

**Growing a hybrid venture:
Toward a theory of mission drift in social entrepreneurship**

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Abstract

Although many social entrepreneurship (SE) scholars refer to instances of “mission drift” in SE ventures, there is currently no explanation of this phenomenon. SE ventures are organisations that choose to be simultaneously guided by two distinct goals – generating revenue and maximising social welfare. However, when making decisions about growth, some SE ventures shift their attention from the goal of social welfare maximisation to the goal of revenue generation, thus experiencing a mission drift. This dissertation investigates why some SE ventures are susceptible to mission drift when making decisions about growth and develops a theory of mission drift in social entrepreneurship by drawing on insights from organisational identity (OI) theory and conceptualising SE ventures as hybrid organisations with dual normative and utilitarian identities.

As predicted by OI theory, data analysis conducted during the course of this research project has revealed that OI did have an influence on the growth strategies considered by the ten hybrid ventures investigated in this dissertation. Specifically, the hybrid ventures with a dominant utilitarian identity considered mostly organisational growth strategies (e.g. brand licensing), whereas the hybrid ventures with a dominant normative identity considered a mix of organisational growth and impact scaling strategies (e.g. dissemination of ideas). However, a more in-depth analysis revealed that, even within the group of hybrid ventures with a dominant normative identity, there was a considerable variation in the amount of attention paid to impact scaling strategies. Those ventures that showed a greater stability in their dominant identity (stability of the hybrid identity hierarchy – HIH) more consistently talked about impact scaling strategies than those with a lower HIH stability.

These findings suggest that HIH stability might have a moderating role in the identity-strategy link for hybrid ventures with a dominant normative identity, or, in other words, for SE ventures. It is, therefore, proposed that SE ventures with a less stable HIH are more likely to experience mission drift than those with a greater HIH stability. The proposed conceptual model of mission drift in social entrepreneurship aims to advance both the SE and OI literature streams, as well as to contribute to the practice of social entrepreneurship by providing recommendations for preventing mission drift in SE ventures.

Zusammenfassung

Obwohl viele im Bereich Sozialunternehmertum forschende Wissenschaftler auf Fälle von „Mission Drift“ hinweisen, gibt es derzeit keine Erklärung für dieses Phänomen. Sozialunternehmen sind Organisationen, die gleichzeitig zwei Ziele verfolgen: die Erzielung von Einnahmen und die Maximierung des Gemeinwohls. Stehen Sozialunternehmen vor Wachstumsentscheidungen, verschiebt sich der Schwerpunkt bei einigen Sozialunternehmen vom Ziel der gesellschaftlichen Wohlfahrtsmaximierung hin zum Ziel der Einnahmenerzielung; es kommt zu einem „Mission Drift“. Diese Dissertation untersucht, warum manche Sozialunternehmen für einen solchen „Mission Drift“ im Zusammenhang mit Wachstumsentscheidungen anfällig sind. Basierend auf der Theorie der organisationalen Identität definiert sie Sozialunternehmen als hybride Organisationen mit einer dualen normativen und utilitaristischen Identität und entwickelt eine Theorie des „Mission Drift“.

Die Datenanalyse von zehn hybriden Organisationen bestätigt den Einfluss der organisationalen Identität auf die Wachstumsstrategien der Sozialunternehmen. Dabei bevorzugen vor allem Organisationen mit einer überwiegend utilitaristischen Identität organisationale Wachstumsstrategien (z.B. Markenlizenz), während Organisationen mit einer überwiegend normativen Identität einer Mischung aus organisationalen Wachstumsstrategien und Wirkungsskalierungsstrategien (z.B. Verbreitung von Ideen) folgen.

Die detaillierte Analyse zeigte, dass Sozialunternehmen mit einer höheren Stabilität der überwiegend normativen Identität (bezeichnet als Hybrididentitäts-hierarchie, HIH) konsequenter von Wirkungsskalierungsstrategien sprechen als solche mit einer niedrigeren HIH-Stabilität. Diese Ergebnisse deuten darauf hin, dass die HIH-Stabilität bei Sozialunternehmen eine moderierende Rolle im Bezug auf den Zusammenhang zwischen Identität und Strategie einnimmt. Es wird daher davon ausgegangen, dass Sozialunternehmen mit einer niedrigeren HIH-Stabilität mit einer höheren Wahrscheinlichkeit zu einem „Mission Drift“ neigen als Sozialunternehmen mit einer höheren HIH-Stabilität. Die Arbeit entwickelt ein konzeptionelles Modell für das Phänomen „Mission Drift“ in Sozialunternehmen und schließt eine Lücke in der Literatur zu Theorie der organisationalen Identität und Sozialunternehmertum. Darüber hinaus entwickelt sie praxisorientierte Handlungsempfehlungen zur Vermeidung von „Mission Drift“ in wachstumsorientierten Sozialunternehmen.

1. Introduction

“Like hybrid species in nature, hybrid organizational models can be a fountain of innovation. But they also face distinct challenges that may prevent them from thriving. When organizations combine social mission with commercial activities, they create unfamiliar combinations of activities for which a supportive ecosystem may not yet exist. Hybrids also must strike a delicate balance between social and economic objectives, to avoid “mission drift”—in this case, a focus on profits to the detriment of the social good.”

(Battilana, Lee, Walker, & Dorsey, 2012: 51)

1.1 Problem Overview

The sale of Ben & Jerry's to Unilever in 2000 provoked a wave of fury from Ben & Jerry's most loyal customers. Six years later The Body Shop was sold to L'Oreal, which was again met with a storm of criticism. Since 2006 it has almost become a trend – one after the other relatively small, social entrepreneurial (SE) ventures have been selling out to large corporations. Tom's of Maine, Stonyfield Farm Yogurt, Green & Black's, Burt's Bees, Innocent Drinks and Honest Tea are only some of the examples of SE ventures sold to large corporations – Colgate, Danone, Cadbury Schweppes, Clorox and Coca-Cola respectively (Austin & Leonard, 2008; Mirvis, 2008; Howard, 2009; Howard, Kleiner, & Green, 2009; Nazarkina, 2011a,b).

Although some of the motives for selling SE ventures to large corporations may have been different, the one most commonly identified was to scale their impacts by bringing sustainable goods and services to new consumers and markets. For example, Innocent Drinks describes its decision to sell to Coca-Cola in the following way (Stern, 2010: 14): “We can leverage Coke's route to markets in countries we wouldn't otherwise be able to operate in, and they help us access better rates on everything from media to oranges... This deal will help us get our little bottles of healthiness to many more people.”

However, such growth strategy decisions are often perceived by external stakeholders as sell-outs of ethical principles and ideals, or in other words a “mission drift” from social and/or environmental goals to the focus on profitability (Battilana et al., 2012; Austin, Stevenson, & Wei-Skillern, 2006). As one of the Innocent Drinks'

customers commented in the online blog on the Innocent Drinks' web-site (Innocent Drinks, 2009):

“So disappointed. It is not OK for you to say that you will still be the same company and that coke will ‘let’ you keep your ethical policies. The fact is that now part of the profit from every innocent smoothie goes to lining the pockets of coke’s shareholders. That’s something i chose not to do so I’m now no longer a customer- a real shame, I really liked your smoothies, but your business is tainted. How could you!” (Posted by jim, 7 April 2009, original spelling)

Why do so many SE ventures decide to pursue growth strategies that might lead to accusations of mission drift? This dissertation investigates the growth strategies of SE ventures and develops a theory of mission drift by applying the lens of organisational identity theory to the phenomenon of social entrepreneurship and the growth of SE ventures. The following sections in this introductory chapter define research objective and questions and outline the dissertation structure.

1.2 Research Objective and Questions

Although many SE scholars refer to instances of mission drift in social entrepreneurship (e.g. Battilana et al., 2012; Austin, Stevenson, & Wei-Skillern, 2006; Mirvis, 2008), there is currently no clear explanation of this phenomenon. SE ventures are organisations that choose to be simultaneously guided by two distinct goals – generating revenue and maximising social welfare. However, when making decisions about growth, some SE ventures shift their attention from the goal of social welfare maximisation to the goal of revenue generation, thus experiencing a mission drift. Why are some SE ventures more susceptible to mission drift than others? And which measures can be implemented to minimise the risk of mission drift in SE ventures? In the absence of answers to these questions in existing SE literature, this dissertation aims to develop a theory of mission drift in social entrepreneurship by drawing on insights from organisational identity (OI) theory.

OI theory is particularly relevant in understanding the mission drift in SE ventures as it offers a useful conceptualisation of SE ventures as hybrid organisations with dual identities of normative and utilitarian organisations (Moss, Short, Payne & Lumpkin, 2011) and explains some of the mechanisms through which the hybrid

identity of such organisations influences their strategy choices. Specifically, OI theory suggests that organisational identity and strategy are related in the following fashion: organisational identity ‘filters’ what decision-makers notice in the external environment and how they interpret it and, therefore, which strategic choices they eventually make (Ashforth & Mael, 1996; Tripsas, 2009; Livengood & Reger, 2010). It has also been theorised that in hybrid organisations it is the dominant identity that influences interpretations of external environment and defines which strategies a hybrid organisation will pursue (Gioia & Thomas, 1996).

Using this theoretical framework as a background for investigating mission drift in SE ventures, it can be expected that hybrid ventures with a dominant utilitarian identity should choose conventional growth strategies that aim to increase their revenues; whereas hybrid ventures with a dominant normative identity should choose growth strategies that embody the values of their dominant normative identity and aim to increase their impact. Assuming that SE ventures are hybrid organisations with a dominant normative identity, they should not display the behavioural patterns of hybrid organisations with a dominant utilitarian identity. However, as suggested above, the real life evidence conflicts with this theoretical proposition. This dissertation aims to explain the somewhat puzzling growth strategy choices of some SE ventures by questioning whether the dominance of a particular identity type in hybrid ventures is a stable property and whether this hybrid identity hierarchy (HIH) is prone to overturning when SE ventures are pushed for growth, thus resulting in mission drift. Therefore, the overall research objective and specific questions addressed in this dissertation are as follows:

Research objective: to investigate the susceptibility of SE ventures to “mission drift” when making decisions about growth.

Research question 1: How stable is the dominant organisational identity in SE ventures when making decisions about growth?

