1.2 Social enterprise growth

Table 1. Research streams and themes within firm growth and social enterprise growth research.

<table>
<thead>
<tr>
<th>Streams of research</th>
<th>Themes in firm growth literature</th>
<th>Themes in social enterprise growth literature</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theoretical approach</td>
<td>Growth as increase in size or as a process</td>
<td>Growth as a process</td>
</tr>
<tr>
<td></td>
<td>Unit of analysis, measures of growth</td>
<td></td>
</tr>
<tr>
<td>Growth as an outcome</td>
<td>Factors and barriers of growth</td>
<td>Factors and barriers of growth</td>
</tr>
<tr>
<td></td>
<td>Growth trajectories and rates based on financial data</td>
<td></td>
</tr>
<tr>
<td>Growth process</td>
<td>Broad process perspective</td>
<td>Broad process perspective</td>
</tr>
<tr>
<td></td>
<td>Stages models</td>
<td>Antecedents and consequences of growth strategies</td>
</tr>
<tr>
<td></td>
<td>Growth modes, focus on organic growth and acquisitions</td>
<td>Wide array of growth strategies and modes, focus on hybrid and open growth modes</td>
</tr>
<tr>
<td>Outcomes of growth</td>
<td>Internal and external effects</td>
<td>Internal tensions</td>
</tr>
</tbody>
</table>

There are also some understudied or non-existent themes in social enterprise growth literature. One of the major drawbacks of this field is its lack of theoretical studies that aim to understand what growth is in the social enterprise context and how it should be studied. The vagueness of the theoretical approach is also evident in individual studies, as most operationalise growth at a rather ambiguous level (for exceptions, see Bloom and Smith, 2010; Cannatelli, 2017). This shortage likely contributed to another deficiency: the lack of population-level quantitative studies based on financial data, which are needed to understand organisational aspects of social enterprise growth.

Surprisingly, although the outcomes of growth are at the core of the discourse within the field of social enterprise research, there is no solid evidence of the outcomes of social enterprise growth. This situation is most likely caused by the complexity of the phenomenon, the fact that measuring changes in social impact is difficult and the immaturity of the research field. So far, much is assumed, and not proven, in terms of social enterprise growth.

As for the complexity, social enterprises are hybrid organisations and typically need to increase both the volume of their business activities and their social impact while growing (Austin et al., 2006; Hynes, 2009; Davies et al., 2018). The growth process of social
enterprises also takes place at multiple levels. In their recent review of the research on social entrepreneurship, Saebi et al. (2019) pointed out that the expected societal outcomes of social entrepreneurship result in entangled micro-processes at the individual, organisational and institutional levels. The researchers’ notion is applicable to social enterprise growth as well.

The degree to which these characteristics are unique to social enterprises is not clear. Other enterprises have also adopted social missions that extend beyond commercial interests (Shepherd and Williams, 2014; Zahra and Wright, 2016). The firm growth literature has described certain features that were thought to be unique to social enterprise growth, such as the existence of tensions (Joseph and Wilson, 2018) and rejection of growth for fear of losing the original focus of the firm or endangering the well-being of employees (Wiklund et al., 2003). These shared characteristics and challenges indicate that it is appropriate to apply proven theories and concepts from the firm growth literature to study social enterprise growth. In addition, utilising firm growth research is an attractive opportunity to enhance the quality of social enterprise research. Firm growth researchers have long strived to find ways to operationalise growth in a theoretically sound manner. Thus, some scholars interested in social enterprise growth have drawn inspiration from researchers such as Edith Penrose, deciding to approach growth as a process or examine the role of different types of capabilities and resources (Bloom and Chatterji, 2009; Ebrashi, 2017; Vickers and Lyon, 2014).

1.3 Research gaps and questions

Parallel promotion of financial and social missions has been widely approved as a boundary condition for defining social enterprises (Defourny and Nyssens, 2017; Saebi et al., 2019; Weerawardena and Sullivan Mort, 2006). However, most research on social enterprise growth has stressed the social side of growth and maximised social impacts. Hence, the field has overlooked financial considerations related to growth, even though organisational growth is intertwined with social impact creation for certain types of social enterprises (Davies et al., 2018). Consequently, the balance of financial and social mission within social enterprises growth deserves more attention. This study aims to apply proven theories and concepts from firm growth research to address some of the gaps in social enterprise growth research. Firm growth research is used as a point of reference; to date, its potential for enhancing the operationalisation of growth has not been fully exploited.

As for the research design, growth is analysed as a process. Benchmarks are identified from prior studies that investigated social enterprise growth. The studies using a broad-based process perspective obtained insightful findings, and understanding growth processes is key for capturing the outcomes of growth. Outcomes are produced throughout the process at multiple levels: individual, organisational and institutional (Blundel and Lyon, 2015; Dobson et al., 2018, Saebi et al., 2019). The work of Saebi et al. (2019), who analysed the emergence and outcomes of social entrepreneurship, served
1.3 Research gaps and questions

as inspiration for the conceptual framework of this study (see Figure 2 in Section 2.4). Many of the notions they posed about multidimensionality and the importance of multilevel analysis are valid when exploring social enterprises’ growth process.

The thesis as a whole endeavours to address the main research question:

*How are social enterprises’ financial and social missions reflected in their growth processes?*

This holistic main question is divided into three more focused sub-questions. The first deals with *why*. Although lots of studies have aimed to identify factors of growth and preconditions of success, fewer efforts have been made to understand why social enterprises strive for growth in the first place. Social enterprises’ growth is thought to be driven by prevailing social problems, which translate to demand for their solutions and opportunities for growth (Austin et al., 2006; Zahra et al., 2008). It is assumed that they do not have financial ambitions nor goals, which inhibits rather than supports a growth orientation (Weerawardena and Sullivan Mort, 2005; Shaw and Carter, 2007). There is little empirical evidence about the motivational factors underlying social enterprises’ growth orientations (Smith et al., 2016).

Growth orientation is conceptualised as a firm-level concept formed by managers’ growth motivation and goals set for growth (McKelvie et al., 2017). Goals are an important part of growth orientations in the social enterprise context, as firms are more likely to act on and succeed in areas for which they have set, measurable goals (Brinckmann et al., 2010; McKelvie et al., 2017). Even though no prior studies have established a link between firms’ goals and their performance in a social enterprise context, growth-related goals may be an important determinant of growth to serve both the financial and social missions of social enterprises. Thus, the first sub-question is as follows:

*Why do social enterprises pursue growth, and what are the origins of their growth orientations?*

The second sub-question builds upon this, asking *what* actually grows while social enterprises pursue growth. The focus is on organisational growth performance and growth rates, themes that have been almost absent within social enterprise growth research. Growth must be operationalised in a solid manner so that the growth performance of different social enterprise populations within different contexts can be compared and thus a theoretical description can be created (Davidsson et al., 2010). Forming a theoretical understanding is a long process that is out of the scope of this study. What is addressed, however, is the lack of robust quantitative and comparative studies based on financial data (Lepoutre et al., 2013).

One of the premises of this study is that comprehending social enterprises’ growth trajectories is important, even if the overall value of social enterprise growth cannot be reduced to increases in sales and/or employment. Capturing organisational growth is a
first step towards more solid operationalisations of growth and establishing whether and how social enterprise growth is distinctive. This leads to the second sub-question:

*What grows as a result of social enterprises’ growth pursuits, and what is their growth performance?*

While the main research question adopts a broad perspective on the growth process, the third and final sub-question narrows its focus to modes of growth. Growth strategies and modes are a prominent topic in social enterprise literature. Strategies such as scaling up and modes of growth like branching or social franchising are used to describe how goals of growth are pursued and growth efforts are implemented. So far, social enterprises’ modes of growth have been framed as rather static structures. Few studies have investigated whether, how and why these modes change over time or whether social enterprises employ different types of modes in parallel or in sequence.

To extend the process-based view of prior studies on growth modes and form a continuum from goals to outcomes of growth, this study tested an analytical approach from the business model literature. A framework developed by Zott and Amit (2010) was employed to determine how the business activities undertaken to generate growth support the balance of financial and social goals over time and the extent to which business partners are involved. This approach resembles that used by recent studies to analyse the micro-foundations and transformations of social enterprises’ business models (e.g. Muñoz and Kimmit, 2018). The third sub-question is as follows:

*How do social enterprises pursue growth and use growth modes over time?*

This dissertation as a whole addresses the main research question by creating a continuum of elements within the growth process and answering ‘why’, ‘what’ and ‘how’ questions to establish the connections in between those elements. Each publication within this dissertation addresses one or two sub-questions related to a specific element. Figure 1 shows the links between the research questions and publications.
1.4 Structure of the thesis

This dissertation begins by establishing its theoretical background. First, the fluid, fuzzy concept of a social enterprise is introduced. Because social enterprises are located at the nexus of the non-profit, private and public sectors, the way in which they manifest is context-dependent. Then, because this study uses data from Finnish social enterprises, the reader is familiarised with the Finnish social enterprise field. To define social enterprises’ growth process, the study draws from firm growth research. A framework of the research streams and topics covered by scholars focusing on firm growth is constructed for structuring the findings of and research gaps within social enterprise research. Finally, the conceptual framework of the thesis is formed.

In the method section, the research designs and procedures related to sampling, data collection and analysis are elaborated. The methods are described, and then the findings are discussed. In the results section, a synopsis of the objectives, results and contributions of all publications is provided, and then the objectives and results of each publication are more thoroughly explained.

In the final section, the manifold contributions of the thesis are discussed. Its theoretical implications and the ways it advances social enterprise growth research—by paying attention to the operationalisation of growth and urging researchers to take the financial
aspects of growth into consideration—are discussed. In addition, its valuable insights, which can facilitate the work of social enterprises’ leaders and policy-makers, are presented. To conclude, the limitations of the study are acknowledged and topics for future studies are suggested.
2 Theory and concepts

2.1 Defining social enterprises

2.1.1 The spectrum of social enterprises

Social enterprises include a variety of hybrid organisations whose purpose is to create financial and social value. Oftentimes, the social value is given priority, and in all cases, it is thought to limit profit-maximising behaviour. The degree of hybridity as well as the practical design of organisational forms and business models vary (Defourny and Nyssens, 2017; Doherty et al., 2014; Saebi et al., 2019; Shepherd et al., 2019).

The concept of a social enterprise is ambiguous, which allows for a wealth of opinions, discourses and definitions related to social enterprises and their role in society. Social enterprises are investigated in various disciplines, each of which uses different theoretical departure points and analytical lenses (Mair and Marti, 2006; Teasdale, 2011). It is also argued that politicians mould and describe the phenomenon in the way that best suits their agenda. As a result, there are several explanations of the emergence and role of social enterprises. (Teasdale, 2011.) However, all of them are related to a change of paradigm within one (or more) sector of society that is transmitted to all others.

The marketisation of the public and/or non-profit sector is often mentioned as the starting point for the ‘second coming’ of social enterprises. However, the implications of this on the landscape of social enterprises have been described in various ways. One argument is that organisations from all sectors have assumed identities, missions and logics that are typical of the private sector, as organisations are inclined to adopt the prevailing operational logic (Dart, 2004). Other scholars focus on non-profits and, drawing upon theories such as resource dependency, argue that the expansion of the social enterprise sector is largely caused by non-profits that have started to adopt earned-income strategies to guarantee their longevity in a changing environment. (Austin et al., 2006; Defourny and Nyssens, 2010.)

Social enterprises may also be created as a response to state and/or market failures. The space that social enterprises occupy is dependent upon the dominant welfare regime and the strength of institutions (Baglioni, 2017; Zahra and Wright, 2016). For example, in the Nordic countries, which feature strong traditions of universal welfare services, the marketisation of these services during the 80s and 90s left certain groups in vulnerable position underserved and thus created momentum for the second wave of social enterprises (Lundgaard Andersen et al., 2016; Norden, 2015). In contrast, regions with weak states and unequal provision of services have seen the rise of bottom-of-the-pyramid markets (Seelos and Mair, 2014). In this light, the emergence of social enterprises can be framed as a part of prosocial entrepreneurship. A selection of for-profit enterprises are transformed and new ventures are created to pursue ambitious societal goals (Sagawa and Segal, 2000; Shepherd et al., 2019; Zahra and Wright, 2016).
Other researchers favour approaches such as Schumpeterian entrepreneurship or institutional entrepreneurship and state that social enterprises are not just patching holes or reacting to specific problems, but can act as catalysts of large-scale social transformations (Alvord et al., 2004; Martin and Osberg, 2007; Zahra et al., 2008). Living up to these expectations, however, requires establishing broad networks across societal sectors. Consequently, social enterprises are viewed as one step towards the institutional entrepreneurship needed to achieve these types of outcomes. (Sud et al., 2009; Westley et al., 2017.)

Until recently, researchers have aimed to create unified definition of social enterprises to promote the theoretical advancement of the research field (Weerawardena and Mort, 2006; Santos, 2012). Given the heterogeneity of both the theoretical considerations and practical manifestations of social enterprises, it appears that the research field has given up on arriving at a universal concept. It is no longer considered a reasonable effort, as the result would most likely be too exclusive or broad definition. Instead, researchers are making efforts to pinpoint classifications that are useful for understanding the features and variations among these enterprises. (Defourny and Nyssens, 2017; Saebi et al., 2019; Young and Lecy; 2012.)

The heterogeneity of the social enterprise field derives from the fact that it is a construct encompassing three dimensions. First, the relative balance of the financial and social missions and the intensity of those missions vary (Defourny and Nyssens, 2017; Shepherd et al., 2019). Second, social enterprises combine and blend missions and operational logics from multiple sectors (Austin et al., 2006; Defourny and Nyssens, 2017; Doherty et al., 2014). Third, the scope at which social enterprises operate extends from local settings to the global level (Zahra et al., 2009). Social enterprises are positioned along these dimensions, and the number of possible combinations of these positions result in diversity within the landscape of social enterprises. From the perspective of an individual social enterprise, taking a certain position on these dimensions sets boundary conditions regarding, for example, suitable organisational forms and the available resources. These dimensions are elaborated in subsequent paragraphs.

Both financial and social missions are considered continuums rather than either-or dichotomies (Defourny and Nyssens, 2017; Shepherd et al., 2019). Shepherd et al. (2019) note that the intensity of these missions and the level of engagement and ambition regarding financial and social goals vary among social enterprises. This has implications for their growth; intense interest creates stronger incentives to take risks to achieve growth, whereas low interest does not encourage the company to take risks. (ibid.) The continuum of financial missions is associated with the degree of market dependency, which is based on the significance of earned income and the relationship to profit generation and distribution. An enterprise’s position along this continuum determines the availability of resources, including the accessible sources of funding for a certain type of social enterprise, whether the use of volunteer work is an option and whether benefits like tax relief are issued. (Defourny and Nyssens, 2017.)
2.1 Defining social enterprises

In addition, the relative importance of the two types of missions vary across disciplines and regions. Often, the explicit aim of creating social and/or environmental value hinders profit maximisation and sets constraints on the distribution of profits. (Bacq and Janssen, 2011; Defourny and Nyssens, 2017; Santos, 2012.) The precondition that a social enterprise has to simultaneously promote its financial and social goals creates a boundary condition (Saebi et al., 2019).