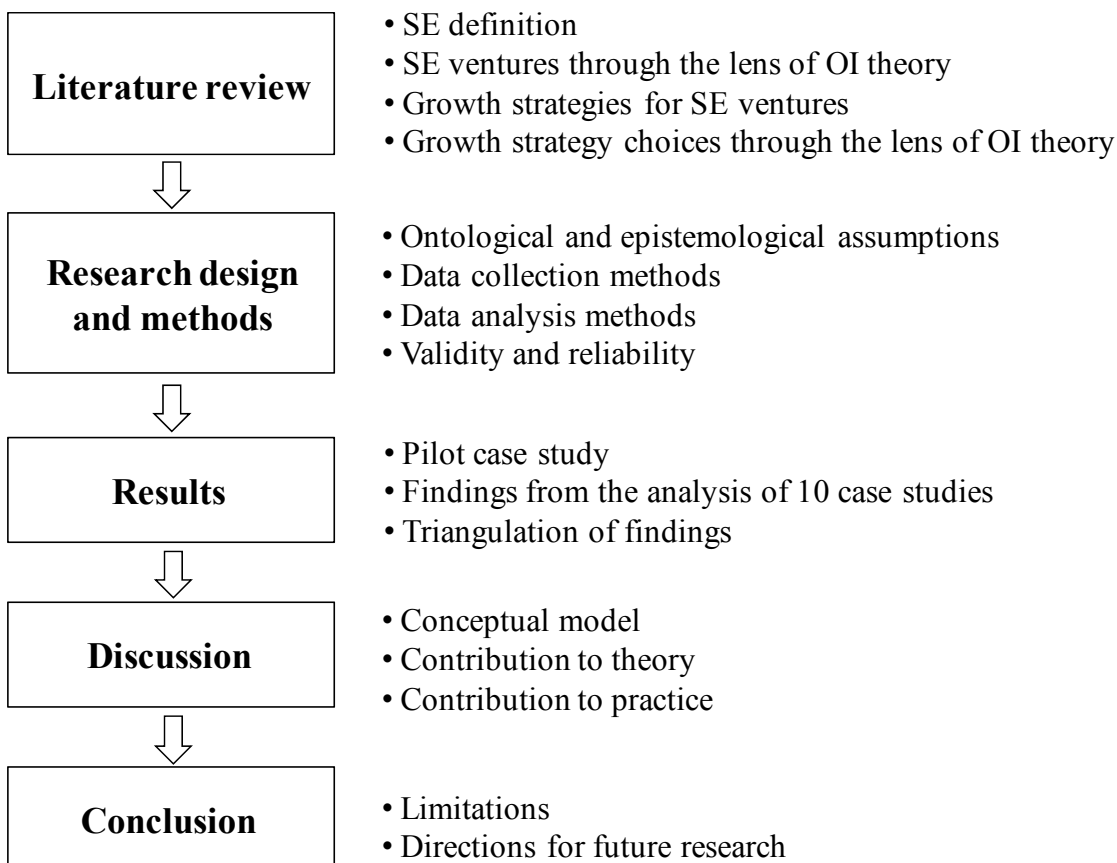
Research question 2: How does the stability of the hybrid identity hierarchy in SE ventures influence their interpretations of uncertainties in the external environment?

Research question 3: How does the stability of the hybrid identity hierarchy in SE ventures influence their choice of growth strategies?

1.3 Dissertation Structure

This dissertation is organised as follows (Figure 1-1): I start with the “Literature Review” (Chapter 2), focusing on the terminological debate on the social entrepreneurship definition (Section 2.1). I then apply the lens of organisational identity theory to conceptualise SE ventures as hybrid organisations with dual normative and utilitarian identities (Section 2.2). This is followed by a discussion of growth and scaling up strategies for SE ventures and the definition of mission drift in the context of social entrepreneurship (Section 2.3). I conclude the literature review chapter by applying the lens of organisational identity theory once again – this time to theorise about the growth strategy choices of SE ventures (Section 2.4). Finally, I define the research gap that is addressed in this dissertation to better understand mission drift in SE ventures when making decisions about growth.

Figure 1-1 Schematic overview of dissertation structure

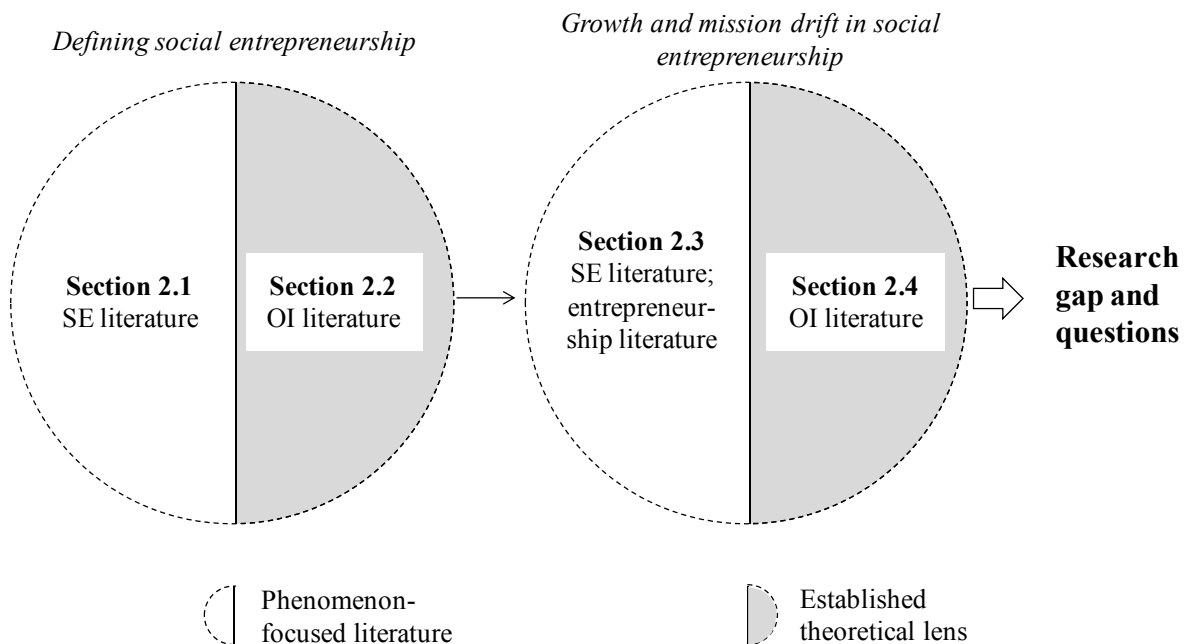


Chapter 3 “Research Design and Methods” starts with a brief discussion of ontological and epistemological assumptions about the empirical study conducted in this dissertation (Section 3.1). I then present the methods for data collection (Section 3.2) and analysis (Section 3.3) and discuss validity and reliability of the employed data collection and analysis methods (Section 3.4). This chapter is followed by the “Results” (Chapter 4), which summarise the findings from the empirical study, and the “Discussion” (Chapter 5), which proposes a conceptual model of mission drift in social entrepreneurship and outlines the contributions that this research makes to social entrepreneurship literature and organisational identity theory, as well as to the practice of social entrepreneurship. I conclude by noting research limitations and suggesting directions for future research (Chapter 6).

2. Literature Review

In this chapter I outline the SE terminological debate and present the spectrum of growth strategies for SE ventures. Then, drawing on organisational identity theory, I conceptualise SE ventures as hybrid organisations with dual normative and utilitarian identities. OI theory is also used to theorise about a relationship between organisational identity and strategy and potential reasons for “mission drift” in SE ventures. I conclude by highlighting the research gap and questions that are addressed in this dissertation. Figure 2-1 presents a schematic overview of the literature review chapter.

Figure 2-1 Schematic overview of literature review



2.1 Defining Social Entrepreneurship

The past ten years have seen the explosion of research into social entrepreneurship. Despite this unprecedented increase in attention, SE is one of the least defined concepts in entrepreneurship and management research. As remarked by Dacin, Dacin and Matear (2010), “Most definitions of social entrepreneurship refer to an ability to leverage resources that address social problems, although there is little consensus beyond this generalization” (p. 38). For instance, Dacin, Dacin and Matear (2010) compiled a list of 37 SE definitions, extracted from existing academic publications. A year earlier Zahra, Gedajlovic, Neubaum and Shulman (2009)

compiled a list of 20 SE definitions. The main debate is centred around the question of whether social entrepreneurship is distinct from other forms of entrepreneurial activity, such as commercially-driven entrepreneurship or institutional entrepreneurship, and, therefore, whether it deserves a specialised label and theories. As noted by Dacin, Dacin and Tracey (2011: 1203-1204), “For many, it is not clear how the study of (yet another) type of entrepreneurship adds theoretical value. As such, there is a need to articulate a unique place for social entrepreneurship within the existing domains of entrepreneurial studies.” This section provides a detailed overview of differences in SE conceptualisations and presents a range of typologies that were developed with an attempt to reconcile these differences.

2.1.1 Social entrepreneurship versus commercial entrepreneurship

One of the key problems that academic researchers in the SE field have to overcome is the presumption that there is something unique about SE that differentiates it from traditional forms of entrepreneurial activity. In other words, what is particularly “social” about social entrepreneurship? (e.g. Austin, Stevenson, & Wei-Skillern, 2006; Peredo & McLean, 2006; Certo & Miller, 2008; Harris, Sapienza, & Bowie, 2009; Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010; Dacin, Dacin, & Tracey, 2011; Acs, Boardman, & McNeely, 2013; Lumpkin, Moss, Gras, Kato, & Amezcua, 2013) This section explores prior attempts to distinguish SE ventures from their commercial counterparts by investigating the goals and mission, opportunities and resources, and organisational form of social and commercial entrepreneurial ventures (Table 2-1).

Some scholars suggest that social entrepreneurship is distinct from commercial entrepreneurship because the goals and the mission of SE ventures and their commercial counterparts are fundamentally different (Austin, Stevenson, & Wei-Skillern, 2006; Lumpkin et al., 2013). It is theorised that the primary goal of SE ventures is to solve a social/environmental problem, whereas the primary goal of a conventional entrepreneurial venture is to achieve high profitability and return on investment (Austin, Stevenson, & Wei-Skillern, 2006). SE ventures, therefore, create value for the benefit of society, while commercially-driven ventures appropriate value for the benefit of a certain group of individuals (Santos, 2012).

Table 2-1 Social vs. commercial entrepreneurship

Differentiation points	Social entrepreneurship	Commercial entrepreneurship	Summary of debate
Goals and mission	<ul style="list-style-type: none"> – Social goals first – Value creation for society 	<ul style="list-style-type: none"> – Commercial goals first – Value appropriation for a group of individuals 	<ul style="list-style-type: none"> – Any entrepreneurial activity contributes to society by creating employment and strengthening local economies. – Commercial ventures do not have to focus solely on profits.
Opportunities and resources	<ul style="list-style-type: none"> – Driven by social and environmental problems – Focused on long-term “needs” – Constrained access to financial and human resources 	<ul style="list-style-type: none"> – Driven by profit expectations – Focused on short-term “wants” – Financial and human resources are less constrained 	<ul style="list-style-type: none"> – Commercial ventures do not have to be guided only by resource exploitation logic (many are interested in generating a long-term livelihood). – Commercial ventures, especially at start-up phases, are also severely resource-constrained.
Organisational form	Variety of organisational forms including for-profit, nonprofit, hybrid and specialised forms (e.g. CICs)	For-profit organisational form only	Structural separation between for-profit and nonprofit activities is also not uncommon among commercial ventures.