As part of the second dimension of the social enterprise field—that social enterprises operate at the nexus of the non-profit, private and public sectors—these enterprises combine interests and logics that do not naturally exist within one sector (Austin et al., 2006; Battilana and Lee, 2014; Doherty et al., 2014). Defourny and Nyssens (2017) make use of this dimension when creating their typology based on the continuums described earlier. The purpose of a social enterprise may be a blend of general, mutual or private interests, or one can dominate over the others. The interest or blend of interests is connected to the available resources.

In practice, the wide array of options for social enterprises has resulted in various mechanisms at the organisational level. In the business model literature, hybrid organisations are defined according to their business models, categorised as integrated or differentiated hybrids or members of more fine-grained sub-categories (Battilana and Lee, 2014; Santos et al., 2015). In integrated hybrid organisations, social value is achieved through commercial activities, but in differentiated hybrid organisations, creating social value requires a separate set of actions. Alternatively, hybrid business models can be categorised in terms of whether social impact is produced with the beneficiaries or for the beneficiaries (Saebi et al., 2019) or according to the stage of business (i.e. input, throughput or output) in which the social impact is created (Hockerts, 2015). From the viewpoint of social enterprises, the complexity of business models is connected to tensions and the future prospects of the company. As a rule of thumb, integrated hybrids are more manageable, as too much complexity in value propositions and organisational structures may dispose a company to failure. (Battilana and Lee, 2014; Davies and Doherty, 2018; Santos et al., 2015.)

The third dimension is related to the scope of social enterprises. Enterprises have been reported to range from local, community-oriented social bricoleurs to born global social engineers (Zahra et al., 2008). Shepherd et al. (2019) argues that the level of intensity with which the company pursues financial and social missions determines its scope. The success of social enterprises is repeatedly traced back to the interaction between the social entrepreneur, company and context. The degree of legitimacy, the quality and range of partnerships and access to resources go hand in hand. (Austin et al., 2006; Mair and Marti, 2006; Weerawardena and Sullivan Mort, 2006.) Embeddedness in the local community is crucial for social bricoleurs, who rely on close ties and legitimacy within the community to locally acquire the necessary resources (Smith and Stevens, 2010). In contrast, social engineers, who aim to create social transformations and institutionalise innovations, need to gain institutional-level legitimacy and collaborators (Sud et al., 2009; Westley et al., 2017). To further complicate the issue, researchers have stated that social
Enterprises are not static constructs, but are changing within the space delineated by the aforementioned dimensions related to the double missions, blending of sectors and varying scope (Davies and Doherty, 2018; Defourny and Nyssens, 2017; Muñoz and Kimmit, 2018).

The multidimensionality of social enterprises must be studied in greater depth. Social enterprises’ outcomes are result of processes and activities that span the individual, organisational and institutional levels. Thus, research designs need to incorporate the processual nature of social enterprises into multi-level analyses. (Mair and Marti, 2006; Saebi et al., 2019.) This study explores the ways in which the above mentioned recommendations could be implemented in social enterprise growth research. The first step is to understand the context; environmental dynamics, such as the competitiveness and complexity of markets and government policies, significantly influence the forms that social enterprises tend to take (Bacq and Janssen, 2011; Defourny and Nyssens, 2017; Weerawardena and Sullivan Mort, 2006). The Finnish social enterprise context is introduced in the next section.

2.1.2 Finnish social enterprise context

The landscape of social enterprises is considered to be context-dependent. It is known to be influenced by the welfare regime and the types of extant markets and economies, as social enterprises operate at the junction of the non-profit, private and public sectors by combining their identities, interests and operating logics. Moreover, the performance of markets and states affects the tasks and roles that social enterprises tend to take on. (Baglioni, 2017; Defourny and Nyssens, 2010, 2017.)

This study focuses on social enterprises operating in Finland. Therefore, it is important to understand the context and specific characteristics of the country’s social enterprises. Finland is a member of the European Union, and although Finnish social enterprises do fit the definition proposed by the EU in 2011 (European Commission, 2011), they are regarded as some of the most market-oriented social enterprises within Europe (Russell et al., 2014). The EU definition covers three dimensions—entrepreneurial, social and governance—and it was operationalised for the mapping exercise conducted during 2014 as follows:

Social enterprises:

- must engage in a continuous activity of production and/or exchange of goods and/or services.
- need to have an explicit and primary social aim benefitting society, protected by limited profits and/or assets distribution to company owners.
- have to be independent from state and private enterprises and exert participatory governance and/or democratic decision-making processes. (European Commission, 2015, pp. 9–11.)
2.1 Defining social enterprises

Despite belonging to the European family of social enterprises, Finnish social enterprises are more closely related to their neighbours in the Nordic countries as they share a development path that was affected by social democratic welfare states and corporatist markets in which established trade unions exerted considerable power in negotiations (Houtbeckers, 2016; Norden, 2015). Consequently, strong institutions have diminished the spaces suitable for social enterprises (Baglioni, 2017; Zahra and Wright, 2016).

In the Nordic countries, as in other parts of the world, the phenomenon of social enterprises is old, even though the word itself is new (Baq and Janssen, 2011; Teasdale, 2011). Social enterprises have roots in the pre-welfare-state era; some of the oldest social enterprises in Finland date to the end of 19th and the beginning of the 20th centuries, when civil society actors started to organise. As a part of the social economy movement, they provided welfare services and offered employment to the poor and underprivileged until the welfare state took on these tasks. (Kostilainen and Pättiniemi, 2016.)

The so-called second wave of social enterprises was set in motion in the Nordic countries by the modernisation of the welfare state around 1980s and 1990s. This period featured, among other events, the gradual marketisation of welfare services. (Lundgaard Andersen et al., 2016; Norden, 2015.) In Finland, new rise of social enterprises began around 2000. The changes in regulatory environment limited civil society organisations’ ability to perform economic activities. To make a distinction between market operations and operations directed towards the public good, they were encouraged to set up separate companies to provide welfare services to avoid causing disturbances in the markets. (Kostilainen, 2019.) Social enterprises emerged as a way for these organisations to adapt to the new reality and move towards earned income (Defourny and Nyssens, 2010).

A law regarding work integration social enterprises (WISEs) was launched in 2003 (the Finnish Act on Social Enterprises 1351/2003, revised 924/2012). The term ‘social enterprise’ in this law refers exclusively to enterprises that employ people with disabilities or who were previously unemployed for a long period. The law does not take a stance on profit distribution or organisational form. To qualify as a WISE and be registered as such by the Ministry of Economic Affairs and Employment, 30% of the staff employed by an enterprise has to belong to the target groups. The law and accompanying register never gained real momentum, as WISEs were not widely acknowledged and thus there were few incentives to identify as a WISE. (Grönberg and Kostilainen, 2012; Kostilainen and Pättiniemi, 2016.) This led WISEs to develop in the opposite direction compared with their Nordic neighbours (Norden, 2015). According to Kostilainen (2019), 279 WISEs have been registered since the law came into force, and 242 have been removed from the register. In August 2009, there are 37 WISEs in the register (the Ministry of Economic Affairs and Employment, 2019).

A more contemporary—and harder to grasp—group of social enterprises is derived from the private sector: small- and medium-sized enterprises (SMEs) and new enterprises dedicated to solving shared problems. Houtbeckers’ (2016) dissertation, which concentrated on micro-scale social entrepreneurs in Finland, recognised part of this
group. There are also accelerator programmes promoting impact businesses, some of which count as social enterprises. In addition, the survey of social enterprises conducted by The Research Institute of the Finnish Economy (ETLA) in 2015 recognised social enterprises from the private sector. In this survey, social enterprises were identified by a screening question: ‘Does your company use most of its profits to enhance some social mission?’ Based on the responses, it was assessed that there are around 19,000 social enterprises in Finland. This figure corresponds to 4% of Finnish companies. (Kotiranta and Widgrén, 2015.) As in other countries, the size of the social enterprise sector depends on the definition and data sources. A different current count done to support the EU’s mapping exercise yielded 5,000 social enterprises. The sample included non-profit organisations providing services, the businesses these organisations owned, WISEs and labour cooperatives (Russell et al., 2014). Kostilainen (2019), however, states that there are less than 3,000 social enterprises that fit the European definition, including WISEs, holders of the Finnish Social Enterprise Mark (FSEM), non-profit welfare organisations and new cooperatives.

The second coming of social enterprises has been slow in Finland compared to Sweden and Denmark (European Commission, 2015; Norden, 2015). The development has mainly focused on isolated projects (Norden, 2015; Russell et al., 2014). However, in 2010, the Ministry of Economic Affairs and Employment led broad preparatory efforts to develop a social enterprise model that was suitable for Finland. Social and health care and WISEs were special areas of interest. Concerns regarding competition neutrality guided the discussions, and the efforts to support or promote social enterprises were restricted for fear of compromising the freedom of competition (Kostilainen, 2019; Laiho et al., 2011). One of the few—or perhaps only—tangible results of the ministry’s working group was the FSEM, which was launched in 2011. The mark is granted by an external committee nominated by the Association for Finnish Work, who governs the FSEM. The committee evaluates applicants based on three primary criteria and a set of secondary criteria. All FSEM holders have a social mission, use the majority of their profits to promote their social mission and run their business in a transparent way. Secondary criteria include a working place democracy, measurement of social impact and employment of long-term unemployed or disabled persons. (Association for Finnish Work, 2018.)

The pace of development of the social enterprise field quickened from 2010 onwards. In 2014, the Finnish Association for Social Enterprises (ARVO) was founded by social enterprises and other active actors within the field. In summer 2019, around 200 social enterprises were awarded an FSEM, became a member of ARVO or both (ARVO, 2019; Association for Finnish Work, 2019). However, these social enterprises arguably represent a fraction of the field.

The social enterprise sample for this study as drawn mainly from two sources. For the comparative quantitative studies, the above-mentioned survey performed by ETLA served as a primary source of data. For the second quantitative publication, the social enterprise sample was strengthened by including FSEM holders and ARVO members.
2.2 Studying social enterprise growth

Social enterprises awarded an FSEM also served as the population for the qualitative studies. For this study, the FSEM serves as a third-party verification of the social enterprise model.

The Finnish social enterprise field is heterogeneous. These enterprises operate in a variety of fields, although primarily the social and health sector. All organisational forms and ownership structures, from privately owned limited companies to registered associations, as well as a variety of sizes and ages can be found. However, a common characteristic of Finnish social enterprises is their strong market orientation; they need to derive most of their revenue from the market, and making profits is encouraged, but the distribution of those profits is limited. As for resources, they are not granted the funding given to associations and foundations working for the common good and cannot not rely on volunteering. Social enterprises are expected to compete with other enterprises on equal footing, so no tax reliefs or other incentives are issued. (Kostilainen and Pättiniemi, 2016; Russel et al., 2014.) The relative weight of their financial and social missions appears even, with neither dominating, and thus the boundary condition for social enterprises holds.

Consequently, Finnish social enterprises are a relevant case to which one can apply firm growth theories. If the pursuit proves beneficial, similar approaches may be applied and tested with different types of social enterprise populations.

2.2 Studying social enterprise growth

The purpose of this section is to explain how firm growth studies can help to advance the research on social enterprise growth. In the first part, a framework demonstrating the different approaches and themes covered by firm growth research is created. Then, the framework is used and modified to evaluate the social enterprise growth literature in a consistent manner. Lastly, the social enterprise growth research is synthesised to locate the research gaps and opportunities within the field.

2.2.1 Streams of research in firm growth literature

Research on small firm growth is regarded as a more theoretically mature field than social enterprise growth research and is thus used as a benchmark for the overview of social enterprise growth literature. To outline the advancements and drawbacks of firm growth research, a framework summarising the research streams and central topics within the field is provided (see Table 2). The structure of the framework is based mainly on the work of Davidsson et al. (2010) and McKelvie and Wiklund (2010). Later, it is used as a starting point for a review of studies on social enterprise growth and analysis of the differences and similarities between the two research domains.

The framework is divided into four parts based on the main research streams within small firm growth literature: a theoretical approach to studying growth, growth as an outcome, growth as a process and outcomes of growth. The first category includes studies that focus
on theoretical development of the field, such as the above-mentioned reviews. The second stream considers growth a dependent factor. It is the broadest of the streams and encompasses a range of studies exploring, for example, the determinants of firm growth, differences in growth rates or growth paths among firms. Less attention has been paid to growth as a process. Such studies concentrate on the mechanisms and processes leading to changes in the size of firms and outcomes of the growth approach. Studies within the latter category use growth as an independent factor and explore the internal and/or external consequences of growth. (Davidsson et al., 2010; McKelvie and Wiklund, 2010.)

Table 2 depicts these research streams and the main themes under them. Although a single study may exclusively focus on a certain theme, there are plenty of research papers that investigate the associations between different themes, such as the determinants of growth and growth modes. The arrows in the table indicate some common connections and overlaps between the streams.

**Table 2. Summary of the research streams and topics within firm growth research**

<table>
<thead>
<tr>
<th>Streams</th>
<th>Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Theoretical approach</strong></td>
<td>Growth as increase in size or as a process</td>
</tr>
<tr>
<td></td>
<td>Unit of analysis, measures of growth</td>
</tr>
<tr>
<td><strong>Growth as an outcome</strong></td>
<td>Factors and barriers of growth</td>
</tr>
<tr>
<td></td>
<td>Internal determinants</td>
</tr>
<tr>
<td></td>
<td>External determinants</td>
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<tr>
<td></td>
<td>Growth rates and trajectories</td>
</tr>
<tr>
<td><strong>Growth as a process</strong></td>
<td>Broad process perspective</td>
</tr>
<tr>
<td></td>
<td>Stages models</td>
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<tr>
<td></td>
<td>Growth modes</td>
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<tr>
<td></td>
<td>Organic</td>
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<tr>
<td></td>
<td>Acquisition</td>
</tr>
<tr>
<td></td>
<td>Hybrid</td>
</tr>
<tr>
<td><strong>Outcomes of growth</strong></td>
<td>Internal effects</td>
</tr>
<tr>
<td></td>
<td>External effects</td>
</tr>
</tbody>
</table>

Next, each stream and the connections between them are discussed in more detail.
2.2 Studying social enterprise growth

Theoretical approach to firm growth

Following the lead of one of the most influential firm growth scholars, Edith Penrose, the first choice to make while deciding on the research design for a growth study is regarding whether growth is defined as a change in size (e.g. sales, assets, employment) or as the process that leads to that change (Penrose, 1959). These approaches require different types of data and methods (Davidsson et al., 2010). The implications of framing growth as a process are elaborated upon in a later section.

Next, it is necessary to define the unit of analysis and proper measures of growth. Most growth studies perform analysis at the organisational level and focus on a firm or population of firms. Firms’ internal teams and products or innovations are also valid choices. However, Davidsson et al. (2010) point out that defining a firm and monitoring its development is not as easy as it seems. Difficulties arise from the temporal dimension, which is necessarily related to growth; firms are routinely merged, dissolved, bought, sold and so on as time passes, and keeping an eye on the original firm is tricky. These actions are common enough to have an influence on broad datasets (Davidsson and Wiklund, 2000).

In addition, selecting proper indicators of growth is crucial for ensuring the reliability and replicability of studies. The correlations between regularly employed measures, such as sales, employees and profits, are low. Hence, if the growth performance of certain firms is monitored using different measures, the results could differ and lead to divergent conclusions. (Delmar et al., 2003; Shepherd and Wiklund, 2009.) Using multiple indicators of growth measured at multiple points in time is recommended as a remedy for this. In addition to providing more reliable and nuanced information about growth, this approach would allow one to explore the nonlinear nature of growth. (Davidsson et al., 2010; Dobbs and Hamilton, 2007.)

Operationalisation of growth should not be a source of worry in dedicated theoretical or conceptual studies; all researchers investigating growth should contemplate how growth ought to be operationalised. When aligned with the purpose of the study, the operationalisation of growth informs the study’s data collection, theory and method. These steps are considered prerequisites for accumulation of knowledge that can be used to improve the theoretical grounding of firm growth research. (Achtenhagen et al., 2010; Davidsson et al., 2010.)

Growth as an outcome

The broadest research stream treats growth as a dependent variable. These studies investigate factors of growth and often seek to explain differences in firms’ growth rates. According to Davidsson et al. (2010), the internal and external determinants of small firm growth have been thoroughly studied. Internal factors of growth include growth orientation, resource combinations and the firm’s strategic foci. The role and use of resources have been widely studied, but a recent study by Nason and Wiklund (2018)
managed to prove that, in contrast to previous findings, re-deployable and versatile resources that allow free combination of resources and facilitate firm responsiveness are associated with better growth performance. Other studies stressed the importance of strategic fit for the growth of small firms in particular. Strategic choices determine how well they are able to adjust to market conditions and other external challenges. In addition, product market development and diversification have been identified as strategies supporting the growth of small firms. (Coad and Guenther, 2014; Dobbs and Hamilton, 2007.) These findings form a continuum with the findings of studies on growth modes.

Differences in firms’ trajectories and/or rates of growth are also connected to firms’ demographic factors and external environment (Delmar et al., 2003). The operational environment of the firm has been observed to influence growth performance both indirectly through entrepreneurial orientation (Wiklund et al., 2009) and directly (Chandler et al., 2009). Internal and external factors can also be barriers to growth. Especially in the small firm context, managers’/owners’ motivation for growth is acknowledged as one of the most significant determinants of firms growth (Delmar and Wiklund, 2008; Dobbs and Hamilton, 2007; Wiklund et al., 2009). Not all small firm leaders hope to grow their firm, though. Growth entails various adverse effects that influence firms’ internal processes. For example, growth is feared to worsen employees’ well-being and diminish entrepreneurs’ independence and control. Also, the requirements regarding external capital are a source of worry for leaders. (Achtenhagen et al., 2010; Dobbs and Hamilton, 2007; Wiklund et al., 2003.) Interestingly, non-financial considerations may lead small firm leaders to reject growth opportunities, as is known to happen in social enterprises.

To conclude, there are many factors that explain differences in the growth performance of firms. In addition to the variety of determinants, the time span covered by the data and frequency of points of analysis are important factors. Longitudinal analysis is required to recognise fluctuations, discontinuities and sudden sprints along firms’ growth trajectories.

Growth as a process

The process approach examines what goes on in firms (and, possibly, in their networks) while they pursue growth. Few studies adopt this approach, and growth researchers, in general, are criticised for being too eager to explore and explain growth rates before understanding how growth is achieved. However, academics could benefit practitioners because entrepreneurs and managers require knowledge concerning growth modes and the implications of growth has on the internal processes of firms (Achtenhagen et al., 2010; McKelvie and Wiklund, 2010).

The growth as a process stream of literature can be further divided into three areas. The most comprehensive, but also the least studied, covers all aspects of growth, from antecedents to outcomes. A holistic perspective is needed as growth processes vary for different firms, which results in various outcomes of growth. Likewise, to explain the
variety of growth outcomes, one must first understand the processes underlying them. (McKelvie and Wiklund, 2010; Penrose, 1959.) Thus, Davidsson et al. (2010) recommend studying growth as multidimensional process that contributes to goals beyond growth.

The second area of the stream investigates and describes the stages that firms go through while growing. This view is mostly employed by firm life-cycle theories and stage models inspired by biological metaphors. These approaches have been criticised for being overly deterministic and thus unable to deal with the heterogeneity of firm growth (Davidsson et al., 2010; McKelvie and Wiklund, 2010). However, stage models have great potential, and by loosening some of the assumptions and improving research designs, they can identify the micro-processes underlying different stages of growth and thus provide high value for practitioners (Achtenhagen et al., 2010; Davidsson et al., 2010). The insights needed to realise these pursuits may be found in, for example, the activity-based approach to business models (Zott and Amit, 2010).

The narrowest area of the growth as a process stream studies growth modes typically categorised as organic growth, growth by acquisitions and hybrid modes. Different modes are known to affect the outcomes of growth. (Dobbs and Hamilton, 2007; Lockett et al., 2011; McKelvie and Wiklund, 2010.) Hybrid, or network, modes are under-researched based on how widely they are employed by firms to overcome problems such as risk associated with entering new markets or scarcity of resources (Davidsson et al., 2010; McKelvie and Wiklund, 2010). In addition to recognising types and categories of modes, more knowledge on their transformations and sequential use as well as the consequences of favouring certain modes is needed.

Outcomes of growth

To discover the internal and external outcomes of growth, which are poorly understood, growth is treated as an independent variable. It is too often taken for granted that growth equals success, although growth in volume without sustaining or increasing profits can endanger the survival of the firm (Davidsson et al., 2009). The internal effects of growth are intertwined with topics from other streams. For example, tensions can be framed as either internal processes that occur during growing (Joseph and Wilson, 2018) or internal effects caused by growth (Davidsson et al., 2010). Firms’ internal effects also relate to their growth orientation. On the one hand, expectations, especially the feared negative consequences of growth, can lessen small firm leaders’ motivation for growth. On the other hand, a firm’s past growth performance is positively correlated with a growth orientation (Delmar and Wiklund, 2008).

The outcomes of firm growth for a broad group of stakeholders or societies is studied less often. Such investigations are complicated because different stakeholders value different things. Shareholders are believed to value the profits generated by growth, and politicians favour the alleged positive impact of growth on employment (Davidsson et al., 2010), although increasing employment is not high on firms’ agenda (Achtenhagen et al., 2010).
Growth modes also introduce complications, as different modes have unique implications on factors such as employment (McKelvie and Wiklund, 2010).

2.2.2 Review of literature on the growth of social enterprises

Poverty, environmental threats and unequal job markets are examples of the global-scale problems that social enterprises are expected to alleviate or solve. The ability to magnify social impact through growth is considered an important indicator of social enterprises’ performance. Solutions that can be rapidly implemented in different contexts are needed to match the scope of problems. (Bocken et al., 2016; Seelos and Mair, 2014; Smith et al., 2016.) It is common for both politicians and academics to place high expectations on social enterprise growth (European Commission and OECD, 2016), and scaling has been described as ‘arguably the most important dependent variable in the field’ (Smith et al., 2016, p. 677) or as part of the definition of social enterprises (Alvord et al., 2004; Martin and Osberg, 2007).

Despite the importance of growth, the research on social enterprise growth is still in its infancy. So far, the focus has been on the emergence and survival of social enterprises rather than their growth (Bauwens et al., 2019; Cannatelli, 2017; Davies et al., 2018). In addition, the implications of social enterprise research are contradictory. On the one hand, social enterprises are regularly described as risk-averse, preferring to safeguard their social mission and/or ensure their financial sustainability. These boundary conditions are thought to diminish their growth ambitions. (Lumpkin et al., 2013; Weerawardena and Sullivan Mort, 2006.) On the other hand, prevalence of social problems and abundance of social opportunities are considered to pull social enterprises towards growth (Austin et al. 2006; Zahra et al., 2008).

Although it has had a slow start, research on social enterprise growth is starting to draw the attention of scholars. The evidence related to the issue is gradually accumulating, and there are topics, such as the factors of growth and growth modes, that have been covered by a considerable number of studies. The literature review for this dissertation was conducted by searching for articles published in peer-reviewed scientific journals with search terms that paired ‘social enterprise’ or ‘social venture’ with ‘growth’ or ‘scaling’. Around half of the selected studies were published in 2015 or later.

In addition to the articles found via the procedure described above, various influential studies have incorporated growth into their research agendas. The following are referred to in this section even though they are not included in the tables that summarise the results of the search: the work of Austin et al. (2006), who conceptualise the differences and similarities of commercial and social enterprises; studies on managing hybrid logics and tensions (Battilana and Lee, 2014; Smith et al., 2013); and the multidimensional model of social entrepreneurship created by Weerawardena and Sullivan Mort (2006).

Next, the framework presented in the section on firm growth studies is modified to fit the literature on social enterprise growth.
Theoretical approach

One of the most severe shortages in social enterprise growth research is the vagueness with which growth is operationalised. Theoretically oriented studies are missing from the research field altogether, and too few studies pay adequate attention to operationalising the concept on which they focus. This drawback compromises the comparability of findings and renders replication of studies difficult, which in turn impedes accumulation of knowledge about the phenomenon. Small firm growth research has suffered from similar problems, but remedies have been identified which could be applied to social enterprise research (Davidsson et al., 2010; Dobbs and Hamilton, 2007).

Most studies frame social enterprise growth as an intermediary, or in other words, as a means to an end. Consequently, instead of understanding organisational growth as an increase in the size of a firm, a more common objective of social enterprise growth studies is to investigate replication of an organisation’s solutions or dissemination of its innovations as a way to increase social impact. The tendency to focus on social impact rather than firms has provoked a conceptual debate on whether the term ‘growth’ should be replaced with ‘scaling’ to better demonstrate the value and assumed uniqueness of social enterprise growth.

The scaling of impact or innovation has been described as a new way to study growth intended to produce a positive impact on society. Thus, it is considered necessary in order to overcome the shortages of the traditional approach to organisational growth. (Bradach, 2003; Waitzer and Paul, 2011.) Firm growth is thought to be mainly intended to maximise the financial gains of a firm’s owners. It is also associated with organisational growth measured based on the financial performance of a firm. (Austin et al., 2006; Bradach, 2003; Dees et al., 2004.) Some scholars state that the difference between growth and scaling is that scaling refers to a process, whereas growth refers to outcomes, such as an increase in size (André and Pache, 2014; Bauwens et al., 2019; Lyon and Fernandez, 2012).

In regard to developing the quality of social enterprise growth research, the advantages of ‘scaling’ over ‘growth’ are unclear. After all, it is just as reasonable to operationalise growth as a replication of solutions in new geographical areas as it is to define it as a relative increase of sales. The same applies to those who argue that scaling is a process, as the term ‘growth’ is not restricted to investigations of growth as a process (Davidsson et al., 2010). Thus, this study employs the term ‘growth’.

Even though setting measures of growth based on social impact is just as reasonable as setting them based on sales, identifying indicators that are suitable for capturing an increase in social impact is more difficult. Most likely, the shortage of prior operationalisations of growth is partially due to the ambiguous nature of social impact. However, as demonstrated in Table 3, efforts have been made to measure social impact. Such measures include the amount of beneficiaries reached, the geographical scope covered, customer satisfaction, the degree to which the problem was alleviated and the
organisation’s ability to address a problem (Bloom and Smith, 2010; Bocken et al., 2016, Cannatelli, 2017; Hynes, 2009). Even though it is easy to criticise these measures for not covering all aspects of social enterprise growth, they can be considered advancements compared to studies that did not attempt to conceptualise growth at all.

The studies within the table below are placed under headings related to the research streams and themes found within the social enterprise growth literature.

Table 3. Operationalisation of growth

<table>
<thead>
<tr>
<th>Publication</th>
<th>Theme</th>
<th>Operationalisation of growth/scaling</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROWTH AS AN OUTCOME</strong></td>
<td></td>
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</tr>
<tr>
<td>Bloom and Smith, 2010</td>
<td>Validation of the SCALERS model</td>
<td>Informants’ assessments of the alleviation of the original problem, organisation’s capabilities, number of beneficiaries and geographical reach</td>
</tr>
<tr>
<td>Cannatelli, 2017</td>
<td>Testing of the SCALERS model</td>
<td>Ibid.</td>
</tr>
<tr>
<td>Ge et al., 2019</td>
<td>Factors of growth</td>
<td>Informants’ expectations regarding the number of employees, beneficiaries, sales, organisational expansion, corporations’ donations</td>
</tr>
<tr>
<td>Walske and Tyson, 2015</td>
<td>Factors of growth</td>
<td>Revenue, employees and impact</td>
</tr>
<tr>
<td>Zainol et al., 2019</td>
<td>Testing of SCALERS, added systems and structures</td>
<td>Social innovation by Scott and Bruce (1994)</td>
</tr>
<tr>
<td><strong>Growth rate</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bacq et al., 2013</td>
<td>Comparison of the growth ambitions of commercial and social entrepreneurs</td>
<td>Informants’ expectations regarding the number of employees in five years</td>
</tr>
<tr>
<td>Gimmon and Spiro, 2013</td>
<td>Comparison of the growth ambitions of newly founded commercial and social enterprises</td>
<td>Informants’ expectations regarding budget development, number of employees, activities, locations and clients</td>
</tr>
<tr>
<td>Parker et al., 2019</td>
<td>Growth performance of B-lab companies</td>
<td>Financial data</td>
</tr>
<tr>
<td><strong>GROWTH AS A PROCESS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hynes, 2009</td>
<td>Process from growth orientation to outcomes</td>
<td>Self-assessed social and financial goals and measures</td>
</tr>
<tr>
<td><strong>Strategies and modes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bocken et al., 2016</td>
<td>Scaling up strategy</td>
<td>Increase in members or customers, development of offerings and revenues</td>
</tr>
</tbody>
</table>
2.2 Studying social enterprise growth

Some of the positive examples include studies that apply the SCALERS model constructed by Bloom and Chatterji (2009). The researchers developed the model to identify factors that ensure successful scaling of social impact. The acronym is based on the terms ‘staffing’, ‘communicating’, ‘alliance-building’, ‘lobbying’, ‘earnings generation’, ‘replicating’ and ‘stimulating market forces’.

The studies that verify and test the model use social impact (or social innovation in case of Zainol et al., 2019) as the dependent factor and unit of analysis, setting multiple indicators to monitor changes in social impact. Setting measures for both independent and dependent factors has made it possible to replicate the original study and test the model in new contexts. Moreover, subsequent studies have consolidated the theoretical background underlying the model and made use of quantitative data sets collected from a relatively unified population of organisations. (Bloom and Smith, 2010; Cannatelli, 2017; Zainol et al., 2019.) Hence, these studies address another drawback of social enterprise growth studies: the shortage of solid quantitative studies.

Lepoutre et al. (2013) pointed out that the lack of large quantitative datasets hinders testing of theoretical propositions developed by social enterprise scholars and analysis of differences in between the various types of social enterprises. Their observation is also valid for social enterprise growth; even the studies focusing on the financial side of social enterprise growth have room for improvement regarding the measures of growth and the type of data used. For example, neither of the studies that compare the growth of commercial and social enterprises use financial data, instead relying on entrepreneurs’ or managers’ assessments or expectations (Bacq et al., 2013; Gimmon and Spiro, 2013).