However, one could also argue that any entrepreneurial activity contributes to society by creating employment and strengthening local economies (e.g. Venkataraman, 1997; Hitt, Ireland, Sirmon, & Trahms, 2011). Moreover, conventional entrepreneurial ventures do not have to focus solely on profits and ignore their social and environmental impacts. Illustrating this point, Acs, Boardman and McNeely (2013) cite examples of Microsoft Corporation and Grameen Bank, which are both for-profit businesses and have created both social and economic value, but the former is typically viewed as a commercial enterprise, whereas the latter as an SE venture. These scholars suggest that, “To think of social entrepreneurship as separate from commercial entrepreneurship may not be useful... explicit motivation of the

entrepreneur is not necessarily a requirement for social value creation. To put it another way, an entrepreneur can state social goals without actually creating social value, and there is no reason to suggest that in order to create social value, an entrepreneur must state this as an explicit goal.” (p. 787) Finally, Dacin, Dacin and Matear (2010) note, “Indeed, many ventures lauded in the conventional entrepreneurship literature might just as easily appear in the social entrepreneurship literature” (p. 45).

Both social and commercial entrepreneurial ventures require tangible and intangible resources to exploit opportunities (Meyskens et al., 2010), although SE opportunities are thought to be more long-term and focused on long-term societal “needs”, whereas commercial opportunities are focused on short-term consumer “wants” (Lumpkin et al., 2013; Murphy & Coombes, 2009). It has also been theorised that SE opportunities are “a special case of opportunities” (Robinson, 2007: 99) since they are grounded in social and environmental problems (Neck, Brush, & Allen, 2009; Patzelt & Shepherd, 2011) and are, therefore, more abundant than commercial opportunities (e.g. Miller, Grimes, McMullen, & Vogus, 2012). As noted by Austin, Stevenson and Wei-Skillern (2006), “A problem for the commercial entrepreneur is an opportunity for the social entrepreneur” (p. 3). There is, however, no agreement as to whether SE ventures are more resource-constrained than commercial ventures (Lumpkin et al., 2013), with some scholars arguing that commercial start-ups have equal difficulties in attracting employees and equity capital. Moreover, new forms of capital, such as social venture capital (SVC), are gaining momentum and offer unconventional opportunities for SE ventures to attract equity finance (e.g. Miller & Wesley, 2010).

Finally, similar to commercial entrepreneurial ventures, SE ventures often adopt a for-profit organisational form. This choice of an organisational form might be related to the industry in which they operate – for instance, for-profit SE ventures are more likely to occur in sectors where commercial organisations traditionally occupy the centre stage, such as information and communication technology, energy or web services (Perrini & Vurro, 2007). Another potential explanation is the perception of difficulties associated with resource acquisition – for instance, if the capital needs of an SE venture are high and the perceived availability of SVC finance is also high, the likely choice of an organisational form will be a for-profit venture (Townsend & Hart,

2008; Wilson & Post, 2013). Some SE ventures also choose to combine for-profit and nonprofit activities within one organisational structure through structural separation of these activities in sub-divisions (Kistruck & Beamish, 2010; Bromberger, 2011; Battilana et al., 2012). Structural separation of for-profit and nonprofit activities is, however, not uncommon among commercial entrepreneurial ventures, especially those that take their social and environmental responsibility seriously. Finally, some countries introduced new organisational forms especially for SE ventures, such as community interest companies (CICs) or low-profit limited liability companies (L3Cs) (Nicholls, 2010a; Bacq & Janssen, 2011). Although adopting such an organisational form will clearly distinguish an SE venture from a commercial entrepreneurial venture, many ventures still choose more traditional for-profit and nonprofit organisational forms.

To summarise, social entrepreneurship is often theorised as being distinct from commercial entrepreneurship since SE ventures are thought to have dominant social goals, rather than profitability goals. However, many conventional entrepreneurial firms also have strong social/environmental missions and, therefore, the difference between the two types of entrepreneurial activity is blurred. Furthermore, scholars have speculated that what differentiates SE ventures from their commercial counterparts is the nature of the opportunities and the resources required to pursue these opportunities. It is assumed that SE opportunities are driven by social and environmental problems and are more long-term. In contrast, commercial opportunities are driven by market gaps and are short-term in nature. However, such a conceptualisation might be, again, too narrow, since many commercial ventures are not interested in ‘quick hits’ but rather in generating a long-term livelihood for the team of founders.

It has also been suggested that access to resources (tangible and intangible) is more complicated for SE ventures, since many of them cannot have access to equity capital markets or cannot offer competitive salary packages to employees. This view has been contested by other scholars who highlighted that many conventional entrepreneurial ventures, particularly at start-up phases, are also severely constrained in their access to resources. Finally, it appears that organisational form also cannot be used to clearly distinguish between SE ventures and their commercial counterparts since many SE ventures adopt a for-profit organisational form or combine for-profit

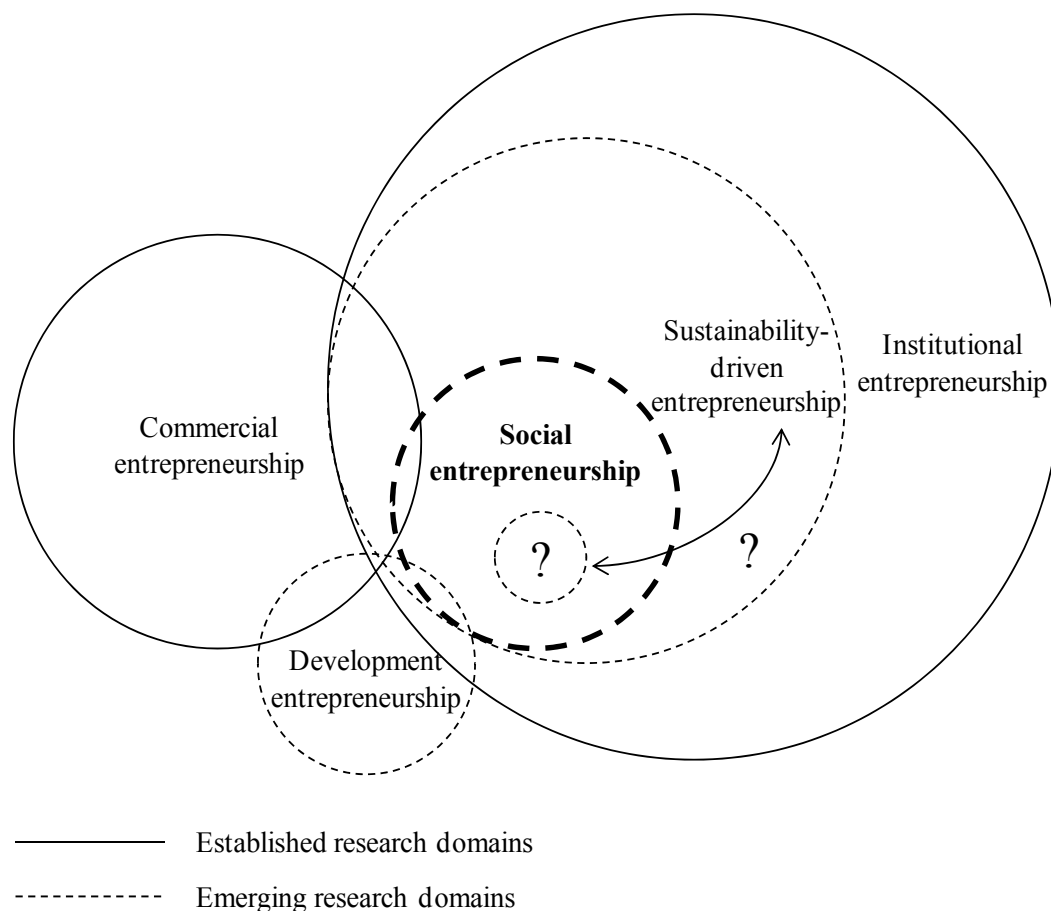
and nonprofit divisions within one organisational structure (which is also not uncommon for commercial entrepreneurial ventures).

Consequently, despite all attempts to clearly differentiate the social and commercial entrepreneurship research fields, their boundaries are still blurred. Having outlined the debate on differentiating factors between social and commercial entrepreneurship, I will now present the debate on SE distinctiveness vis-à-vis other forms of entrepreneurial activity, such as institutional entrepreneurship, development entrepreneurship and sustainability-driven entrepreneurship.

2.1.2 Social entrepreneurship and other forms of entrepreneurial activity

Scholars not only disagree on whether social entrepreneurship is different from commercial entrepreneurship, but also whether it is in any way different from other forms of entrepreneurial activity, such as institutional entrepreneurship, development entrepreneurship and sustainability-driven entrepreneurship (Figure 2-2). This section provides further details on these terminological debates.

Figure 2-2 Social entrepreneurship and other forms of entrepreneurial activity



Similar to the previous discussion on social and commercial entrepreneurship, social entrepreneurship appears to be somewhat similar to, but at the same time slightly different from, institutional entrepreneurship. Institutional entrepreneurs (e.g. Tracey, Phillips, & Jarvis, 2011; Mair, Marti, & Ventresca, 2012; Ruebottom, 2013) aim to transform institutions, or the dominant norms, values and practices in the industry and society, which is also a goal pursued by some social entrepreneurs. As a consequence, the same organisations are often used in the studies of social entrepreneurship and institutional entrepreneurship (see Mair & Marti, 2009 and Mair, Marti & Ventresca, 2012 for the BRAC study; Tracey & Jarvis, 2007 and Tracey, Phillips, & Jarvis, 2011 for the Aspire study). It was, however, suggested that the outcomes of institutional work conducted by SE ventures might outlive SE ventures themselves as shown in the case study of Aspire's failure by Tracey and Jarvis (2007). For this reason some scholars suggest that social entrepreneurship is a form of institutional entrepreneurship and, therefore, the latter is a broader term than the former (Ruebottom, 2013).

Another form of entrepreneurial activity that overlaps with social entrepreneurship is development entrepreneurship. It can be described as an entrepreneurial activity that aims to improve the livelihoods of the most disadvantaged (McMullen, 2011). According to McMullen (2011), development entrepreneurship is most pertinent in the least developed countries, where institutional barriers exclude local population from participation in global markets as producers or consumers. However, many SE ventures are also focused on social issues related to poverty and social exclusion. Moreover, some scholars view development entrepreneurship slightly broader than McMullen's (2011) definition: as an activity that takes place not only in the least developed parts of the world but also in developed countries and can take the form of community-based entrepreneurship (Peredo & Chrisman, 2006; Haugh, 2007a,b; Somerville & McElwee, 2011), thus blurring the distinctions between social and development entrepreneurship. Since not all SE ventures focus on development issues, SE could be viewed as a slightly broader term than development entrepreneurship (and slightly narrower than institutional entrepreneurship).

There is yet another form of entrepreneurial activity – sustainable or sustainability-driven entrepreneurship – which is understood by some as a subfield of SE and by others as a broader concept than SE. Specifically, scholars disagree over the

exact meaning of the term “social”: whether it refers only to human-related issues (such as poverty or social exclusion) (Hall, Daneke, & Lenox, 2010) or whether it also includes broader “societal” issues such as climate change and biodiversity loss (Neck, Brush, & Allen, 2009; Meyskens & Carsrud, 2013). For instance, Neck, Brush and Allen (2009) note: “the environment is one of many social problems facing the world today; therefore, issues related to the environment and sustainability are considered part of the larger domain of social entrepreneurship” (p. 14).

Another group of scholars, however, advocate the use of the terms “sustainable entrepreneurship” or “sustainability-driven entrepreneurship” as broader alternatives to social entrepreneurship that include both social and environmental aspects (Cohen & Winn, 2007; Pacheco, Dean, & Payne, 2010; Dean & McMullen, 2007; Hockerts & Wüstenhagen, 2010; Parrish, 2010; Dean & McMullen, 2007; Kuckertz & Wagner, 2010; Patzelt & Shepherd, 2011; Shepherd & Patzelt, 2011). For instance, Shepherd and Patzelt (2011) define sustainable entrepreneurship as an entrepreneurial activity “focused on the preservation of nature, life support, and community in the pursuit of perceived opportunities to bring into existence future products, processes, and services for gain, where gain is broadly construed to include economic and non-economic gains to individuals, the economy, and society” (p. 137), thus explicitly highlighting the broad scope of the term “sustainable entrepreneurship” and its inclusiveness of both social and environmental issues. Therefore, depending on the understanding of the term “social”, SE can be regarded as an entrepreneurial activity that is either narrower or more encompassing than sustainable entrepreneurship.

To summarise, existing literature diverges as to whether social entrepreneurship is distinctly different from other forms of entrepreneurial activity or not. For instance, scholars suggest that institutional entrepreneurs often pursue the same goals as social entrepreneurs (e.g. societal transformation), whereas development entrepreneurs address the same target audience as many social entrepreneurs (e.g. the poor). Moreover, scholars disagree on the exact meaning of the term “social”: whether it refers only to human-related issues (such as poverty or social exclusion) or whether it also includes broader societal issues such as climate change and biodiversity loss. It appears that institutional, development and sustainable entrepreneurship share many similarities with social entrepreneurship and, therefore, the question whether social entrepreneurship is indeed distinct from other forms of entrepreneurial activity remains

so far unanswered. The following section presents previous attempts to resolve these terminological debates by developing a typology of SE ventures.

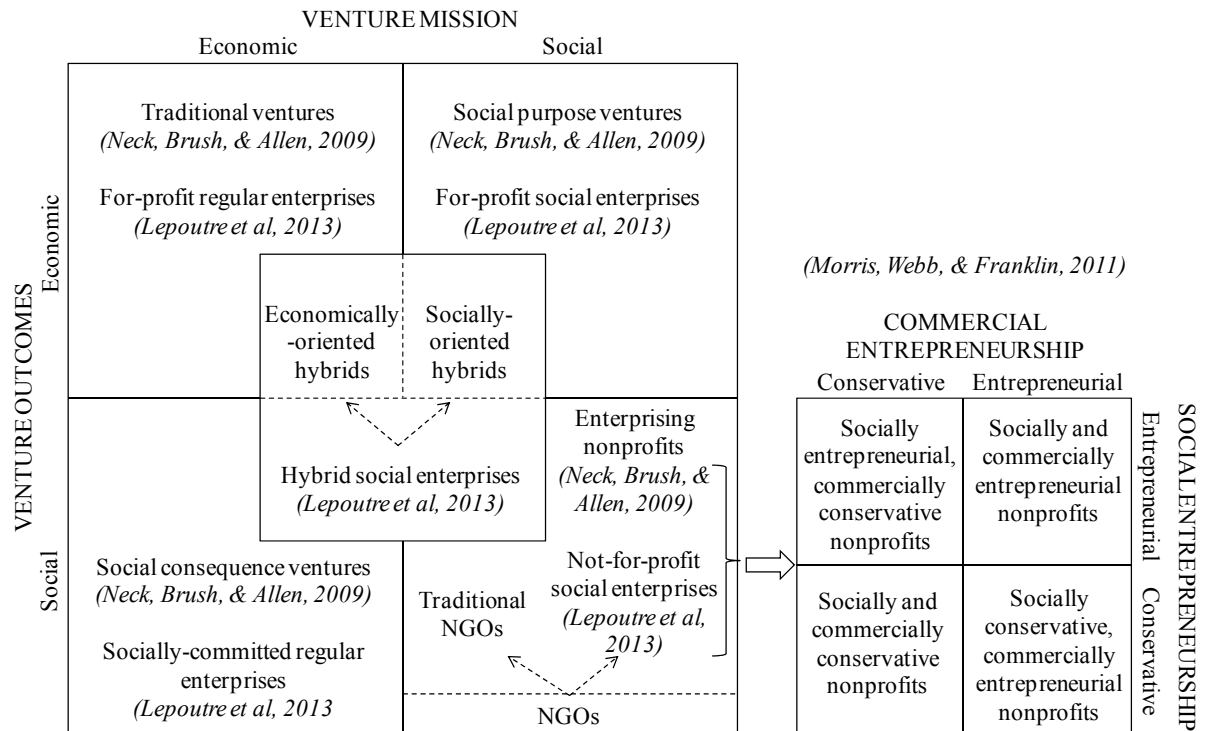
2.1.3 Defining social entrepreneurship through typologies

As suggested by Neck, Brush and Allen (2009: 15), “a lack of agreement on what defines social entrepreneurship or a social entrepreneur may not be important. Rather than define social entrepreneurship, we believe a more fruitful discussion may revolve around understanding the landscape of social entrepreneurship.” This section presents an overview of scholarly attempts to classify SE ventures into distinctive types and thus resolve the terminological debate about what SE is and what it is not.

The typology by Neck, Brush and Allen (2009) is centred on two dimensions: mission (economic vs. social) and outcomes (economic vs. social) (Figure 2-3). Depending on their combination, Neck, Brush and Allen (2009) differentiate between “social purpose ventures”, “enterprising nonprofits”, “social consequence ventures” and “traditional ventures”. Although in three out of the four venture types a “social” mission or an outcome plays a certain role, Neck, Brush and Allen (2009) propose that only social purpose ventures and enterprising nonprofits are the venture types that should be considered as SE ventures.

A similar typology, which is organised around venture mission orientation and income, is offered by Lepoutre, Justo, Terjesen and Bosma (2013). These scholars differentiate between “for-profit regular enterprises”, “socially-committed regular enterprises”, “for-profit social enterprises” and finally nongovernmental organisations (NGOs) (traditional and not-for-profit social enterprises) (Figure 2-3). Lepoutre et al. (2013) also define a category of “hybrid social enterprises”. Those might be either “economically-oriented hybrids” (for which economic objectives are more important than social and environmental objectives), or “socially-oriented hybrids” (for which the reverse is true) (Figure 2-3).

Figure 2-3 Existing typologies of SE ventures



SCALE OF ACTIVITIES *(Zahra et al, 2009)*

Social Bricoleurs	Social Constructionists	Social Engineers
<i>Scale:</i> local <i>Source of opportunities:</i> specific local knowledge <i>Strategy:</i> improvisation <i>Resources:</i> do not require external or specialised resources; bricolage <i>Challenges:</i> scaling up is limited by the focus on local needs and opportunities	<i>Scale:</i> regional <i>Source of opportunities:</i> social needs that are not yet addressed <i>Strategy:</i> planning and developing formalised scalable solutions <i>Resources:</i> considerable financing and staffing needs <i>Challenges:</i> competition for resources is often intense	<i>Scale:</i> societal <i>Source of opportunities:</i> systemic problems within the social systems and structures <i>Strategy:</i> facilitating innovation and change through “creative destruction” <i>Resources:</i> political capital is required to achieve legitimacy <i>Challenges:</i> difficulties in gaining legitimacy

SOCIAL ENTREPRENEURING MODELS *(Mair, Battilana, & Cardenas, 2012)*

Cluster 1	Cluster 2	Cluster 3	Cluster 4
<i>Issues:</i> law and rights <i>Target constituencies:</i> civil society organisations (CSOs) and children <i>Actions:</i> counselling <i>Capital:</i> political	<i>Issues:</i> environment, education and health <i>Target constituencies:</i> broader public <i>Actions:</i> education <i>Capital:</i> human	<i>Issues:</i> economic (e.g. poverty, unemployment) <i>Target constituencies:</i> farmers or women <i>Actions:</i> lending <i>Capital:</i> economic	<i>Issues:</i> civic engagement <i>Target constituencies:</i> CSOs and communities <i>Actions:</i> networking <i>Capital:</i> social

Morris, Webb and Franklin's (2011) typology is focused on nonprofit SE ventures only (Figure 2-3). These scholars use different dimensions for SE venture classification: the level of conservatism in the social and commercial domain and the level of entrepreneurship in the social and commercial domain. Specifically, they distinguish between: "socially and commercially conservative nonprofits", "socially conservative but commercially entrepreneurial nonprofits", "socially entrepreneurial but commercially conservative nonprofits", and "socially and commercially entrepreneurial nonprofits". Zahra et al. (2009) also offer different dimensions for SE venture typology (Figure 2-3). They categorise SE ventures based on the scale of their activities, with "Social Bricoleurs" acting on the local level, "Social Constructionists" on the regional level and "Social Engineers" aiming to achieve a large-scale (i.e. industry-wise, international) transformation (also see Smith & Stevens, 2010). According to Zahra et al. (2009), these SE venture types vary in how they discover opportunities, acquire resources and create impact.

Yet another typology is offered by Mair, Battilana and Cardenas (2012) who focus on "social entrepreneuring models" defined as configurations of conceptually distinct characteristics that commonly occur together (Figure 2-3). Mair, Battilana and Cardenas's (2012) typology includes four clusters of SE ventures that differ in terms of their target issues (e.g. economic, education, health, food), target constituencies (e.g. communities, children, farmers, youth), actions (e.g. training, networking, educating, counselling) and leveraged capital (i.e. political, human, economic and social capital).

To summarise, in order to resolve the ongoing debate about SE definition, some scholars have put forward a number of typologies, which use different dimensions for classification, including: mission (economic vs. social), outcomes (economic vs. social), income (for-profit vs. nonprofit or not-for-profit), geographic scale of activities, the level of conservatism and the level of entrepreneurship in the social and commercial domains. The labels used to describe these varying categories differ significantly among researchers: for instance, what some scholars refer to as "social purpose ventures" is very close to what others refer to as "for-profit social enterprises"; likewise "social consequence ventures" are somewhat similar in their description to "socially-committed regular enterprises". Therefore, although SE typologies are supposed to create order in the "quagmire of definitions" (Hockerts,

2007: 151), existing SE research is moving toward producing a quagmire of typologies, none of which currently dominates and the usefulness of which may, therefore, be debated.