A useful suggestion derived from small firm growth research is to start accumulating knowledge on the complex phenomenon of social enterprise growth by studying one homogenous group of social enterprises at a time. Heterogeneity in firm demographics and operational environments are known to have an influence on growth performance and outcomes, and disregarding this may distort the findings (Delmar et al., 2003; Chandler et al., 2009).

Growth as an outcome

As in small firm growth research, the determinants of growth have attracted broad attention among scholars studying social enterprise growth. In particular, the growth orientation of social enterprises is an intriguing and paradoxical topic. It is commonly assumed that a desire to increase the original firm’s social impact, an abundance of social opportunities and prevalent social problems motivate social enterprise leaders to pursue growth (Austin et al., 2006; Dees et al., 2004; Zahra et al., 2008). Nonetheless, few studies have focused solely on growth orientation (see Table 4). The origins of social enterprise leaders’ growth motivations are particularly poorly understood, even though this is known to have a big influence on small firm growth (Davidsson et al., 2010; Dobbs and Hamilton, 2007). The theoretical framework of social enterprise growth created by Weber...
et al., (2012) recognised commitment on individual level as another important driver of social enterprise growth.

However, growth orientation entails more than growth motivation. The goals of growth concretise which aspects of growth are actually valued and actively pursued (McKelvie et al., 2017). In addition, clearly specified and measurable goals are known to increase the likelihood of success in measured areas (Brinckmann et al., 2010). Despite this, similar to growth motivation, almost no studies have examined the goals of growth.

Hynes (2009) shows that while the social enterprises in her study have social goals, there are also objectives related to sales, new product/service development and securing funding. However, social goals seem more ambiguous than financial goals, which may suggest that social enterprise leaders struggle with operationalising the social side of growth.

Both of the studies focusing on social enterprises’ growth orientation link growth orientation to growth strategies (Smith et al., 2016; Tykkyläinen et al., 2016). Smith et al. (2016) use the concept of moral intensity to explain how the moral intensity of perceived social problems affects social entrepreneurs’ willingness to grow their businesses. The researchers extend the study beyond individual level, exploring how moral intensity and entrepreneurs’ desire for control influence their choice of growth modes.

The factors of growth, except for growth orientation, are a broadly studied topic. Growth determinants are included in the theoretical framework created by Weber et al. (2012) and form the core of the SCALERS model (Bloom and Chatterji, 2009). Unlike firm growth literature, several social enterprise studies consider attributes related to solutions or innovation, rather than the qualities of a firm, key determinants of successful growth. Careful validation of the theory of change behind a solution or programme and ensuring replicability and ‘readiness’ of a solution are stressed (Bradach, 2003; Dees et al., 2004; Perrini et al., 2010; Weber et al., 2012). This view is contested by Dobson et al. (2018), however. They state that it is not only possible to scale into new areas without a proven business model and fixed concept but also necessary in order to make sure that the solution can be adjusted for new locations. The researchers remark that as growth is an non-linear process, optimal social impact is rarely achieved by going through predetermined stages; instead, it is achieved through iterative development.

Table 4. Studies on growth orientation and the factors of growth
<table>
<thead>
<tr>
<th>Publication</th>
<th>Theme</th>
<th>Theories and concepts</th>
<th>Method and level of analysis</th>
<th>Social enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smith et al., 2014</td>
<td>Entrepreneurs’ growth motivation, implications for growth model</td>
<td>Ethical decision-making - moral intensity and control</td>
<td>Conceptual study</td>
<td></td>
</tr>
<tr>
<td>Tykkyläinen et al., 2016</td>
<td>Growth orientation and growth strategies</td>
<td>Growth orientation and survival orientation of firm</td>
<td>Multiple case study</td>
<td>Six social enterprises in Finland</td>
</tr>
<tr>
<td>Bloom and Chatterji, 2009</td>
<td>SCALERS model</td>
<td>RBV, Bourdieuan social capital, organisational capabilities</td>
<td>Conceptual study</td>
<td></td>
</tr>
<tr>
<td>Bloom and Smith, 2010</td>
<td>Validation of SCALERS model</td>
<td>RBV, Bourdieuan social capital, organisational capabilities</td>
<td>Conceptual study</td>
<td></td>
</tr>
<tr>
<td>Bradach, 2003</td>
<td>Preconditions of scaling social impact</td>
<td>Growth orientation and survival orientation of firm</td>
<td>Conceptual study</td>
<td></td>
</tr>
<tr>
<td>Cannatelli, 2017</td>
<td>Testing SCALERS model</td>
<td>Contingency theory - situational contingencies</td>
<td>Quantitative study</td>
<td>179 nonprofits in Italy</td>
</tr>
<tr>
<td>Davies et al., 2018</td>
<td>Barriers of growth, strategies to overcome the barriers</td>
<td>SME growth research</td>
<td>Multiple case study</td>
<td>Ten market-oriented social enterprises</td>
</tr>
<tr>
<td>Ge et al., 2019</td>
<td>Factors of growth</td>
<td>Marketing - value co-creation, micro processes</td>
<td>Qualitative</td>
<td>172 social enterprises in China</td>
</tr>
<tr>
<td>Scheuerle and Schmitz, 2016</td>
<td>Barriers of growth</td>
<td>Social grid model</td>
<td>Qualitative</td>
<td></td>
</tr>
<tr>
<td>Seelos and Mair, 2014</td>
<td>Factors of growth</td>
<td>Cognitive frames and institutions</td>
<td>Qualitative</td>
<td>Social enterprises in Germany</td>
</tr>
<tr>
<td>Weber et al. 2012</td>
<td>Factors of growth</td>
<td>RBV</td>
<td>Literature review</td>
<td></td>
</tr>
<tr>
<td>Zahra et al., 2008</td>
<td>Opportunities for internationalisation</td>
<td>Behavioural theory of the firm</td>
<td>Conceptual study</td>
<td>136 social enterprise in Malaysia</td>
</tr>
<tr>
<td>Zainol et al. 2019</td>
<td>Testing SCALERS + systems and structures</td>
<td>Capability theory</td>
<td>Quantitative</td>
<td></td>
</tr>
</tbody>
</table>
As mentioned before, the fact that the SCALERS model has been tested in various contexts can be considered encouraging, as it shows how the findings and theoretical propositions obtained by studies on social enterprise growth can be replicated. Interestingly, Bloom and Chatterji’s (2009) paper is one of the few papers on the factors of growth that incorporates the financial prerequisites of growth into the core of the study. Later, the model was verified by Bloom and Smith (2010) in the USA and tested by Cannatelli (2010) in Italy and Zainol et al. (2019) in Malaysia. Cannatelli embedded the model into contingency theory and extended the model to include the external environment. Zainol et al. added systems and structure to the factors of growth and used social innovation as the dependent factor instead of social impact. The initial empirical study by Bloom and Smith found that all the factors in the SCALERS model are associated with growth. Cannatelli got the same results, except for replicating. However, in the test performed by Zainol et al., only earnings generation and stimulating market forces were associated with growth. This may be due to the fact that they used a different dependent factor than the other researchers.

The study by Davies et al. (2018) is the only one to concentrate on the barriers that social enterprises face while pursuing growth. The researchers find three different types of barriers in effect at individual, organisational and institutional levels. At the individual level, value conflicts can hinder growth. Vickers and Lyon (2014) also noticed that these types of discrepancies and social entrepreneurs’ unwillingness to compromise their social missions can lead them to reject growth. The second type of barrier relates to firms’ business model, such as difficulties in acquiring resources. Resource scarcity is widely recognised as a problem in the research field (Austin et al., 2006; Weber et al., 2012). Third, institutional barriers are associated with unfavourable customer and investor behaviour caused by low awareness of the social enterprise model.

The stream of research that views growth as an outcome also includes studies that seek to capture and explain the growth trajectories and growth rates of different types of firms. This is one of the most popular topics in firm growth literature, but the situation in social enterprise growth research is different. Three studies exploring the growth performance of social enterprises were found. Two of them compare commercial and social enterprises and consider, among other things, aspects of growth. Neither use financial data, instead relying on entrepreneurs’ own assessment or ambitions regarding, for instance, increases in employment. (Bacq et al., 2013; Gimmon and Spiro, 2013.) Parker et al. (2019) investigated 249 recently B-lab-certified enterprises and found that their growth slowed down just after the certification.
To conclude, there is a dire need for quantitative population-level studies using proper measures of growth and longitudinal (financial) data.

**Growth as a process**

Studies within the growth as a process stream of research can be further divided into three categories: studies that covering more or less all stages of growth, those investigating the antecedents and/or implications of certain growth strategies and those focusing on growth strategies and modes. There are six studies that investigate growth process from a holistic perspective. They cover various stages of growth, from growth orientation to strategies and outcomes achieved during the growth process. Moreover, they tend to adopt approaches that allow for analysis at multiple levels. Overall, these studies are informative and provide valuable insights to be tested and utilised by future inquiries. (André and Pache, 2014; Blundel and Lyon, 2015; Dobson et al., 2018, Hynes, 2009; Perrini et al., 2010; Weber et al., 2012.)

For example, four of the studies deal with the economic viability of businesses, a perspective often neglected by social enterprise growth researchers (Blundel and Lyon, 2015; Dobson et al., 2018; Hynes, 2009; Perrini et al., 2010). Even though resource acquisition is recognised as a critical precondition for social enterprise growth and the possibility of economic failure is mentioned in most discussions about the tensions associated with growth, the financial side of growth is rarely explicitly discussed. Exceptions to this rule are Bloom and Chatterji’s (2009) study, which included earnings generation in the SCALERS model, and Tracey and Jarvis’s (2007) study on the economic meltdown of the social franchiser Aspire. Regarding process studies, Hynes (2009), for example, shows that social enterprise leaders include financial considerations in the goals and measures set for their firms’ growth.
Furthermore, these studies demonstrate that research design matters. By using a longitudinal approach and applying data that span decades, Blundel and Lyon (2015) and Dobson et al. (2018) capture the non-linearity of growth and identify discontinuities and sudden increases in firms’ growth rates. In addition, Perrini et al. (2010) use a long view to develop a stage model of social enterprise growth. Furthermore, analysing the process at multiple levels provides valuable insights; Dobson et al. (2018), for instance, show how uncertainty related to target locations influences the modes of growth.

Table 6. Studies on broad growth processes
<table>
<thead>
<tr>
<th>Publication</th>
<th>Theme</th>
<th>Theories and concepts</th>
<th>Method and level of analysis</th>
<th>Social enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>André and Pache, 2014</td>
<td>Process from opportunity identification to scaling</td>
<td>Ethics of care, entrepreneurial process</td>
<td>Conceptual study</td>
<td>Individual and organisational level</td>
</tr>
<tr>
<td>Blundel and Lyon, 2015</td>
<td>Process of organisational growth from determinants to strategies</td>
<td>Opportunity recognition, entrepreneurial adjustment, institutional structure</td>
<td>Historical study, multiple cases Organisational and institutional level</td>
<td>Two social enterprises in UK</td>
</tr>
<tr>
<td>Desa and Koch, 2014</td>
<td>Scaling strategies develop through different processes</td>
<td>Social theory - punctuated equilibrium model of system change</td>
<td>Multiple case study Organisational and institutional level</td>
<td>Two social enterprises from India</td>
</tr>
<tr>
<td>Dobson et al., 2018</td>
<td>Growth process</td>
<td>Business model literature</td>
<td>Longitudinal case study Multilevel</td>
<td>Belgian-based global social enterprise</td>
</tr>
<tr>
<td>Hynes, 2009</td>
<td>Process from growth orientation to outcomes</td>
<td>Firm growth</td>
<td>Multiple case study Individual and organisational level</td>
<td>Four established social enterprises in Ireland</td>
</tr>
<tr>
<td>Perrini et al., 2010</td>
<td>Process from opportunity identification to scaling</td>
<td>Entrepreneurial process</td>
<td>Longitudinal case study Multilevel</td>
<td>Italian social cooperative</td>
</tr>
</tbody>
</table>
Before moving on to studies that concentrate on the antecedents and consequences of growth strategies, it is important to explain how the terms ‘growth strategy’ and ‘growth mode’ are used. In firm growth studies, ‘growth strategy’ most often refers to applications of Ansoffian product-market strategies. Growth modes, on the other hand, are associated with organic growth or growth via acquisitions or cooperation. (Ansoff, 1957; Davidsson et al., 2010; Dobbs and Hamilton, 2007; Lockett et al., 2011; McElvie and Wiklund, 2010.) In most of the studies on social enterprise growth, the term ‘strategy’ is used to cover both of these definitions. Yet, there appears to be a hierarchy of social enterprises’ growth strategies and modes.

Social enterprises’ growth strategies can be divided into depth and breadth scaling, which can be further divided into subgroups (see Figure 2). The resulting matrix resembles Ansoff’s product-market matrix, but instead of existing or new markets, the columns demarcate beneficiaries. Moreover, the definition of product rows is not as specific as in the original version. Instead of making a clear choice regarding whether to seek growth by promoting an existing solution or developing a new one, social enterprises need to consider how modifiable their solutions are. Do they want to maintain tight control over their solutions, or can they be changed by others? In addition, solutions may take the form of an operational model, programme, service or product.

<table>
<thead>
<tr>
<th>Solution</th>
<th>Beneficiaries</th>
<th>Depth scaling</th>
<th>Breadth scaling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined</td>
<td>Existing</td>
<td>Scale deep</td>
<td>Scale up</td>
</tr>
<tr>
<td></td>
<td>New</td>
<td>Scale out</td>
<td>Scale across</td>
</tr>
<tr>
<td>Varying</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Figure 2.** Social enterprises’ growth strategies
2.2 Studying social enterprise growth

Depth scaling strategies are rooted in local networks and communities, and they focus on enhancing the impact on existing beneficiaries (Smith and Stevens, 2010). They can be divided into scaling deep and scaling out strategies. While scaling deep entails serving existing beneficiaries better with relying on current solutions, scaling out strategies involve the development of a broader selection of services or products for current beneficiaries (André and Pache, 2014; Dobson et al., 2018). Breadth scaling strategies seek to expand solutions and operations into new geographic areas and thus reach new beneficiaries. These strategies are more client-driven and feature arm-length ties with partners and target communities. By choosing scaling up strategies (referred to as scaling wide strategies in Ebrashi, 2017; Dobson et al., 2018), the focal social enterprise maintains more control over the solution or operational mode. In scaling across strategies, focus is on disseminating the solution with help of others as wide as possible rather than on controlling the implementation of the solution. (André and Pache, 2014; Smith and Stevens, 2010.)

Each of these strategies can be implemented in various ways. For example, a scaling up strategy can be implemented by establishing new units in new locations, buying other companies or social franchising. These resemble the modes of growth described in firm growth research, which are divided into the categories of organic, acquisition and hybrid modes (Davidsson et al., 2010; McKelvie and Wiklund, 2010). Studies on social enterprise growth have developed more fine-grained classifications that emphasise hybrid and open growth modes. Lyon and Fernandez (2012), for example, divided hybrid growth modes into strategies of formalised partnerships, structured open-source methods and open dissemination. In this study, the convention regarding the use of growth strategies and modes in firm growth research is followed.