2.1.4 Summary

This section summarised the debates on SE definition. It has shown that academics disagree as to what differentiates SE ventures from their commercial counterparts and other types of entrepreneurial activity, such as institutional, development and sustainable entrepreneurship, and these terms are often used interchangeably. As Nicholls (2010b: 611) noted, “It has become axiomatic in recent years for scholars to make two observations concerning social entrepreneurship: firstly, that there is no definitive consensus about what the term actually means; secondly, that the research agenda for the field is not yet clearly defined.” Attempts by some scholars to develop a comprehensive typology of social and commercial ventures have also failed. Instead these efforts have resulted in further proliferation of confusing labels for different sub-types of social and commercial ventures.

As noted by Dacin, Dacin and Matear (2010: 41), “defining social entrepreneurship by individual-level characteristics and processes and activities will inevitably lead to yet more discussion and debate about what these characteristics should be; it is a debate which can never be resolved, because it is unlikely that a definitive set of characteristics can be applied to all kinds of social entrepreneurial activity across all contexts.” There is, therefore, a need to shift the discussion on SE definition from searching for distinctive “individual-level characteristics” (Dacin, Dacin, & Matear, 2010), such as organisational form or access to financial resources, to a different set of properties. A possible solution to this conundrum can be a definitional approach based on the organisational identity of entrepreneurial ventures. This approach is called for by population ecologists, such as Hsu and Hannan (2005), who suggest that OI can describe a certain population of organisations better than their “surface attributes” (p. 483). And since most SE definitions agree on the hybrid nature of SE ventures, which means that SE ventures combine two distinct identities of a profit-maximising organisation and a social-welfare enhancing organisation, this approach might be promising. In the following section I adopt the lens of organisational identity theory to define the population of SE ventures.

2.2 SE Ventures through the Lens of Organisational Identity Theory

Entrepreneurship as a field of research has been struggling with an internal conflict – whether it is only a phenomenon that should be studied with the application of theories from organisational studies and strategic management, or whether it is a theoretical field on its own. The SE research field has inherited the same challenges from its parent field of entrepreneurship. Recognising this danger, many social entrepreneurship scholars have been calling for a wider application of existing theoretical lenses to the SE phenomenon (Short, Moss, & Lumpkin, 2009; Dacin, Dacin, & Matear, 2010; Dacin, Dacin, & Tracey, 2011). This dissertation addresses these calls by applying the lens of organisational identity theory to the phenomenon of SE ventures.

2.2.1 Defining SE ventures as hybrid organisations

The term “organisational identity” (OI) was first coined by Albert and Whetten (1985) whilst observing the challenges that their university at the time – the University of Illinois – was going through during a period of financial turbulence. According to their original definition, OI describes what is core, enduring and distinctive about any type of organisation in general (and about the University of Illinois specifically) (Whetten, 1998). OI thus provides a response to the question, “Who are we as an organisation?”

Using this definition of OI as a basis, a hybrid (or multiple-identity) organisation can be defined as “an organization whose identity is composed of two or more types that would not normally be expected to go together” (Albert & Whetten, 1985: 270). Examples of multiple-identity organisations are universities (Gioia & Thomas, 1996), agricultural cooperatives (Foreman & Whetten, 2002), hospitals (Pratt & Rafaeli, 1997), symphony orchestras (Glynn, 2000), theatres (Voss, Cable, & Voss, 2006) and nonprofit organisations (Golden-Biddle & Rao, 1997). For instance, cooperatives have dual identities of family and business; symphony orchestras have dual identities of musicians and managers; and nonprofit organisations have dual identities of a volunteer-driven and a family-of-friends organisation.

SE ventures have also been referred to as “hybrids” by a number of scholars (e.g. Dean & McMullen, 2007; Pacheco, Dean, & Payne, 2010; Miller & Wesley, 2010; Moss et al., 2011; Bromberger, 2011; Florin & Schmidt, 2011; Katre &

Salipante, 2012; Battilana et al., 2012; Wilson & Post, 2013; Lepoutre et al., 2013). For instance, Moss et al. (2011) and Miller and Wesley (2010) suggest that SE ventures have “intrinsically dualistic” normative identities (i.e. focused on social/environmental missions) and utilitarian identities (i.e. profit-oriented). Funding organisations in the SE field were also conceptualised as hybrids (Miller & Wesley, 2011). Similar to commercial funding providers (such as conventional venture capital firms), SVCs seek to receive return on investment; however, they define return not only in financial terms but also in social terms. As suggested by Miller and Wesley (2010: 714), “identity plurality is not solely a characteristic of the social entrepreneur. In fact, their hybrid investing model can also characterize SVCs since they borrow tools from the entrepreneur sector and merge them with social sector goals.”

Scholars have theorised that there are both advantages and disadvantages to having multiple organisational identities. On one hand, organisations with multiple identities have a better capacity to meet the demands of a wider group of stakeholders (Pratt & Foreman, 2000). It has been indeed demonstrated that for many SE ventures a hybrid identity might not be a natural state of affairs but rather a self-imposed identity. Grimes (2010) found that many organisations that label themselves as SE ventures frequently make references to Muhammad Yunus – the Nobel Peace Prize winner and founder of the Grameen Bank, which provides credit to the rural poor in Bangladesh using micro-loan schemes – in an attempt to connect to Yunus’ success, even if their operating models and missions are completely different to that of Grameen Bank’s. According to Grimes (2010: 770), “This ‘big tent’ labeling of social entrepreneurs allows a variety of organizations within the social sector a new means of finding collective organizational identities and distinguishing themselves amidst a tightening market.”

On the other hand, there are also disadvantages to having multiple identities. Organisations with a single identity can more easily gain attention from important stakeholders (e.g. finance providers) since they can be easily categorised and labelled, whereas organisations with multiple identities, although able to interact with a variety of audiences, may struggle to gain attention from these audiences in the first place because of difficulties in understanding what these organisations are and attaching an appropriate label to them (Hsu & Hannan, 2005). Moreover, organisations with multiple identities may be inefficient since they spend valuable resources trying to

“marry” their multiple identities. For instance, the hybrid identities of SE ventures were found to “be at odds” (Dees, 2012: 321) in some cases but “work hand-in-hand” (Dees, 2012: 321) in others, since they essentially represent the “split between heart and head” (Dees, 2012: 321). A uniform agreement about the core and distinctive nature of an organisation is a necessary precondition for efficient strategy implementation, whereas identity multiplicity leads to the confusion of external stakeholders, emotional conflict among internal stakeholders and the drain of resources (Voss, Cable, & Voss, 2006). Identity multiplicity may thus result in organisational ‘paralysis’ (Pratt & Foreman, 2000).

To recap, hybrid (or multiple-identity) organisations are organisations that combine several (often contradictory) organisational identities, or in other words organisational beliefs about the core, distinctive and enduring nature of the organisation. Hybrid organisations are relatively common (e.g. universities, hospitals); SE ventures have also been referred to as hybrid organisations by a number of scholars. There are both advantages and disadvantages of having multiple identities. On one hand, a hybrid identity means that a hybrid organisation has a better capacity to meet the demands of a wider group of stakeholders, and there is indeed some evidence that a hybrid identity in SE ventures is often a self-imposed identity to help SE ventures attract resources from important stakeholder groups. On the other hand, hybrid identity organisations may struggle to attract attention from these important stakeholder groups in the first place; they might also be less efficient (since a lot of organisational energy is spent at ‘marrying’ the two identities) and be affected by ‘organisational paralysis’ in situations when important decisions need to be made. The following section provides further information on strategies for managing multiple identities and introduces the concept of hybrid identity hierarchy.

2.2.2 Hybrid identity hierarchy

One of the strategies of managing identity multiplicity is hierarchical ordering of identities (structurally or temporarily). For instance, Pratt and Foreman (2000) refer to aggregation as a strategy that multiple-identity organisations use to hierarchically order their hybrid identities by constructing a “meta-identity” or temporarily ordering identities and evoking each of them at different points of time. In the context of SE ventures, it has also been theorised that their dual identities may be hierarchically

ordered (e.g. Dacin, Dacin, & Tracey, 2011). However, to my knowledge, only one empirical SE study looked at the relative importance of normative and utilitarian identities in SE ventures: Moss et al. (2011) concluded that SE ventures demonstrate similar levels of utilitarian identity as conventional entrepreneurial ventures but relatively higher levels of normative identity, thus alluding to the importance of normative identity in SE ventures but not providing any suggestions as to the dominance of normative identity. There is also some evidence that SE ventures often structurally separate their identities internally (into nonprofit and for-profit divisions) or externally (through partnerships with other organisations) (Kistruck & Beamish, 2010), whereas SVC firms tend to “aggregate” their dual identities by hierarchically ordering them and associating themselves with either the social or entrepreneurial sector at different points of time (Miller & Wesley, 2010).

The stability of the hybrid identity hierarchy (HIH) of hybrid ventures in general and SE ventures specifically is, however, unknown. Prior research and theorising on identity stability and change was conducted exclusively in the context of single-identity organisations and the evidence is inconclusive: according to some scholars, identity is difficult to shift, even when organisations face identity-challenging situations (Tripsas, 2009; Elsbach & Kramer, 1996; Hannan, Baron, Hsu, & Koçak, 2006); according to others, identity can and does change, particularly when an organisation faces identity threats (Petriglieri, 2011; Reger, Gustafson, Demarie, & Mullane, 1994; Dutton & Dukerich, 1991). It appears that organisational identity cannot be described as a very rigid organisational characteristic and it is, therefore, unclear how stable or unstable HIH in SE ventures is.

To sum up, it has been theorised that organisational identities in hybrid ventures (and SE ventures specifically) are hierarchically ordered, either structurally (through internal divisions or partnerships with other organisations), or temporarily (by evoking different identities at different periods of time). However, it is unclear whether normative identity always dominates the hybrid identity hierarchy of SE ventures and how stable such a hierarchy is.