The studies focusing on the antecedents and implications of growth strategies are summarised in Table 7. These studies approach the topic from different perspectives. For example, Smith and Stevens (2010) propose that social enterprises embedded in local communities are likely to allow more variation in their solutions and operational models and thus favour scaling out or scaling across strategies, while social enterprises relying on arm-length ties, which are thus less embedded in communities, opt for a scaling up strategy as this offers more control. Bauwens et al. (2019) investigate the issue from a slightly different perspective, dividing social enterprises into mutual and general interest organisations. Mutual interest organisations primarily serve the interests of their members and tend to use scaling up strategies, while general interest organisations promote the interests of society as a whole or certain target group(s), are less ambitious in their growth pursuits and favour depth scaling strategies. Other studies explain how the chosen strategies play out when managing tensions related to growth (Siebold et al., 2018; Zhao and Han, 2019).
It is stated that choosing between potential growth strategies and modes requires a trade-off between control and assuring the quality of the solution on the one hand and assuring the quality of the solution on the other. Here is a table summarizing the studies on growth strategies and modes.

<table>
<thead>
<tr>
<th>Publication</th>
<th>Theme</th>
<th>Theories and concepts</th>
<th>Method and level of analysis</th>
<th>Social enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bauwens et al., 2019</td>
<td>Strategies and models</td>
<td>Economics literature on nonprofits</td>
<td>Multiple case study</td>
<td>Three energy cooperatives in Holland</td>
</tr>
<tr>
<td>Braund and Schwesty, 2015</td>
<td>Processes of scaling and partnerships</td>
<td>Systemic and socio-technical approach</td>
<td>Single case study, Organisational level</td>
<td>Crowdfunding social enterprise in USA</td>
</tr>
<tr>
<td>Ebrah, 2017</td>
<td>Development and typology of growth strategies</td>
<td>RBV</td>
<td>Multiple case study, Organisational and institutional level</td>
<td>Ten social enterprises in Egypt</td>
</tr>
<tr>
<td>Oneto et al., 2019</td>
<td>Implications of scaling strategies in tensions</td>
<td>Social movement theory - concept of spaces</td>
<td>Single case study, Organisational and institutional level</td>
<td>Brazilian social enterprise</td>
</tr>
<tr>
<td>Sebold et al., 2018</td>
<td>Selecting strategies for managing tensions, tensions as outcomes</td>
<td>RBV</td>
<td>Comparative case study, Organisational level</td>
<td>Six B for-profit social ventures</td>
</tr>
<tr>
<td>Smith and Stevens, 2010</td>
<td>Social networks and growth strategies</td>
<td>Structural embeddedness</td>
<td>Conceptual study, Multilevel level</td>
<td>Two microfinance institutions in China</td>
</tr>
<tr>
<td>Zhao and Han, 2019</td>
<td>Tensions and risks related to scaling up strategies</td>
<td>Institutional logics</td>
<td>Comparative case study, Organisational level</td>
<td>Two microfinance institutions in China</td>
</tr>
</tbody>
</table>

**Growth strategies and modes**

<table>
<thead>
<tr>
<th>Publication</th>
<th>Theme</th>
<th>Method and level of analysis</th>
<th>Social enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aal and Schoormans, 2011</td>
<td>Social franchising</td>
<td>Multiple case study, Organisational level</td>
<td>Five social enterprises in India</td>
</tr>
<tr>
<td>Asenot and Chahine, 2017</td>
<td>Social franchising</td>
<td>Literature review</td>
<td>India</td>
</tr>
<tr>
<td>Beckmann and Zeyen, 2014</td>
<td>Social franchising</td>
<td>Hayek, agency theory</td>
<td>Single case study, Organisational level</td>
</tr>
<tr>
<td>Bocken et al., 2016</td>
<td>Scaling up strategy</td>
<td>Product market strategy</td>
<td>Quantitative, Organisational level</td>
</tr>
<tr>
<td>Corner and Kearme, 2018</td>
<td>Scaling up strategy</td>
<td>Dynamic capabilities framework</td>
<td>Multiple case study</td>
</tr>
<tr>
<td>Does et al., 2004</td>
<td>Strategies and models</td>
<td>Identity theory</td>
<td>Single case study, Conceptual study</td>
</tr>
<tr>
<td>Giudici et al., 2019</td>
<td>Social franchising</td>
<td>Stewardship theory</td>
<td>Conceptual study, Organisational level</td>
</tr>
<tr>
<td>Krzeminska and Zeyen, 2017</td>
<td>Social franchising</td>
<td>Multiple case study, Organisational level</td>
<td>Four social enterprises in UK</td>
</tr>
<tr>
<td>Lyon and Fernandez, 2012</td>
<td>Strategies and models</td>
<td>Resource scarcity and agency theory</td>
<td>Single case study, Organisational level</td>
</tr>
<tr>
<td>Tracey and Jarvis, 2007</td>
<td>Social franchising</td>
<td>Resources and capabilities</td>
<td>Multiple case study, replication methods, Organisational level</td>
</tr>
<tr>
<td>Voltan and De Fuentes, 2016</td>
<td>Inter- and intraorganisational partnerships in scaling</td>
<td>Logic compatibility-centrality matrix</td>
<td>Multiple case study, Organisational level</td>
</tr>
<tr>
<td>Zafeiropoulos and Koufopoulos, 2013</td>
<td>Social franchising</td>
<td>Social network theory</td>
<td>Multiple case study, Organisational level</td>
</tr>
</tbody>
</table>
maximising the scale and social impact of the solution on the other. Growth by branching, for example, is restricted by the resources available to an organisation, but the operational model and offerings of the firm remain intact. At the other end of the spectrum, by allowing free, unlimited dissemination of innovations, a company hands over responsibility for implementing and ensuring the quality of the innovations to others. If an innovation attracts adopters and is successfully implemented, it is likely that the social impact of the innovation will be multiplied. (Bradach, 2003; Lyon and Fernandez, 2012; Smith et al., 2016.) Also, the attributes of the solution influence the choice of a growth mode. Dees et al. (2004) use the example of the Youth Action Program, successful scaling of which required use of an organisational growth mode. When more open growth modes were attempted, the impact of the programme was not as impressive as it could have been.

Despite the emphasis given to open modes of growth, the social franchising and other modes suitable for implementing scaling up strategies have attracted more studies. The search done for this literature review revealed seven studies focused on social franchising. One of the most recent examples is that of Giudici et al. (2018), which investigated a successful social franchisor and showed how the company turned its social mission into a factor for success by fostering a shared identity via decentralised decision-making and shared governance.

Outcomes of growth

Given that social enterprise research often treats growth as an intermediary factor that facilitates achievement of external firm outcomes, such as more inclusive job markets or alleviation of poverty, empirical evidence regarding those outcomes is shockingly scarce. In fact, this literature review found no studies focusing exclusively on the outcomes of growth. However, the reality is not probably so grim; one of the most famous and frequently used examples of large-scale social enterprises is Grameen Bank, and the impact of the bank and its micro-loan model have been repeatedly studied and debated (see, for example, Develtere and Huybrechts, 2005; Roodman and Morduch, 2014; Pitt, 2014). In addition, the micro-loan model has been replicated in Africa and across the Americas, among other locations (Jansen and Pippard, 1998; Weiss and Montgomery, 2005).

Despite the evidence concerning ground-breaking social enterprises like Grameen Bank, one of the biggest paradoxes within research on social enterprise growth is that there is hardly any systematic data on positive outcomes, even though they are often desired. In addition, it is uncertain what kinds of outcomes can be reasonably expected from social enterprises. Doubts have been voiced concerning the capability of a single social enterprise to contribute to social transformations. Some researchers state that societal-level outcomes require large-scale changes in institutions and necessarily stem from orchestrated efforts by a wide network of actors (Sud et al., 2009, Westley et al., 2017). Others, such as Zahra et al. (2009), argue that these types of social enterprises, referred to as social engineers, exist. One such example is Grameen Bank. Nevertheless, it is
questionable whether institutional enterprises or social engineers achieve their impact goals via open dissemination of a single idea or innovation.

Even though there are no studies dedicated to investigating the outcomes of social enterprises’ growth, some of the research that considers growth as a process touches upon outcomes. When social enterprises define or evaluate the effects of their growth, they take into account factors such as the external beneficiary perspective, client satisfaction or the reach of beneficiaries and adopt a financial perspective, using measures such as profit and sales (Bocken et al., 2016; Hynes, 2009). Although the volume of business and reach of beneficiaries are practical and valid indicators of success, the aim of evaluating the outcomes of social enterprise growth should be to integrate measures of meaning into the evaluation. It is not enough to reach as many people as possible; what is done with or for them and what changes are caused by those actions are important as well.

As for internal firm effects, growth is known to cause tensions within social enterprises (Battilana and Lee, 2014; Smith et al., 2013). Growth changes internal firm processes, the role of entrepreneurs and their relationship with partners. Tensions can worsen after successful growth, as achieving balance in one moment does not guarantee that balance will remain in future (Tracey and Jarvis, 2007; Ometto et al., 2019).

To conclude, keeping in mind the high hopes associated with social enterprise growth, the outcomes of growth should be considered within social enterprise research much more often. Developing an understanding of the topic calls for not only studies that focus exclusively on outcomes but also, perhaps more importantly, the discovery of continuums from goals of growth to growth strategies and, further, to sets of business activities that produce (intended and unintended) outcomes throughout the growth process.

2.2.3 Synthesis

Defining what growth actually is in the social enterprise context has proven difficult. For decades, firm growth studies have struggled to operationalise growth in a way that enables researchers to accumulate knowledge and build a more coherent theoretical base for the research field. The task for scholars investigating social enterprise growth is not any easier, as this also involves operationalising the social aspects related to growth. Another distinctive feature of social enterprise growth research is that growth is often approached as an intermediary factor. In other words, growth is not given intrinsic value, but is viewed as a process that leads to more fundamental outcomes (Dees et al., 2004; Lyon and Fernandez, 2012). This approach has several implications for the state of the research field, three of which are discussed below.

First, it is possible that the lack of theoretical studies and the common pitfall of vague operationalisation of growth are due to the tendency to frame growth primarily as a process, which draws attention away from growth performance and ‘what’ questions about growth. Some social enterprise scholars distance themselves from firm growth
2.2 Studying social enterprise growth

Studies by favouring the term ‘scaling’ instead of ‘growth’ and rejecting the theoretical points of departure from firm growth research.

Second, some scholars state that there is a positive bias in social enterprise growth research. Studies are said to embrace social opportunities, recipes for successful growth and scaling strategies that are tailored to maximise social impact, while themes such as the barriers to and risks of growth as well as unintended outcomes are given less attention (Davies et al., 2018; Zhao and Han, 2019). The current study adds that the centrality of social missions in social enterprise growth is assumed rather than proven. Hence, social aspects of growth are highlighted at the expense of financial considerations. Achtenhagen et al. (2010) assessed firm growth studies and stated that, from business leaders’ perspective, growth researchers have been asking the wrong questions. Business leaders would have valued insights into how growth affects firm internal processes, a topic not covered by academics. This leads to a question regarding social enterprise growth literature: have researchers put too much emphasis on social missions and too little on the financial side of growth?

Third and finally, the one area in which social enterprise researchers appear to be ahead of their fellow scholars investigating firm growth is their use of a process-based approach. Several studies cover multiple stages of growth and recognised the interconnectedness of those stages. They also analyse processes that take place at multiple levels (i.e. individual, organisational and institutional). This approach has yielded novel findings regarding the nature of growth, for instance, but there is room for more. Few studies have examined growth processes in the long term, although this is required to discover the underlying dynamics of growth, fluctuation of tensions over time and outcomes that affect wider society (Blundel and Lyon, 2015; Ometto et al., 2019). Recent studies on social enterprises’ business model offer a useful benchmark for employing longitudinal research designs and focusing on micro processes (Davies and Chambers, 2018; Davies and Doherty, 2018; Muñoz and Kimmit, 2018).

To sum up, Table 8 displays the research streams and topics within social enterprise growth research. To evaluate the state of the research field and formulate topics for future research, it is perhaps more important to consider the nearly absent research areas, such as theoretical studies, growth orientation as an internal determinant of growth, quantitative analysis of growth performance and empirical evidence on the external outcomes of social enterprises growth, than to consider the established ones.
Table 8. Summary of the research streams and topics within social enterprise growth research

<table>
<thead>
<tr>
<th>Streams</th>
<th>Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theoretical approach*</td>
<td>Growth as a process</td>
</tr>
<tr>
<td>Growth as an outcome</td>
<td>Factors and barriers of growth</td>
</tr>
<tr>
<td></td>
<td>Internal determinants</td>
</tr>
<tr>
<td></td>
<td>External determinants</td>
</tr>
<tr>
<td></td>
<td>Growth rates based on estimates</td>
</tr>
<tr>
<td>Growth as a process</td>
<td>Broad process perspective</td>
</tr>
<tr>
<td></td>
<td>Antecedents and implications of strategies</td>
</tr>
<tr>
<td></td>
<td>Growth strategies and modes</td>
</tr>
<tr>
<td></td>
<td>Depth and breadth scaling</td>
</tr>
<tr>
<td></td>
<td>Organic, acquisition, hybrid and open modes</td>
</tr>
<tr>
<td>Outcomes of growth*</td>
<td>Internal tensions</td>
</tr>
<tr>
<td></td>
<td>Volume of business and reach of beneficiaries</td>
</tr>
</tbody>
</table>

* No studies dedicated to this stream of research

2.3 Scope of the thesis

2.3.1 Theoretical background

Theory-wise, inspiration for the thesis was drawn mainly from small firm growth research. The lessons learned concerning research designs are exploited in the two quantitative studies (publications II and III). Measures and formulae of growth, the time range, the quality of the data and the influence of operational environment are considered (Davidsson et al., 2010; Shepherd and Wiklund, 2009). Moreover, the hypotheses for publication III are derived primarily from the Penrosean view on the role of resources and capabilities combined with findings from social entrepreneurship and social enterprise studies.

Advancements within research on social enterprises and social entrepreneurship also served as inspiration. In particular, studies focusing on the processual nature of social entrepreneurship were found to be useful. Scholars have borrowed and adapted analytical frameworks from entrepreneurship and management studies to explore the process of social entrepreneurship. This process is considered to take place at multiple levels (Gartner, 1985, in Bacq and Janssen, 2011) connected by a variety of linkages to
2.3 Scope of the thesis

eventually bring about the expected outcomes (Hedström and Swedberg, 1998, in Saebi et al., 2019). Process-based approaches have been emerging in research on social enterprises’ growth, and they served as a fruitful point of reference for this thesis (e.g. Blundel and Lyon, 2015; Hynes, 2009; Perrini et al., 2010). For a more detailed description, see the preceding sections on firm and social enterprise growth research.

In addition to those two large bodies of literature, complementary theoretical groundings are employed to focus on more specific topics. Behavioural theories on decision-making and risk-taking in conditions of uncertainty are applied to investigate why social enterprises pursue growth. Theoretical premises of prospect theory (Kahneman and Tversky, 1979) and threat-rigidity theory (Staw et al., 1981) are used to explore the origins of social enterprise leaders’ growth motivation. Prospect theory states that humans are more prone to avoid losses than they are to chase gains: When perceiving threats, the fear of potential losses cause humans to take risks. Favourable environment and prospect of gains, in turn, are not powerful enough incentives to make them risk all that has been already achieved. (Kahneman and Tversky, 1979.) In contrast, the threat-rigidity hypothesis predicts that opportunities encourage humans to take risks, whereas perceived threats cause them to rely on existing strategies. (Staw et al., 1981.)