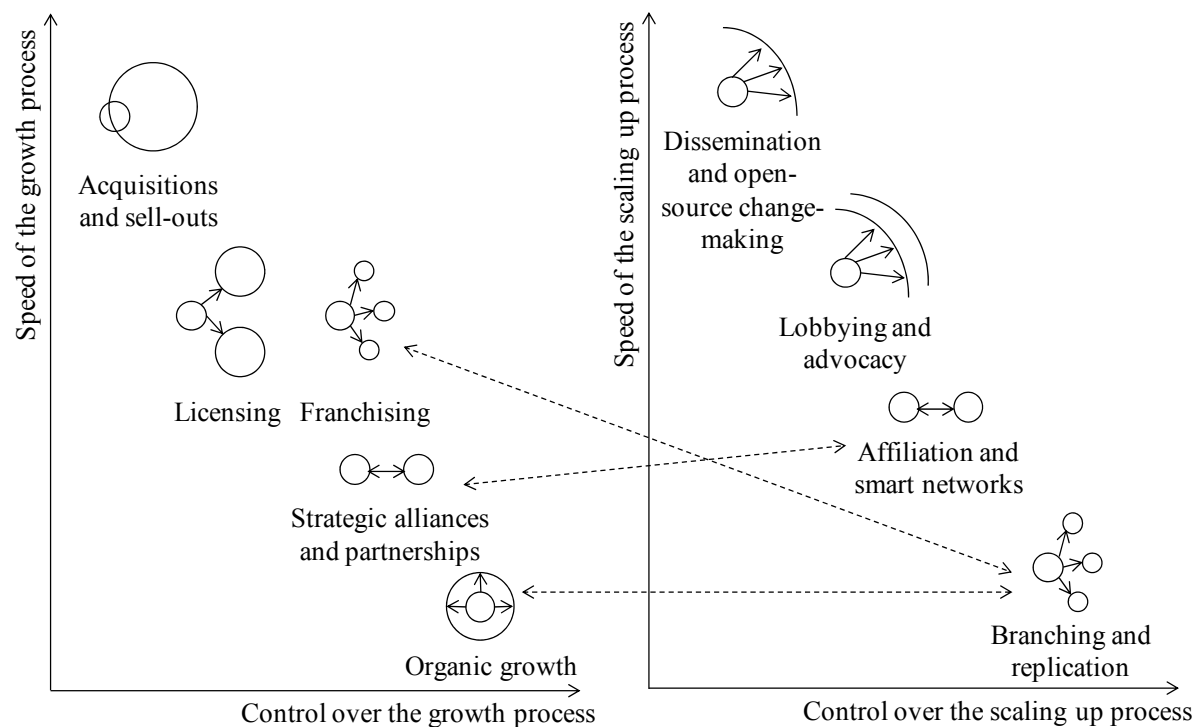
2.2.3 Summary

A promising avenue for defining the population of SE ventures is to shift attention from their surface attributes (such as an organisational form or a declared mission) to their organisational identity. Using the lens of OI theory SE ventures can be described as hybrid organisations that combine normative and utilitarian identities. Hybrid organisations are relatively common (e.g. universities, hospitals or cooperatives) and they all share similar advantages and disadvantages related to identity multiplicity. For instance, hybrid organisations are able, on one hand, to connect to a larger number of stakeholders; however, since their identities are rather complex, they might struggle to attract attention from these stakeholders in the first place. One of the theorised strategies of managing identity multiplicity is the hierarchical ordering of hybrid identities structurally or temporarily. There is indeed some evidence that SE ventures hierarchically order their hybrid identities. However, it is unclear whether the normative identity always dominates in the hybrid identity hierarchy of SE ventures and it is equally unclear how stable such a hierarchy is, particularly when SE ventures are faced with identity-challenging decisions, such as decision-making on growth strategies. The following sections present an overview of the growth strategy options for SE ventures and apply the lens of OI theory to provide a tentative explanation for the instances of mission drift in social entrepreneurship.

2.3 Growth Strategies for SE Ventures

Growth motivation for commercial entrepreneurial ventures is clear – to gain a bigger market share, to improve competitiveness, to increase profit margins, etc. But what is the motivation for SE ventures to grow? On one hand, SE ventures are set up to advance a certain social or environmental goal and, therefore, their motivation for growth can be described as a hope to increase their positive social and environmental impacts. On the other hand, SE ventures also have a financial bottom line that they have to keep an eye on and, therefore, their motivation for growth may also be to improve their financial performance. The former type of growth is often referred to as “scaling up” of social value or social impacts, whereas the latter type of growth is a more conventional organisational growth (Figure 2-4).

Figure 2-4 Growth and scaling up strategies for SE ventures



The two types of growth do not always go in parallel: an increase in commercial value may or may not guarantee an increase in social value; likewise an increase in social value may or may not be achieved without an increase in commercial value. Despite their differences, the two types of growth are often poorly defined and used interchangeably by both academics and practitioners (e.g. Foster & Fine, 2007). For instance, Rottenberg and Morris (2013) from Endeavor, an organisation that

describes its mission as the support of high-impact entrepreneurs around the world, suggest that SE ventures that put financial goals first tend to grow and scale impacts faster than those that prioritise social mission over commercial goals. Likewise, Hirzel (2013) from the Social Business Trust, an organisation that provides working capital to promising social entrepreneurs, suggests that “to grow, social enterprises must play by business rules”.

This section provides a literature review on the growth strategies for SE ventures, split into organisational growth strategies and impact scaling strategies. Typical organisational growth strategies include organic growth; strategic alliances and partnerships; franchising and licensing; acquisitions and sell-outs. There is significantly less agreement as to what typical impact scaling strategies are, since the term “scaling up” is less developed than “growth”; moreover, impact scaling strategies have only recently become the focus of academics and practitioners. Among possible impact scaling strategies the following are often mentioned: dissemination and open-source change-making; branching and replication; affiliation and smart networks; lobbying and advocacy. I start with an overview of organisational growth strategies, then move to discussing impact scaling strategies for SE ventures and conclude by conceptualising mission drift in social entrepreneurship.

2.3.1 Organisational growth strategies for SE ventures

Entrepreneurship research suggests that entrepreneurial firms can choose one (or a combination) of the following growth strategies: organic growth (Davidsson, 1989), strategic alliances and partnerships (Gomes-Casseres, 1997), franchising (Combs & Ketchen, 2003), licensing (Fosfuri, 2006), acquisitions (Wiklund & Shepherd, 2009) and sell-outs (Graebner & Eisenhardt, 2004; Katila, Rosenberger, & Eisenhardt, 2008). The main entrepreneurial growth strategies and their use by SE ventures are covered in this section and summarised in Table 2-2.

Table 2-2 Organisational growth strategies for SE ventures

Growth strategy	Description	Advantages	Disadvantages
Organic growth	Achieved by relying on internal resources and capital	<ul style="list-style-type: none"> – The least risky strategy as it allows the highest degree of control over the firm – Leads to higher survival rates and genuine job creation 	Continuous organic growth leads to progressive reduction in firm's ability to innovate and stay competitive.
Strategic alliances and partnerships	Contract- or equity-based arrangements between two or more firms	<ul style="list-style-type: none"> – Provide access to new resources and capabilities – Reduce costs (e.g. through sharing production facilities) – Synergies from combining complementary capabilities (e.g. fund-raising) – Increased client base – Increased survival rates (particularly for small entrepreneurial firms) – Improved competitive positions (particularly for small entrepreneurial firms) 	<ul style="list-style-type: none"> – Slightly more risky than organic growth – May lead to opportunistic behaviour of partners (e.g. free-riding or leakage of proprietary knowledge)
Franchising and licensing	Contract-based collaborations between a trademark/product owner (franchisor/licensor) and a local user (franchisee/licensee)	<ul style="list-style-type: none"> – Create a new revenue stream – Franchise capital is less costly than bank loans or venture capital – Licensing may be a strategic option for small firms to overcome deficiencies in manufacturing base and to commercialise innovations 	<ul style="list-style-type: none"> – More risky than organic growth – May lead to opportunistic behaviour of franchisees (e.g. reduced product quality) and licensees (e.g. leaking proprietary information) – Licensing may lead to the increase in competition and reduction in the price of a licensed technology/ product.

Growth strategy	Description	Advantages	Disadvantages
Acquisitions and sell-outs	Acquisitive growth involves acquiring other firms. Sell-outs are the opposite of acquisitive growth.	<ul style="list-style-type: none"> – Allow getting access to new skills, technologies and markets more quickly or at a lower cost – Acquisitive growth allows eliminating the sources of competition – Sell-outs enable access to organisational support from an acquirer (e.g. an opportunity to use parent company's production facilities) – Indirect benefits of sell-outs: transformation of acquirers toward more sustainable business practices 	<ul style="list-style-type: none"> – The most risky strategies as they entail post-acquisition integration difficulties (e.g. low employee morale and 'brain drain'). – There might be reputational risks for sell-outs.

Organic growth describes the growth that relies on internal resources and capabilities. It was found to be the least risky strategy for small entrepreneurial firms leading to higher survival rates (Wiklund, Davidsson, & Delmar, 2003) and genuine job creation, in contrast to transferring jobs from one existing organisation to another as in other forms of firm growth (Delmar, Davidsson, & Gartner, 2003). Organic growth is also often a preferred choice for entrepreneurial firms with a low “willingness-to-grow” (Davidsson, 1989; Wiklund, Davidsson, & Delmar, 2003; Cliff, 1998), which refers to the entrepreneurial attitude toward growth (i.e. beliefs regarding the consequences of ‘more adventurous’ growth modes), rather than the actual capabilities to achieve faster rates of growth. On the other hand, it has also been theorised that organic growth over prolonged periods of time may lead to an entrepreneurial firm becoming “simple and inert” (Vermeulen & Barkema, 2001: 461), stuck in existing organisational routines and blind to new opportunities (Penrose, 1959). What is known in the field of social entrepreneurship is that many SE ventures indeed grow organically, either because they deliberately choose to do so, given their “focus on long-term survival rather than rapid growth” (Lumpkin et al., 2013: 768; see also Hockerts & Wuestenhagen, 2010; Foster & Fine, 2007), or because of market barriers (e.g. Randall, 2005; Davies, Doherty, & Knox, 2010).

A more proactive organisational growth strategy is strategic alliances and partnerships. This strategy is often used by entrepreneurial firms to gain access to new capabilities and resources (Das & Teng, 2000), particularly when entering new geographic markets (Hollenstein, 2005; Kirby & Kaiser, 2003; Chen & Huang, 2004). Strategic alliances are also particularly attractive for small firms, since they increase their survival rates (Baum & Oliver, 1991) and improve their competitive positions (Beekman & Robinson, 2004). Additionally, strategic alliances provide small firms with an opportunity to “become big” by “staying small” and to compete with larger companies as a constellation of firms, rather than on their own (Gomes-Casseres, 1997). On the other hand, strategic alliances and joint ventures open the door to opportunistic behaviour on the side of a partner (free-riding, leakage of proprietary knowledge and reputational effects).

Previous SE research suggests that strategic alliances and partnerships are commonly used by SE ventures (Perrini & Vurro, 2007; Davies, 2009; Meyskens & Carsrud, 2011; Marshall, 2011; Katre & Salipante, 2012; Meyskens & Carsrud, 2013). The reasons for a widespread use of partnerships among SE ventures are increased access to financial, human and social capital (Meyskens & Carsrud, 2011, 2013); reduced costs through sharing facilities or other types of collaboration; synergies from combining complementary capabilities (including fund-raising) (Bromberger, 2011); increased client base (Perrini & Vurro, 2007); and even increased chances of survival (Katre & Salipante, 2012). For instance, Meyskens and Carsrud (2011) suggest that “partnerships assist social ventures in effectively serving more people and better achieving their value creation goals” (p. 65). Likewise, Zahra et al. (2009) mention that “building collaborative relationships to implement social initiatives is often crucial for success.”