The opposite predictions of these two theories are deemed useful for investigating growth orientation for two reasons. First, they enable multilevel analysis by linking operational environment and individuals’ perceptions on that environment in decision-making involving risks. Second, these theories have been used to investigate the strategic adaptations of firms, for example, but not in the context of social enterprises (Bogliacino and González-Gallo, 2015; Chattopadhyay et al., 2001). So far, the existing research on social enterprises growth stresses social opportunities and favourable environment as the main drivers of their growth. By making use of the behavioural theories, there is a possibility to expand the theoretical understanding on social enterprises’ growth orientation.

Last, the activity-based approach developed by Zott and Amit (2010) is used to enrich the existing frameworks of social enterprises’ growth modes. The authors conceptualised business modes as sets of activities. The architecture of a set can be analysed by asking three questions: What activities are carried out? By whom are they carried out? How are the activities within a set linked? Notably, these activity sets extend beyond the focal organisation, as Zott and Amit found that a variety of stakeholders take part in the formation of business models. Their approach is deemed suitable for studying social enterprise growth, as the significance of partners is often stressed in research of social enterprise growth (e.g. Austin et al., 2006; Dobson et al., 2018). When modes of growth are interpreted as activity sets, one can track how firms balance their financial and social goals in practice and connect outcomes with growth process.
2.3.2 Conceptual framework

This dissertation aims to deepen the understanding of the balance of financial and social considerations within social enterprises’ growth process. The scope of the study is narrowed by formulating three more focused research questions that address some of the gaps left open by the previous research on social enterprise growth, namely, why social enterprises seek growth, what grows while social enterprises grow as organisations and how they advance. These questions led to the development of the broad process view illustrated in the conceptual framework in Figure 3.

![Conceptual Framework Diagram]

**Figure 3. Growth process of social enterprises**

Social enterprises’ growth orientations include their leaders’ growth motivations and growth-related goals. The premises of the behavioural theories are applied to explore the influence of the leaders’ perceptions of their firms’ external environment on their growth orientation. The goals are derived from growth motivations and provide direction to actual business activities, illustrating what kind of growth should actually be pursued (Davidsson et al., 2010; McKelvie et al., 2017). Not only do goals reveal how a firm defines and evaluates its growth but also having measurable goals increases the likelihood of success (Brinckmann et al., 2010; McKelvie et al., 2017). In a social enterprise context, fostering a balance of financial and social missions while pursuing growth begins with the goal-setting phase.

Regarding what grows, the focus is placed on organisational growth. This phase is linked with both growth orientation and modes of growth. First, past growth performance is found to influence growth orientation (Delmar and Wiklund, 2008). Second, the activity sets depicting modes of growth generate outcomes throughout the growth process. In addition, social enterprises do not exist or grow in a vacuum. Their leaders’ growth motivation is affected by their perceptions of the enterprises’ external environment and position in it. Also, growth modes are tailored to incorporate partners and ensure a
2.3 Scope of the thesis

strategic fit to the market conditions, and growth performance is likely to vary during economic cycles.
3 Methods

This section introduces the methodological choices regarding the research approaches, designs and analytical methods employed in this dissertation. The dissertation is comprised of four publications—one mixed method study, one quantitative study and two qualitative studies—each of which plays its own role in answering the overarching research question about the balance of social enterprises’ financial and social missions throughout the growth process. The main question is broken down into more specific sub-questions that deal with different elements of the process. A summary of the research designs is presented in Table 9 and discussed in subsequent sub-sections. More detailed descriptions can be found in the publications.

Table 9. Research designs used in the publications

<table>
<thead>
<tr>
<th>Publication</th>
<th>Role in the dissertation</th>
<th>Method and analysis</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Publication I</strong></td>
<td>WHY? Gains an understanding of the origins and contents of social enterprises’ growth orientation.</td>
<td>Qualitative inquiries analysed by applying two behavioural theories in a social enterprise context.</td>
<td>Data from seven growth-oriented FSEM holders. Nine thematic interviews with entrepreneurs/owners conducted from 2013 to 2015.</td>
</tr>
<tr>
<td>Why do social enterprises pursue growth? Analysis of threats and opportunities.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Publication II</strong></td>
<td>WHY and WHAT? Explores and compares growth orientation and the organisational growth performance of commercial and social enterprises.</td>
<td>Mixed method design with a comparative setting in the quantitative part addressing growth orientation and growth performance. Statistical description of growth in terms of sales and employment. Qualitative analysis performed with a literal replication method.</td>
<td>Quantitative data from a) a survey run in 2015 with a sample of 4,558 companies, around 8% of which were social enterprises, and b) financial statements from a balanced panel of the companies existing from 2003–2014. Qualitative data from seven growth-oriented FSEM holders. Nine interviews with entrepreneurs/owners conducted from 2013 to 2015.</td>
</tr>
<tr>
<td>Growth in social and commercial enterprises – a comparative mixed method study.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth of social and commercial SMEs – a comparative study.</td>
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</tbody>
</table>
3.1 Research approaches

The growth of social enterprises is described as a complex process that takes place at multiple levels (i.e. individual, organisational and institutional). To understand the phenomenon, research designs need to reflect and take into account this characteristic (Mair and Marti, 2006; Saebi et al., 2019). In this dissertation, the methodological choices were guided by this notion and by the research questions derived from the research opportunities identified in the social enterprise growth literature. The research questions cover ‘why’, ‘what’ and ‘how’ questions related to growth. Each of them must be addressed with a different method. Quantitative data and analysis are needed to describe social enterprises’ organisational growth performance (i.e. what grows), while a qualitative approach is needed to explore the origins of growth orientation and how is it formed (i.e. why growth occurs) and how growth pursuits are implemented through governance structures or business activities, often with others (i.e. how growth occurs; Eriksson and Kovalainen, 2008).

The mixed method study on social enterprises’ growth orientation and growth performance, the second publication, served as the basis for this dissertation. It started to explore two issues that were hardly studied by prior research: why social enterprises seek growth and what social enterprises’ organisational growth performance looks like compared to that of commercial enterprises. Inclusion of both themes enabled the author to touch upon the possible association between growth orientation and realised growth in a social enterprise context. More importantly, identifying the potential distinctive features of social enterprise growth requires use of comparative setting (Bacq et al., 2013; Lepoutre et al., 2013). Thus, commercial and social enterprises were compared in terms of both growth performance and growth orientation.

The observations of the mixed method study inspired the author to concentrate on both ‘why’ and ‘what’ questions with more focused qualitative and quantitative studies. Starting with the latter, the third publication, which compared the organisational growth performance of small and medium-sized commercial and social enterprises in divergent macro-economic environments, was designed to provide robust population-level evidence on social enterprises’ growth (Lepoutre, 2013). For a solid theoretical grounding, hypotheses were created mainly by comparing and combining the resource-based view of firms (Nason and Wiklund, 2018; Penrose, 1959) with relevant findings from social enterprise research (e.g. Austin et al., 2006; Lumpkin et al., 2013;
3.1 Research approaches

Weerawardena and Sullivan Mort, 2006). In addition, close attention was paid to measures of growth, and company matching was performed using the coarsened exact matching method to guarantee that only a social mission would separate the treatment group (social enterprises) from the control group (commercial enterprises; Iacus et al., 2012). Furthermore, the influence of economic cycles was investigated by comparing growth indicators in three different periods: the long view, which covered 2003–2015; the economic boom of 2003–2008; and the period when Finland suffered from the global recession, 2010–2015.

A qualitative study of the origins and components of social enterprises’ growth orientation was also conducted for this dissertation. A qualitative approach was deemed to be appropriate because there are few studies on the topic in both firm growth and social enterprise growth research (McKelvie et al., 2017; Smith et al., 2016). Previous studies on social enterprise growth assume that social causes and/or social opportunities pull social enterprises to achieve growth, whereas the mixed method study (the second publication) implied that social enterprise leaders see growth as a necessity for survival. Therefore, the premises of behavioural theories were applied to determine whether the leaders react to opportunities or threats when considering whether to grow their firms and to identify the role of firms’ operational environment in this regard (Kahneman and Tversky, 1979; Staw et al., 1981). To facilitate multilevel analysis, growth orientation was framed as a construct that includes growth motivation at the individual level and the goals of growth determined at the organisational level (McKelvie et al., 2017).

The last publication utilises longitudinal qualitative data and recommends investigating social enterprises growth modes as dynamic processes. The study tested two approaches to analysis of growth modes: a more traditional one, which frames the modes as governance structures, and an approach that conceptualises the modes as sets of activities that transcend the boundaries of the original organisations. The latter approach was borrowed from the business model literature (Zott and Amit, 2010). These methodological choices supported the overarching process perspective of the dissertation study by allowing for examination of the parallel and sequential use of the modes and discovery of transformations in between them. Even though the outcomes of growth are not at the core of this study, growth modes lie at the intersection between goals and outcomes of growth. The activity-based approach allows for analysis of both intended and unintended financial and social outcomes produced by daily business activities.

Overall, the described research designs complement each other in a way that captures the multidimensionality of the social enterprise growth process. As a result, the dissertation as a whole captures the growth process of social enterprises from the pre-growth stage to the modes as activity systems that produce the outcomes of growth in terms of organisational performance and social impact. Organisational growth is emphasised at the expense of capturing the potential increase in social impact caused by growth. The choice is intentional, as this perspective is needed to complement the dominant understanding of social enterprise growth.
3.2 Sampling, data collection and analysis

Quantitative data and statistical analysis were used to provide population-level evidence on social enterprises’ organisational growth and compare it with the growth rates of commercial enterprises. Data were collected from various sources. The initial sample of enterprises was obtained from the results of an Internet survey sent out to the CEOs of all Finnish companies in 2015. The response rate was 18.8%, and after eliminating the informants that did not respond to all the questions, the survey sample comprised 4,558 companies. The sample corresponded well to the total company population in Finland in terms of company demographics. Social enterprises were identified with the screening question, ‘Does your company use most of its profits to enhance some social mission?’

The data from the survey were enriched with data from the financial statements of the companies from different periods (2003–2014 for publication II and 2003–2015 publication III). For publication II, a balanced panel of 200 social enterprises was formed. Analysis was conducted by producing statistical description of the selected growth measures as well as of indicators of growth orientation and by testing the differences between commercial enterprise and social enterprise samples with a regression analysis.

For publication III, the research design was further improved based on the results of publication II. First, the investigation focused on SMEs to eliminate distortions caused by large companies. This procedure resulted in a list of 4,151 SMEs, of which 418 were social enterprises. In addition, the social enterprise sample was strengthened by including 105 social enterprises that either had the FSEM or were ARVO members to alleviate potential bias due to self-recognition. Second, instead of analysing the balanced panel, 216 one-to-one company pairs were created amongst the commercial and social enterprise sample by the coarsened exact matching method (CEM). Goodness-of-fit of the matching was tested, no systematic differences in the matched samples were found.

Growth performance was monitored using multiple measures of growth, as recommended in the firm growth literature (Davidsson et al., 2010; Shepherd and Wiklund, 2009). In publication II, the relative change in sales and employment were used, and in publication III, both volume measures; sales, employment and total assets; and measures regarding efficient use of resources, namely asset turnover and productivity of labour, were employed. Total average growth rates and the compound annual growth rates were calculated for all five measures of growth. Companies’ societal motives were separately tested for each measure and period with ordinary least squares regression. The regression analysis confirmed the initial results.

Qualitative methods were used in two publications to address the research questions concerning the growth orientation and growth modes. While growth modes are a prominent topic within social enterprise growth research, a new approach that utilised longitudinal data was developed. The sample of social enterprises for the qualitative studies was chosen from a population around 70 enterprises entitled to use the FSEM by the summer of 2015. Thus, the FSEM criteria served as the definition of social enterprises
3.2 Sampling, data collection and analysis

in the qualitative studies. These criteria are discussed in Section 2.1.2, which describes the Finnish social enterprise field. This is supported by a national report on the mapping of social enterprises in Europe, which stated that the profile of mark holders corresponds with the Finnish social enterprise field (Russel et al., 2014).

In addition to the FSEM, two other criteria were employed. First, the case companies needed to be growth-oriented to guarantee that they would strive to grow, even if they were not succeeding in their efforts. Second, cases were selected so that the sample represented the heterogeneity of the Finnish social enterprise field in terms of business branches, ownership structure, organisational form and firm size and age. Compared to their European counterparts, Finnish social enterprises are market-oriented, as they need to adopt operational logics and resources typical of the private sector. In this regard, they form a rather compact cluster of social enterprises. Yet there is heterogeneity within the context, as explained above, and capturing this variation was important for enabling clustering, enhancing the generalisability of the results and eliminating biases resulting from an overly homogenous sample.

By applying these criteria, seven social enterprises were chosen. The data were collected through thematic interviews with entrepreneurs/owners. Altogether, three rounds of interviews were conducted. The first covered only two of the companies and was done by other researchers in 2013. The second round took place in 2015, and the final one took place at the end of 2016 and the beginning of 2017. Publications I and II used data from two first rounds to identify elements of growth orientation. Publication IV was based on the whole set of longitudinal data. The interviews lasted from one to two hours, and they were recorded, transcribed and analysed with the help of computer-assisted qualitative data analysing software.

Multiple methods of qualitative analysis were utilised. Concerning Publication I, the first round of analysis included both constant comparison method, in which interviewees’ perceptions of operational environment and their growth motives were reflected on the premises of the two behavioural theories, and more inductive approach regarding goals of growth. After aggregating the codes from the first round of analysis to a conceptual level, associations between leaders’ perceptions of their firms’ external environments, the leaders’ growth motivations and goals of growth were investigated. Both within and across firms analysis were conducted to locate patterns from the data. Publication II made use of literal replication method to test the assumption that social mission is a primary driver of growth in different types of social enterprises by locating the potential differences within the social enterprise sample.

Finally, in Publication IV growth models were first studied as governance structures by constant comparison with growth strategies and models identified by social enterprise growth research. Second, growth models were framed as sets of business activities following the definition by Zott and Amit (2010). The shortcomings and benefits of the two types of growth models were then analysed and compared. To facilitate finding
3 Methods

patterns, the case companies were clustered both according to their growth performance and ownership structure.

3.3 Evaluation of validity and reliability

To evaluate the quality of the dissertation, parallel scientific criteria of validity and reliability are applied in both the quantitative and qualitative part of the study. Especially in qualitative research, selecting the most apt criteria depends on the overarching philosophical perspective chosen for the study. Eriksson and Kovalainen (2008) present three and Patton (2002) five different types of criteria for assessing the quality and trustworthiness of qualitative studies. In terms of ontology and epistemology, the dissertation relies on the principles of critical realism. It is acknowledged that critical realism is an arduous point of departure, as it is a broad orientation within the philosophy of science, and encompasses a variety of perspectives and approaches. Moreover, critical realism does not offer a methodological toolbox for researchers but a set of rather demanding fundamental guidelines to follow. (Danermark et al., 2002; Eriksson and Kovalainen, 2008.) Next, the implementation of the fundamentals of critical realism in this study are briefly discussed.