Another type of an organisational growth strategy is franchising and licensing that involve a legal contract between a trademark/license owner (i.e. franchisor or licensor) and another firm (i.e. franchisee/licensee) to exploit a trademark or produce a product/service (Michael, 1996; Combs & Ketchen, 1999; Combs & Ketchen, 2003; Fosfuri, 2006). Both growth strategies add a new revenue stream, lead to advantages of scale and, in the case of licensing, overcome deficiencies in manufacturing base, thus allowing small firms to commercialise innovations even if they cannot launch production independently. However, the success of both strategies can be

compromised by opportunistic behaviour of franchisees/licensees. Although existing academic literature does not suggest that licensing is a common strategy for SE ventures, franchising is becoming increasingly common (e.g. Tracey & Jarvis, 2007; Clifford & Dixon, 2007) and it is often referred to as “social venture franchising” (Tracey & Jarvis, 2007) or “microfranchising” (Kistruck, Webb, Sutter, & Ireland, 2011) because of the focus on creating public value in addition to private wealth. In the context of SE ventures, pursuing a franchising strategy is often challenging since franchisees often lack prior business experience and behave more like reactive employees, rather than proactive business owners (Kistruck et al., 2011). Moreover, when franchising occurs in contexts with under-developed institutions (such as property rights), the efficiency of the franchising network may be undermined by inefficient legal systems and poor transportation and technology infrastructure.

The final strategy that is covered in this section is acquisitions and sell-outs. Although acquisitive growth is often thought of as the domain of large corporations, it is also very common among smaller entrepreneurial firms (Wiklund & Shepherd, 2009; Lockett, Wiklund, Davidsson, & Girma, 2011). Acquisitive growth enables a firm to acquire new skills and technologies more quickly or at a lower cost than they could otherwise achieve and to gain market access for existing products (Wiklund & Shepherd, 2009; Vermeulen & Barkema, 2001). Selling firm ownership (partially or fully), which is also referred to as a sell-out or divestiture, is the opposite side of acquisitions. It was traditionally assumed that selling out is a strategy to exit distressed assets (e.g. Decker & Mellewigt, 2007; DeTienne, 2010). However, Graebner and Eisenhardt (2004) demonstrated that entrepreneurial firms may be not only “pushed” toward a sell-out when they face difficult strategic hurdles, but also “pulled” toward a sell-out by the organisational support offered by an acquirer (e.g. an opportunity to use parent company’s production facilities or distribution channels) (see also Graebner, 2004; Katila, Rosenberger, & Eisenhardt, 2008; Graebner, 2009; Graebner, Eisenhardt, & Roundy, 2010). Therefore, sell-outs are not always an exit strategy, but also an investment into a further firm growth. Despite the multiple benefits that acquisitions and sell-outs can bring, both strategies often lead to post-acquisition problems (Pablo, 1994; Schweizer, 2005; Graebner, Eisenhardt, & Roundy, 2010), such as employee layoffs, low employee morale and ‘brain drain’ (Krug & Hegarty, 2001; Ranft & Lord, 2002; Paruchuri, Nerkar, & Hambrick, 2006; Kapoor & Lim, 2007; Spedale, Van Den

Bosch, & Volberda, 2007; Hambrick & Cannella, 1993; Lubatkin, Schweiger, & Weber, 1999).

More academic research is available on acquired SE ventures than on SE ventures as acquirers of other firms. Some anecdotal evidence on SE ventures that pursued acquisitive growth was provided by Nazarkina (2011b), who also observed an interesting trend: many of those SE ventures that pursued acquisitive growth ended up being sold to large corporations. With regards to sell-outs as a growth strategy for SE ventures, examples are abound and were covered in academic SE literature: for instance, Green & Black's (organic chocolate) sold to Cadbury Schweppes; Innocent Drinks (smoothies and other soft drinks made of all-natural ingredients) sold to Coca-Cola; Ben & Jerry's (ice cream producer supporting a range of social causes, including organic agriculture, local sourcing, protection of rainforests, etc.) sold to Unilever; Body Shop (organic body care products, also with a wide range of supported social cause programmes) sold to L'Oreal; Tom's of Maine (organic toothpaste) sold to Colgate; Stonyfield Farm Yogurt (organic and probiotic dairy products) sold to Danone; and howies (manufacturer and retailer of organic and durable sports clothes) sold to Timberland (Austin & Leonard, 2008; Mirvis, 2008; Howard, 2009; Howard, Kleiner, & Green, 2009; Nazarkina, 2011a,b).

These SE ventures explain their decision to sell ownership to large corporations by their goal to mainstream their goods and get access to capabilities that they do not hold internally. By using production and distribution facilities of parent owners, these SE ventures get a chance to break through market barriers, reach a larger number of consumers and expand to new geographic markets (Austin & Leonard, 2008). However, this strategy has been widely questioned by customers, and the general public, who raised concerns over 'selling out' of ethical and sustainable principles in the pursuit of profits and thus a mission drift.

To summarise, SE ventures often combine organic growth with strategic alliances and partnerships, which allow them to get access to new resources and capabilities, reduce costs and even increase the chances of survival. Franchising and licensing are relatively more risky than organic growth, strategic alliances and partnerships. However, they create a new revenue stream, which is often crucial to finance growth. Finally, acquisitions and sell-outs are the most risky growth strategies for SE ventures. Despite their advantages (such as getting access to new markets or

significant cash injection), both are associated with post-acquisition integration problems, such as low employee morale and ‘brain drain’. Moreover, SE ventures that pursue sell-outs are often accused of mission drift. The following section provides an overview of scaling up strategies for SE ventures.

2.3.2 Impact scaling strategies for SE ventures

‘Scaling up’ can be defined as an increase in the social value/impact created by an SE venture to “better match the magnitude of the social need or problem it seeks to address” (Dees, 2008, p. 18; see also Bloom & Smith, 2010). Other terms that are sometimes used to refer to the process of increasing social value by SE ventures are “diffusion” and “spreading social innovations” (Dees, Anderson, & Wei-Skillern, 2004). Scalability is theorised to be critical for SE ventures since “the ultimate goal of social entrepreneurs is social change” (Lumpkin et al., 2013: 769). Academic literature on scaling up is not well-developed and most articles on this topic are published in practitioner-oriented journals (e.g. Bloom & Smith, 2010), which suggest that SE ventures can pursue one (or a combination) of the following impact scaling strategies: dissemination and open-source change-making, branching and replication, affiliation and smart networks, and lobbying and advocacy (Dees, Anderson, & Wei-Skillern, 2004). These strategies are summarised in Table 2-3 and described in more detail further into this section.

Dissemination and open-source change-making are based on the idea that social value can be increased by freely sharing information (Smith & Stevens, 2010). For instance, open-source change-making assumes that everyone can contribute to the creation and scaling of social value (Waitzer & Paul, 2011). Dissemination strategies differentiate SE ventures from their commercial counterparts since a commercial venture is typically focused on exclusivity, self-protection and maintaining the first-mover advantage for as long as possible by reducing the ability of other firms to imitate the product or service, whereas an SE venture “overturns this mechanism, focusing its interest not primarily on achieving a competitive economic advantage, but on spreading the social innovation as widely as possible in order to maximize social change and solve the problems that it aims to address” (Perrini, Vurro, & Costanzo, 2010: 525).

Table 2-3 Impact scaling strategies for SE ventures

Impact scaling strategy	Description	Advantages	Disadvantages
Dissemination and open-source change-making	Achieved by sharing ideas with others	<ul style="list-style-type: none"> – Easy to implement: do not require any formal arrangements and significant resources – High speed of scaling up 	<ul style="list-style-type: none"> – Limited control over the scaling up process – Require re-thinking organisational attitude to the ownership of ideas and exclusivity – Also require re-thinking the role of a social entrepreneur
Branching and replication	Creation of additional arms of the original organisation	Control over the scaling process is significantly higher than when pursuing dissemination	<ul style="list-style-type: none"> – Require more resources than dissemination – Tensions between the core organisation and replicators (e.g. over the payment of fees) – Difficulty in funding because of the prevailing bias among funders to support new ideas rather than the replication of exiting ideas – Not perceived particularly desirable because of psychological importance for social entrepreneurs to focus on their own ideas rather than on someone else's
Affiliation and smart networks	Creation of well-coordinated networks of organisations and individuals that are centred on a common mission, rather than an organisation	<ul style="list-style-type: none"> – Enable access to new capabilities and resources – Enable finding collaborative solutions to complex social and environmental problems 	<ul style="list-style-type: none"> – Difficulty in funding because of the prevailing bias among funders to support organisational growth strategies
Lobbying and advocacy	Refer to any advocacy for government actions that may work in SE venture's favour	Enable influencing the institutional environment by modifying regulations, generating positive public opinion, etc.	<ul style="list-style-type: none"> – Scaling up results might be visible only in the long term – Relatively limited control over the scaling up process – The costs may vary significantly (depending on specific lobbying and advocacy actions)

Dissemination and open-source change-making are the easiest to implement (since they do not require a lot of resources). Moreover, the speed of change, which can be achieved as a result of successful implementation of these strategies, is significantly higher than that of other scaling up strategies. However, their efficiency is questionable because of the limited control over the scaling up process (Dees, Anderson, & Wei-Skillern, 2004). Furthermore, a shift in the role of a social entrepreneur (from being in the centre of everything to moving to the periphery) is required, which in practice is often difficult to achieve.

In contrast, branching (also referred to as replication) requires more resources than dissemination and open-source change-making, but allows a higher degree of control over the scaling up process (Smith & Stevens, 2010; Dees, Anderson, & Wei-Skillern, 2004). Branching involves creation of additional arms of the original organisation and is, therefore, somewhat similar to franchising (Bloom & Chatterji, 2009; Bradach, 2003). The success of branching depends on the relationship between the core organisation and its replicators (e.g. chapters or franchisees): similar to the earlier discussion about franchising, the success of branching may be undermined by opportunistic behaviour of replicators, their lack of experience and an unwillingness to pay fees to the core organisation (Bloom & Chatterji, 2009; Bradach, 2003).

Affiliation involves the creation of so-called “smart” networks of organisations (similar to branching), which function relatively independently and are based on the idea of free information sharing (similar to dissemination) (Smith & Stevens, 2010; Dees, Anderson, & Wei-Skillern, 2004), are well-coordinated and centred on a common mission, rather than on a single central member/organisation (Waitzer & Paul, 2011). Therefore, affiliation occupies the middle ground between branching and dissemination. Affiliation and smart networks are somewhat similar to strategic alliances and partnerships (which were covered in Section 2.3.1) and, therefore, allow SE ventures to get access to new capabilities and resources. An affiliation strategy is often thought to be the logical choice for many SE ventures because of the complexity of social and environmental problems that they have to deal with. As Neck, Brush and Allen (2009) put it succinctly, “Social issues are ‘wicked’ problems – as opposed to ‘tame’ problems – that require a creative, nonlinear problem-solving approach... It follows that wicked problems require collaboration with a variety of stakeholders, because social problems are rarely solved independently.” (p. 17) And, therefore,

despite a common portrayal of social entrepreneurs as “solo operators... it is [today] generally accepted that successful social entrepreneurs are masters at mobilizing alliances of groups and individuals to all work together for a cause” (Bloom & Chatterji, 2009: 119). However, since affiliation and smart networks do not have commercial grounding, they rely on funding from external organisations (e.g. grant-giving foundations), which is often difficult to secure, as many funders still hold “old-fashioned” beliefs that growing the size of the organisation is required in order to scale its impacts (Waitzer & Paul, 2011).