The central concept of this study, ‘social enterprise’, is a multidimensional and fluid construct that means different things to different parties. The content and meaning of the term is defined by firm internal and external discourses. Sometimes non-profit organisations, for example, are seen to reframe and modify themselves into social enterprises as a reaction to dominant political discourses favouring social entrepreneurship. (Dart, 2004; Teasdale, 2011) However, while language matters, social enterprises are not in constant move of reconstruction and reinterpretation. There are firm external structures that affect social entrepreneurs’ attitudes as well as the behaviour and form of social enterprises. As stated in the preceding sections, structures and institutions such as welfare regimes, markets and the role of civil society organisations influence social enterprises by delineating the spaces and roles available for them. Therefore, studying the phenomenon requires a multilevel analysis. (Baglioni, 2017; Saebi et al., 2019.)

As a result, the study leans on relativist ontology, which recognises the existence of multiple realities within society. However, societies are considered to be formed by more or less permanent structures and agencies, each with their respective characteristics. As an epistemological principle, it is stated that researchers can and should acquire knowledge on the structures and their implications to the agencies, thus distancing the orientation from constructivism (Danemark et al. 2002.) Accordingly, this study focuses on objective indicators rather than subjective meanings, as the aim is to conceptualise some of the elements underlying the growth process of social enterprises. These elements include growth orientation, organisational growth and modes of growth, and are considered generalisable in terms of their constituent properties (Danermark et al., 2002, pp. 76-77).
3.3 Evaluation of validity and reliability

Generalisability, or external validity, as an empirical extrapolation is harder to achieve in the social enterprise research, since the concept is context-dependent. However, the results of quantitative studies are likely to hold in Finland and similar regions, as the survey showed a good response rate, and the sample represents Finnish SMEs well. As for capturing the constituent properties of the growth process of social enterprises, it was achieved by leaning on theories while analysing the data and constructing the concepts. In practice, this was done by utilising constant comparison and theory-driven coding. These procedures ensured that the concepts under development were rooted in the chosen theories. For example, organisational growth studied with quantitative methods was operationalised by using multiple indicators of growth as recommended by small firm growth research. The relative changes of those indicators were investigated, and the data was based on financial statements of companies, covering over a decade (Davidsson et al., 2010). Enhancing the samples of companies and the matching methods for publication III further improved the validity of the quantitative findings. As for the modes of growth, the conceptualisation reflected the importance of both firm internal and external relations and activities in implementing the growth modes (Zott and Amit, 2011).

Regarding internal validity, quality of the measures and robustness of the results were ensured by careful conceptualisation and measuring of the key concepts, social enterprises and growth. The samples of social enterprises were based on a list of third-party verified social enterprises and on self-recognition by a screening question. As for the measures of organisational growth, both subjective and objective indicators developed and tested within the firm growth research were employed. The statistical models included control variables and, together with a state-of-the-art matching method, ensured that potential determinants were taken into account. As a robustness check, young enterprises were analysed as a separate group, and different periods were used.

Reliability of the findings is built up by consistent research processes and by providing transparent descriptions of those processes, including the use of methods, coding schemes and interview guides. In addition, the dissertation employed various levels of triangulation: the triangulation of research approaches and theories and of analytical techniques (Patton, 2002).
4 Results

This section includes a synopsis of the publications (Table 10), after which the objectives, findings and contributions of each study are discussed in more depth.

Table 10. Synopsis of publications

<table>
<thead>
<tr>
<th>Publication I</th>
<th>Publication II</th>
<th>Publication III</th>
<th>Publication IV</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objective</strong></td>
<td>To investigate social enterprises’ growth as a multi-level construct of growth motivations and goals.</td>
<td>To explore the differences in commercial and social enterprises’ growth orientation and growth performance.</td>
<td>To compare the organisational growth of commercial and social enterprises, including the influence of the external environment.</td>
</tr>
<tr>
<td><strong>Findings</strong></td>
<td>A firm’s social mission is not the dominant motivator of growth, but sometimes growth is a reaction to external threats. The goals of growth are mainly defined in terms of organisational and financial performance.</td>
<td>Social enterprises are more growth-oriented than commercial enterprises. Over a 10-year period, the average growth rate of commercial and social enterprises is equal.</td>
<td>Social enterprises grow faster in economic downturns and slower in upturns than commercial enterprises. In the long term, these differences are minimised.</td>
</tr>
<tr>
<td><strong>Contributions</strong></td>
<td>Questions the dominance of social considerations as the main motivators of social enterprise growth. Demonstrates the benefits of using behavioural theories for multi-level analysis.</td>
<td>Indicates that growth orientation and performance are linked in a social enterprise context and thus encourages testing of the findings of firm growth research with social enterprises.</td>
<td>Provides robust population-level evidence through statistical comparative analysis based on multiple measures of growth and financial data.</td>
</tr>
</tbody>
</table>

The first publication explores firms’ growth orientation. The study involved a qualitative inquiry of seven growth-oriented enterprises granted the FSEM. Inspiration was drawn from behavioural theories of decision-making to investigate how the individual, organisational and institutional levels interact.

Objectives

The main objective was to obtain a more detailed understanding of why social enterprises pursue growth. Previous research on the issue promotes the view that social enterprises grow due to pull factors related to their social cause, the abundance of social opportunities or the prevalence of social problems. Risks related to the social mission and financial stability of the firm are thought to restrict the growth ambitions of social enterprises (Weerawardena and Sullivan Mort, 2006; Vickers and Lyon, 2014). However, studies focused on the transformation processes of firms offer opposing evidence; not only opportunities but also threats encourage firms to take risks and change their business models (Bogliacino and González-Gallo, 2015; Chattopadhyay et al., 2001). The study tested the divergent predictions of two behavioural theories related to risk-taking and decision-making under uncertainty: prospect theory (Kahneman and Tversky, 1979) and the threat-rigidity hypothesis (Staw et al., 1981).

McKelvie et al.’s (2017) conceptualisation of growth orientation was employed as it allowed the individual level of growth motivation to be combined with the firm-level concept of goals for growth. Such goals are particularly interesting in the social enterprise context, as strategy and management research has found evidence that firms perform better in areas monitored in relation to measurable goals (Brinckmann et al., 2010).

Results and contributions

The study discovered that both external threats, interpreted as potential financial losses, and expected gains related to the firm’s mission and financial stance motivated social enterprises to seek growth. External threats may be caused by competition and public procurement policies. Evidence regarding social threats was not found. Thus, unlike the previous research assumes, pull factors related to social considerations are not the dominant motivator of social enterprises growth. Interestingly, the growth motivation of social enterprise managers does not always take the form of firm-level growth orientation; sometimes, the board was reluctant to take financial and/or social risks related to growth. Moreover, the social goals of growth are left vague, while goals related to the scope and financial performance of firms are emphasised.

The study is valuable because of its multi-level approach to growth orientation, which was achieved by applying behavioural theories and a construct of growth motivation to connect different levels of analysis by assuming that the growth motivation of leaders
was influenced by their perceptions of their firms’ operational environment and firm-level goals of growth. In addition, by demonstrating that a firm’s growth orientation stems from both social and economic considerations, the study enhances the understanding of social enterprises’ growth process.

4.2 Publication II – Growth in social and commercial enterprises – a comparative mixed method study.

The comparative mixed method study explores both ‘why’ and ‘what’ questions of growth by comparing the growth orientation and growth performance of commercial and social enterprises. It supports the growth-as-process approach by linking individual-level growth motivations to organisational performance.

Objectives

The study addressed two major gaps in the social enterprise growth research. First, it was one of the first studies to investigate social enterprises’ growth performance with multiple measures of organisational growth and data obtained from financial statements covering a long period of time (2003–2014). The study also employed a comparative setting in the quantitative part and compared commercial and social enterprise leaders’ growth ambitions in addition to the firms’ growth rates. Furthermore, the study sought to test whether growth motivation and growth performance are linked in social enterprises, as firm growth scholars have found that business leaders’ growth motivation is one of the most important factors determining their firms’ growth (Dobbs and Hamilton, 2007; Wiklund et al., 2009). Second, to explain the observed differences in growth ambitions, the origins of social enterprise leaders’ growth motivations were explored and visualised through qualitative analysis.

Results and contributions

The findings indicate that social entrepreneurs are more growth-oriented than their colleagues leading commercial enterprises. Surprisingly, social enterprise leaders’ motivation to seek growth was mostly due to financial pressures rather than their firms’ social missions or social opportunities. Some leaders saw growth as an intermediary factor ensuring the survival of the firm. Furthermore, high growth ambitions and better growth performance were linked in social enterprises. During the research period, the average growth rates of commercial and social enterprises in terms of sales and employment were the same.

The study contributes to social enterprise growth research by suggesting that financial considerations play a bigger part in social enterprises growth than previously thought and calling for more research on the subject. It provides a basis for future studies and proposes that the financial pressures felt by social enterprise leaders explain their higher growth ambitions. A tentative conceptual framework of the divergent origins of growth motivation is created.
4.3 Publication III - Growth of social and commercial SMEs – a comparative study.

The third publication continues to explore the organisational growth of social enterprises by using an improved research design from the previous publication. The research design, which includes an enhanced social enterprise sample, a one-to-one company pairing method and multiple measures of growth. In addition, the influence of economic cycles is taken into account.

Objectives

The paper answers the calls for robust population-level statistical studies to build a basis for accumulation of knowledge and development of theoretical grounding in the research field (Lepoutre et al., 2013). It also investigates whether social enterprises are able to live up to expectations and generate jobs and tax revenue in more turbulent times. Their growth performance is compared with SMEs in different economic cycles to identify potential unique elements of social enterprises’ growth.

Special attention was paid to the indicators of growth. Growth was conceptualised as a change in measures of the volume of sales, employment and assets and in measures related to effective use of resources, namely, asset turnover and labour productivity. The social side of growth is out of the scope of the study. However, investigating the organisational performance of social enterprises was regarded as important since social enterprise growth has not been studied with proper measures of growth and financial data, even though the social enterprise growth literature implies that successful organisational growth increases the social impact of certain social enterprises (Battilana and Lee, 2014; Davies et al., 2018).

Results and contributions

The growth of social enterprises was found to be countercyclical; the firms showed resilience during recessions by growing faster than commercial SMEs. In the long term, the differences between the two types of enterprises are minimised, as in economic booms the growth rate of social enterprises slows to below that of commercial enterprises. The differences are significant in all volume-based measures of growth.

The study provides novel insights into why these differences may occur. The role of assets is particularly interesting. Overall, social enterprises have more assets than other SMEs. The findings of firm growth literature suggest that assets can act as slack resources and provide a buffer against economic downturns (e.g. Bradley et al., 2011). Also, if a firm’s assets include valuable and versatile resources that can be easily deployed when needed, they are associated with high growth (Nason and Wiklund, 2006). However, further studies are required to test these results in other contexts and identify the factors that enable countercyclical growth.
4.4 Publication IV – Investigating growth models tailored to foster social and financial objectives.

The value of this study relies on its comparative research design, use of longitudinal financial data and multiple measures of growth. It also opens up new avenues for social enterprise growth research by drawing attention to the linkages between different types of resources and the growth performance of firms.

4.4 Publication IV – Investigating growth models tailored to foster social and financial objectives.

The last publication concentrates on how social enterprises employ growth modes as they pursue growth. Longitudinal qualitative data is used to detect developments and transformations that occurring over the three-year period under study. The paper contributes to the dissertation by demonstrating how partners are involved into the micro-processes of growth and how the outcomes of growth are created by daily business activities.

Objectives

The purpose of this study was to advance the understanding of how social enterprises are able to maintain balance between their financial and social goals while growing. There are plenty of studies on growth strategies and modes of social enterprises that have developed typologies of both strategies and modes and identified antecedences and consequences (André and Pache, 2014; Dees et al., 2004; Lyon and Fernandez, 2012). So far, the research has depicted growth modes as static constructs. Parallel and sequential use of different modes and operationalisation of these modes have rarely been examined.

In this study, social enterprises’ use of growth modes over time is analysed through two approaches. First, growth modes are framed as governance structures that indicate with whom and through which arrangements growth is sought. Second, growth modes are conceptualised as sets of business activities. Capturing these sets involves analysis of what is done, by whom it is done and how different activities are related to each other.

(Zott and Amit, 2010.)

Results and contributions

The study finds that social enterprises employ various growth modes along their growth path, both in parallel and in sequence, depending on the goals set for growth. They also mix organic, acquisition and hybrid growth modes. Using the activity-based approach to analyse growth modes illustrates how a balance of financial and social outcomes is maintained (or compromised) through business activities undertaken throughout the growth process. Moreover, framing growth modes as sets of activities provides detailed knowledge on partnerships, revealing, for example, that partners are involved in growth with organic growth modes.

The activity-based approach to studying growth modes is recommended as a way to analyse modes as intermediaries between the goals and outcomes of growth. The
outcomes of growth are created through daily business activities aimed at generating growth. In this study, a virtuous circle between financial and social missions required sustained internal commitment to the firm’s social mission and the ability to convince suitable partners to join in carrying out the activities.

In addition to introducing a new analytical framework for analysis of social enterprises’ growth mode, the findings of this study may prove beneficial for firm growth research in general. Recently, prosocial and sustainable entrepreneurship have attracted interest, and new businesses have been created to achieve goals stemming from those domains (Shepherd and Williams, 2014; Zahra and Wright, 2016). Thus, learning from social enterprises about how to manage tensions or, in the best case, how to create a mutually reinforcing cycle of financial and social missions within a firm is valuable.
5 Conclusions

The purpose of this dissertation is to develop a more holistic understanding of social enterprises’ growth process. To concretise this aim and assess the value of the dissertation, this section begins by discussing how the research questions are answered. Next, the theoretical and practical implications of the findings are elaborated. Finally, the limitations of the study are acknowledged and some topics for future studies are suggested.

5.1 Answering the research questions

The growth process of social enterprises is multidimensional in three respects: different phases of the growth process are interlinked; the process takes place at the individual, organisational and institutional levels; and the parallel financial and social missions are, in an ideal case, an inherent part of both the growth process and the expected outcomes of growth. The purpose of this research is to contribute to a better understanding of the phenomenon by addressing four research questions. The main research question applies to the whole thesis, and it is divided into three more focused sub-questions. Before looking into the main question, which is related to the balance of social enterprises’ financial and social missions during their growth process, the sub-questions concerning the ‘why’, ‘what’ and ‘how’ of growth are described.

The dissertation begins by examining what happens before growth, asking the following research question: Why do social enterprises pursue growth, and what are the origins of their growth orientations? Growth orientation is conceptualised as managers’/owners’ growth motivations, which are influenced by their perceptions of the firm’s external environment and goals for growth. Applying behavioural theories concerning risk-taking, the institutional level is connected to the individual’s motivations, organisational responses to goal formation and, finally, to growth orientations. In addition, the boards of social enterprises are situated at the nexus of the individual and organisational levels. Disagreement between internal actors in a firm, such as boards and managers, may mean that managers’ willingness to grow does not translate into a growth orientation of the firm.

Previous research has assumed that social enterprises’ growth orientations stem from their social missions or an abundance of social opportunities. Threats to their social missions or financial survival are believed to lead them to avoid growth. Overall, social enterprises are considered more risk-averse than other enterprises and are believed to lack financial incentives to grow (Lumpkin et al., 2013; Shaw and Carter, 2007; Weerawardena and Sullivan Mort, 2006). The findings of this thesis indicate otherwise. Not only are social enterprise leaders’ more growth-oriented than their colleagues running commercial enterprises but also they are driven to grow by concerns related to their firms’ financial survival.
The second sub-question is as follows: **What grows as a result of social enterprises’ growth pursuits, and what is their growth performance?** This question concerns a nearly non-existent topic related to social enterprises’ organisational growth. It was addressed by exploring the influence of the institutional level on organisational performance. The robust quantitative studies performed as part of this study, which used financial data covering over a decade, achieved promising results regarding social enterprises’ resilience. Specifically, social enterprises outperformed commercial SMEs during the period when Finland suffered from a recession. In the long run, though, the pace of growth of social and commercial enterprises was equal as social enterprises grew slower during an economic boom.

The evidence is compelling since it was gained with a comparative setting and multiple measures of growth. It is acknowledged that the overall value of social enterprise growth cannot be reduced to changes in sales, employees and assets, but for many social enterprises, organisational growth is a way to achieve social outcomes (Battilana and Lee, 2014; Davies et al., 2018). Moreover, employing a variety of growth indicators, as recommended by firm growth research, led to interesting observations concerning the type and use of resources. The attributes of deployable resources may be linked to social enterprises’ relatively good performance during recessions. However, different clusters of social enterprises differ in several ways, including their resource base. Thus, the study should be replicated with other types of social enterprise populations and in different contexts to identify the determinants of growth and their validity across the landscape of social enterprises.

The third sub-question is as follows: **How do social enterprises pursue growth and use growth modes over time?** The question is addressed by utilising an analytical approach from business research (Zott and Amit, 2010). Growth modes are studied as sets of activities that make it easier to connect growth modes with the goals of growth on one hand and the outcomes of growth on the other. It is also shown that creating a virtuous circle between financial and social missions of the firm is possible if the firm remains committed to its social mission and successfully finds partners that enable balanced growth.

Using this approach has several benefits. First, it allows one to investigate the micro-processes of growth by using business activities as the unit analysis, not governance structure or firm solutions, for example. The relative weight of financial and social missions as well as the content of those missions may vary over time, influencing growth modes and the outcomes of growth created by business activities. The micro-process perspective is largely absent from social enterprise research, even though it offers intriguing opportunities for the research field (for a recent exception in the research on social enterprises’ business models, see Muñoz and Kimmit, 2018).

The approaches and findings described above complement each other and build a basis for answering the main research question: **How are the financial and social missions of social enterprises balanced in their growth process?** The dissertation covers the entire
growth process, from the origins of growth orientation to growth modes as sets of activity systems that generate growth outcomes. Links between the phases of growth are studied. Growth motivation is found to be associated with organisational growth performance, and growth modes are found to be located at the intersection between the goals and outcomes of growth. Furthermore, the results confirm that social enterprises’ growth process takes place at multiple levels at the same time. For example, the operational environment influences managers'/owners’ growth motivation as well as the growth performance of firms. In addition, the dissertation confirms observations of positive bias within social enterprise growth research (Davies et al., 2018; Zhao and Han, 2019). Therefore, the primacy of social mission as a driver of growth and a central element of growth modes is questioned as regards to the market-oriented social enterprises investigated in this dissertation.

5.2 Contributions

5.2.1 Theoretical contributions

The research designs and findings of this dissertation extend the theoretical understanding of social enterprises’ growth as a multidimensional process that takes place at different levels. The studies demonstrate how harnessing the analytical approaches and principles outlined by firm growth researchers can be used to complement prior research on social enterprise growth. This is done by adopting research designs suitable for capturing the processual nature of growth and following recommendations concerning operationalisation of growth. In addition, borrowing from behavioural theories and business model literature has proven useful when investigating interactions between the individual, organisational and institutional levels within the growth process. By integrating approaches from other disciplines, the thesis contributes to a more solid theoretical grounding for growth process of social enterprises. Next, the contributions are examined one at a time.

First, the insights related to research designs are discussed. Instead of taking snapshots of growth performance at certain points in time or framing growth orientation or growth modes as static constructs, the process-based view of growth allows one to create a continuum of all the elements of growth, from managers’ growth motivations to the outcomes created by daily business activities. Finding ways to analyse holistic growth processes is vital, as different growth processes are likely to result in different outcomes. The expected positive outcomes of social enterprises have increased enthusiasm for the issue. Growth processes need to be described in a more precise manner to allow future studies to create hypotheses concerning the cause and effect relations within these processes.

The thesis shows that including the temporal dimension in a research design is important even if the focus of the study is on a specific element of growth process. For example,
when growth models are investigated as governance structures, exploring parallel and sequential use of the models develops understanding of whether employing different models serves different purposes and leads to varying outcomes of growth.

Second, multilevel analysis sets requirements for research designs and background theories alike. The findings indicate that linking the individual and organisational levels with the operational environment is reasonable. In the thesis, behavioural theories are employed with good results, because they help to create a broad view on social enterprises growth orientation. The external environment influences social enterprises’ growth orientation through internal actors’ perceptions of the environment. The premises of both prospect theory and threat-rigidity hypothesis gain support from the data. Applying the former approach is particularly interesting, for it reveals that external threats and fear of losses are much more prominent drivers of growth in social enterprises than thought. Behavioural theories are not widely applied in social enterprise research, although they have great potential.

Another showcase for the importance of using novel theoretical constructs is to be found from Publication IV, where growth models are framed as sets of business activities. Inspiration was drawn from business model literature. Analysis of an activity set is comprised of identifying what kinds of business activities are carried out, who takes part in them and how activities are linked. The approach may prove useful also for untangling the complex issue of social impact measurement, for the outcomes of growth are created through daily business activities.

Third, the measures of growth deserve a lot more attention from social enterprise growth researchers, for one of the biggest challenges for scholars is operationalising growth in a meaningful and reliable way. Also, choosing proper unit of analysis and measures of growth is required to evaluate the outcomes of social enterprise growth and to move from assumptions to evidence. In this dissertation, following the recommendations provided by firm growth researchers yielded fruitful results. Novel insights were obtained by employing multiple measures of growth and utilising financial data. Although the focus was on organisational growth, and thus measuring social impact was not within the scope of the dissertation, the literature review presented studies that had begun the demanding task of measuring the social outcomes of growth. It is proposed that also studies concentrating on the dissemination of innovation or increasing social impact can use the theoretical recommendations offered by firm growth research, for the basic principles are not exclusive to organisational growth.

Finally, the study urges social enterprise scholars to pay more attention to financial side of social enterprises’ growth. After all, there are various forms of social enterprises that have to sustain themselves in competitive market environment, and whose social impact is more or less dependent on the volume of their business. Financial considerations should
not be overlooked to guarantee the relevance of the research from the practitioners vantage point (see critique of firm growth research by Achtenhagen et al., 2010).

Social enterprises are notoriously heterogeneous, and based on the findings of firm growth literature, firms’ context and demographic factors have an impact on their growth performance (Delmar et al., 2003; Wiklund et al., 2009). In a social enterprise context, the degree of dependency on markets may be a decisive factor. Even though the conceptual framework (figure 3, chapter 2.3.3) of this thesis proved as valid starting point, it should be tested with other types of social enterprises in different contexts to identify boundary conditions. Building a solid theoretical understanding of social enterprise growth requires one to capture the growth processes of different social enterprise populations.

Small firm growth research

The societal role of enterprises is expanding as prosocial and sustainable enterprises, for instance, are gaining momentum. Social enterprises serve as an interesting case with which to investigate enterprises’ role in society, as they are forerunners in utilising business to solve shared societal problems (Santos, 2012; Shepherd and Williams, 2014; Zahra and Wright, 2016).

Learning from social enterprises may prove worthwhile, as promoting social missions alongside the financial ones may intensify the tensions that firms encounter. Some internal tensions have already been recognised (Joseph and Wilson, 2018). Different stakeholders are interested in different outcomes of growth, which may create tensions between firms and their stakeholders or, in a worst case scenario, barriers to growth (Davies et al., 2018). Social enterprises have struggled with these types of tensions from the beginning but have found ways to minimise them or to create a virtuous circle in which a firm’s social mission and financial mission reinforce each other. A broad range of growth strategies and modes are tailored to foster the financial and social missions of the companies.

To conclude, even though social enterprise growth research has much to learn from scholarship focused on firm growth, there is one stream of research in which these roles may be reversed: the stream in which growth is studied as intermediary process intended to achieve goals beyond growth of firm. This type of approach should be applied in small firm growth research as well (Davidsson et al., 2010). In this study, guidelines for studying growth as a multidimensional process are proposed.

5.2.2 Practical contributions

This dissertation has value for social enterprise leaders and policy makers. It urges the managers and board members of social enterprises to look at growth as a process with different yet connected phases related to why the firm should grow, what should grow and how it should grow. Managing the growth process starts with analysis of why growth
The goals of growth tie together ‘why’ and ‘what’ questions because, in an ideal case, goals reflect the above-described drivers of growth and are connected to the expected end results. Measurable goals are powerful incentives, as firms are more likely to act on specified and measurable goals than vague ones (Brinckmann et al., 2010; Smith et al., 2013). Therefore, social enterprise leaders should evaluate the balance of financial and social growth-related goals. However, defining measurable social goals is harder than setting targets for sales or the number of employees, for example. The balance between different goals can be examined by answering the following question: Can a firm’s performance be monitored and can its success be evaluated in both financial and social terms?

The last question explored by this dissertation concerns how goals are achieved. It finds that growth strategies and modes are to be tailored to support goals. Choices in this context depend on various factors, which were discussed at length in Section 2.2.2. Some of the issues that actors must consider are as follows: Do we want to serve existing beneficiaries or find new ones? Are our goals best accomplished by disseminating existing solutions (programmes, services or products), or is it necessary to develop new ones? Is there a trade-off between controlling the quality and implementation of the solution and maximising its social impact? The answer to the last question depends on several factors, including the attributes and theory of change underlying the solution.

One of the novel insights of this thesis is to view growth modes as sets of activities instead of branching, social franchising, licensing or other governance structures. It is critical to understand what kinds of business activities are carried out, who takes part in carrying them out and how these activities support each other and, together, accomplish the selected goals. In this approach, outcomes are not viewed as something to be awaited for years, but as something created through daily business activities. The results of the dissertation imply that a virtuous circle of the financial and social outcomes of growth is created by growth modes, including activities that reinvigorate a firm’s internal commitment to its social mission and involve suitable, trusted partners.

For policy-makers, social enterprises offer a benchmark for what can be expected from businesses regarding their role in society and how they can be supported in fulfilling that role. On a positive note, social enterprise leaders are highly motivated to grow their businesses, and firms are also able to grow and provide jobs during recessions. Nonetheless, pressures to seek growth, such as size requirements related to public procurements, from outside of the firm may dispose firms to unnecessary tensions. The success of social enterprises appears to be based on tight and active partnerships. Sometimes the most suitable partners are found from public sector.
Last, setting society-level goals for social enterprise growth should be considered a broader policy issue instead of an effort of individual social enterprises. Entrepreneurs and managers could be involved in setting priorities and goals that will be pursued in society or a certain sector. Orchestrated efforts could attract a wider group of enterprises and encourage other socially oriented enterprises to join in. If the procedure involved setting measures for those goals, the burden of evidence would be lessened for sole enterprises and practices for measuring large-scale social impact might be advanced.

5.3 Limitations

In this section, the limitations of the dissertation as a whole are acknowledged. Limitations related to individual publications are discussed within each publication. First, operationalisation of growth is one of the major challenges within social enterprise growth literature, and the growth of social enterprises is not perfectly operationalised in this study, either. In the quantitative publications, the firm is chosen as the unit of analysis, and the problems associated with this choice are left unresolved. One such problem was established by firm growth researchers: transformations like mergers and affiliations are common enough to influence in longitudinal growth studies, even if they are based on large data sets (Davidsson and Wiklund, 2000). In addition, an increase in social impact is not included in the definition of growth in these studies.

Second, organisational growth is intentionally highlighted, probably at the expense of social aspects of growth, as this perspective is deemed to be lacking in the prevailing research on social enterprise growth. Leaning on firm growth theories and concepts further strengthens this bias. Although this is an intentional choice, it means that the dissertation cannot capture all the dimensions and rationales of social enterprise growth.

Third, as always, choosing a context and limiting the study to a certain population of social enterprises weakens the generalisability of the results. Finnish social enterprises belong to the more market-oriented end of the social enterprise spectrum. Thus, although the results may apply to similar populations, they are not necessarily representative of, for example, social enterprises that are rooted in the social economy and rely on grants and volunteer work. Thus, the studies in this dissertation should be replicated in other contexts and with different social enterprise populations.

5.4 Future research topics

Growth is an interesting way to scrutinise the boundary conditions and flexibility of the concept of social enterprises. Growth is, by definition, a process of change that exerts influence on firms’ internal processes and may alter the balance of firms’ financial and social goals. This raises several questions: To what extent can the balance be altered? Is a temporary drift in missions acceptable if it leads to success in the long term? How rigid or fluid is the concept of a social enterprise, and can the boundary conditions be violated without causing a firm to permanently lose its status as a social enterprise?
The research field has defined various typologies to illustrate the landscape of social enterprises. The next logical step is to investigate the differences and similarities between the growth processes of different types of social enterprises. For example, the factors of growth and growth strategies and modes are among the most studied topics within the research field. However, how these play out in entrepreneurial non-profits or social cooperatives, as described by Defourny and Nyssens (2017), remains unclear. Moreover, future studies should examine the influence of operational environments.

One of the biggest gaps within social enterprise growth research is the lack of identified outcomes of growth. Although the process- and activity-based approaches employed in this study are beneficial, they do not address the burning issue of operationalising the increase in social impact in a way that supports accumulation of knowledge. In addition, an interesting question posed by strategy and management studies but not addressed by this study is whether the goals and outcomes of growth are connected within the social enterprise context?

Finally, the benefits of applying the findings, concepts and theories from firm growth studies are not fully exploited by this study. Scholars should continue to borrow and test research designs, theoretical choices and process perspectives for the benefit of practitioners in particular. Davidsson et al. (2010) suggested that if the (overly) deterministic stage models of growth were to be further developed, they might prove useful for managers and leaders. This may be one idea for social enterprise researchers to borrow.
6 References


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Publication I

Tykkyläinen, S.
Why social enterprises pursue growth? Analysis of threats and opportunities

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Publication II

Tykkyläinen, S., Kotiranta, A. and Puimalainen, K.
Growth in social and commercial enterprises – a comparative mixed method study

Proceedings of ISIRC 2016 Conference, Glasgow
Publication III

Kotiranta, A., Tykkyläinen, S. and Puumalainen, K.
Growth of social and commercial SMEs – a comparative study

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Publication IV

Tykkyläinen, S.
Investigating Growth Models Tailored to Foster Social and Financial Objectives

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