The last impact scaling strategy to be discussed in this section is lobbying and advocacy. Lobbying refers to any advocacy for government actions that may work in an SE venture’s favour, which means succeeding in getting the legislators and government leaders to help the cause promoted by an SE venture (Bloom & Chatterji, 2009). Although social entrepreneurship is often portrayed as an alternative to governmental actions, governments can often make a great difference in scaling social impact (Bloom & Chatterji, 2009; Bradach, 2010). Lobbying and advocacy can be achieved either by engaging professional lobbyists and public relations (PR) firms, by directly interacting with legislators and government leaders and presenting them with well-researched and credible evidence, or by encouraging the development of grass-root initiatives and social movements that would support the advocated cause and put it higher on the public and media agenda (Bloom & Chatterji, 2009; Uvin & Miller, 1996).

To summarise, scaling up refers to the increase in the social value and impact created by an SE venture. Impact scaling strategies for SE ventures may include: dissemination and open-source change-making, branching and replication, affiliation and smart networks, and lobbying and advocacy. Dissemination is the easiest to implement since it does not require a great deal of resources. However, the efficiency of this scaling up strategy is questionable because of the limited control over the scaling up process. In contrast, branching and replication require a lot of resources but permit a greater degree of control over the scaling process. The other impact scaling strategies are located in between these extremes.

A common challenge in all scaling up strategies is the difficulty in measuring the progress in their implementation. Whereas organisational growth can be easily measured with a wide range of indicators including the increase in revenues,

profitability, sales, number of employees, etc. (Weinezimmer, Nystrom, & Freeman, 1998), there is no straightforward way of measuring scaling up efforts. The challenges of measuring social value are related to “nonquantifiability, multicausality, temporal dimensions, and perceptive differences of the social impact created” (Austin, Stevenson, & Wei-Skillern, 2006: 31; see also Dees, Anderson, & Wei-Skillern, 2004; Neck, Brush & Allen, 2009). As a result, SE ventures often operate without a clear idea of the extent of created value. Moreover, when pushed for growth by resource providers or market conditions, many SE ventures fall into the trap of pursuing more conventional organisational growth strategies because “this offers much initial comfort to their adopters: extensive supporting research, easy application of conventional metrics, the ability to retain operational (and emotional) control over the enterprise, and comfortable familiarity for funders well-versed in business concepts” (Waitzer & Paul, 2011: 144). However, organisational growth might not be the best strategy to scale social impact for SE ventures (Dees, 2010; VanSandt, Sud, & Marmé, 2009; Bradach, 2010; Waitzer & Paul, 2011) and it might push them toward a “mission drift” instead of increasing social impact (Battilana et al., 2012; Austin, Stevenson, & Wei-Skillern, 2006). The following section conceptualises mission drift in SE ventures.

2.3.3 Mission drift in SE ventures

There is a paucity of studies on mission drift in social entrepreneurship. This is surprising given the importance of this topic to the ability of SE ventures to scale their impacts. Mission drift, however, has been studied in the context of nonprofit organisations trying to commercialise their activities (e.g. Jones, 2007; Foster & Bradach, 2005; Weisbrod, 2004; Froelich, 1999). Since SE ventures are by default founded with social and commercial goals in mind, one could argue that mission drift in social entrepreneurship is more profound than just a transition from grant finance to commercial activities. In social entrepreneurship, mission drift is often related to growth decisions by SE ventures when they decide to “focus on profits to the detriment of the social good” (Battilana et al., 2012: 51; see also Fritsch, Rossi, & Hebb, 2013). For instance, Battilana et al. (2012) report on mission drift in microfinance institutions, which shifted their attention from social mission to more conventional business priorities while trying to grow. It is often suggested that market

conditions and resource providers push SE ventures toward mission drift (e.g. Noble, 2012). As noted by Austin, Stevenson and Wei-Skillern (2006: 7):

“Social entrepreneurs and their organizations are often pulled into rapid growth by pressure from funders, demand for their products or services, and pushed by their social missions to meet those needs... A key challenge for social entrepreneurs is to resist the powerful demand–pull for growth, and to be more deliberate about planning a long-term impact strategy... In some cases, growth may not be the best approach to achieve the organization’s goals or to have the greatest social impact. Growth for the sake of growth has the potential to squander organizational resources and can actually detract from the organization’s overall impact.”

One of the most famous examples of mission drift is that of Ben & Jerry’s who were sold to Unilever in 2000 (Mirvis, 2008). In the 2004 *Social and Environmental Report*, Ben & Jerry’s sadly admitted that “we are beginning to look like the rest of corporate America” (Ben & Jerry’s, 2004: 29) and that “fewer than half expressed confidence that Ben & Jerry’s will continue to uphold its commitment to values” (Ben & Jerry’s, 2004: 3). An intriguing example of mission drift and its reversal is offered by howies, a UK-based manufacturer and retailer of organic and durable sports clothing (Nazarkina, 2011b, 2012). Howies defined its mission as producing “higher quality product(s) [that] will invariably last longer... And so over its lifespan [such a product] will have consumed less valuable resources than an inferior product that will have been replaced many times. That’s why we make the best quality products that we know how. Because ultimately the best thing we can do for the environment is to make our stuff last a real long time.” For howies, its mission “is not as simple [as] to make a profit. Like any company we require a profit to stay in business. But it is not the reason we are in business. The thing that has not changed from day one is the desire to make people think about the world we live in. This is, and always will be, why we are in business.” (Nazarkina, 2011b: 3) Despite howies’ claim that it aspires to the “grow slow, grow strong” (Nazarkina, 2011b: 9) philosophy using only investment from family and friends, in 2006 howies’ founders decided to sell the firm to Timberland suggesting that this was required to propel the business to further growth. Customer response to this decision was consistently negative: howies was accused of mission

drift and selling out its values. In October 2009, three years after the sale of howies to Timberland, one of the howies' co-founders announced that he was leaving the company: "Yesterday was my last day at howies. It was my choice to leave. It was a hard thing to do and easy thing to do. The morale of the story is simple. If you find something you love, you should never sell your love. When other people own your dream, destiny is no longer in your hands" (Nazarkina, 2011b: 7). However, in 2012 the howies story took another turn: on 6th January it was announced that howies bought out of Timberland and was again strongly committed to the "grow slow, grow strong" philosophy (Nazarkina, 2012).

However, not everyone agrees that the described instances are the cases of mission drift in social entrepreneurship. For instance, Jones (2009) argues, "The mission can't really go away in this company after a sale. If BWB [Better World Books] ever does sell to a larger company, the mission has been baked in, and the social return will be directly convertible to a financial investment." Others also argue that these are the necessary actions to transform conventional businesses rather than instances of mission drift. Hockerts and Wüstenhagen (2010), for example, suggest that SE ventures (they refer to them as "emerging Davids") have an important role in the transformation of industries by creating new market niches and thus incentives for "Greening Goliaths" to adopt more sustainable business practices: "Because of their complementary skills and challenges with regard to sustainable entrepreneurship, a co-evolution of 'Emerging Davids' and 'Greening Goliaths' is more likely to result in sustainability than either of the two alone" (p. 482).

How efficient is this strategy to transform big businesses by becoming part of a large corporation is, however, subject to debate. For instance, Mirvis (2008) suggests that "there isn't much evidence that L'Oreal or Colgate have built on their CSR acquisitions or moved in new directions in their product lines and brands" (p. 114). On the other hand, the Stonyfield/Danone combination appears to be a "win-win-win" situation for all parties involved, including wider stakeholders. And even if Ben & Jerry's acquisition by Unilever resulted in a temporary slump in Ben & Jerry's activities, the former recovered after a few years of learning how to operate under the Unilever's umbrella and the latter started proactively improving the nutritional value of its products and adding social content to many of its brands (e.g. Dove's 'inner beauty' campaign).

Why is mission drift a problem? Mission drift can damage the reputation of an SE venture (as was demonstrated with the example of Innocent Drinks in the introduction to the dissertation – Section 1.1 – and the example of howies above). As a result, mission drift can jeopardise future funding since finance providers (commercial and grant-giving foundations) might not understand the mission of the venture anymore. Mission drift can also threaten organisational culture by lowering employee morale and leading to internal conflicts. On the other hand, some scholars suggest that mission drift is not necessarily a negative process. There can also be a “benign” mission drift, as opposed to a “malign” mission drift (Davis, 2001), and the difference between the two is in the extent to which key stakeholders are aware of it. Therefore, the key issue is not the mission drift itself but the absence of communication of a change in the mission direction (Davis, 2001; Fritsch, Rossi, & Hebb, 2013).

To recap, despite the fact that mission drift in social entrepreneurship is often mentioned by both practitioners and academics, I am not aware of substantial efforts to study mission drift in SE ventures. Prior research efforts focused on mission drift in nonprofit organisations when they move from grant finance to commercial activities, which is narrower than mission drift in SE ventures that often use both types of finance from the very start. In social entrepreneurship mission drift often refers to growth strategy decisions that conflict with the mission of an SE venture (such as, for instance, a sell-out to a large corporation). Although some scholars and practitioners suggest that mission drift is not necessarily a negative process and that there is a “benign” mission drift (and, therefore, the issue is not about the mission drift itself but about the communication of a new mission), most agree that SE ventures should try to prevent mission drift if they hope to scale their impacts.

2.3.4 Summary

Similar to commercial entrepreneurial firms, SE ventures can adopt one (or a combination) of the following organisational growth strategies: organic growth, strategic alliances and partnerships, franchising and licensing, acquisitions and sell-outs. However, organisational growth might not be the best strategy to achieve the scaling of social impacts. Therefore, SE ventures can also consider one (or a combination) of the following impact scaling strategies: dissemination and open-

source change-making, branching and replication, affiliation and smart networks, and lobbying and advocacy.

Some impact scaling strategies have similarities with organisational growth strategies (Figure 2-4). Branching and replication is similar to franchising and licensing: both types of growth involve creation of branches/franchisees that share the same identity and strategic/marketing activities with the core organisation. Likewise, affiliation and smart networks are somewhat similar to strategic alliances and partnerships since both types of strategies involve networking activities and formal/informal partnerships. In contrast, other impact scaling strategies do not have equivalent organisational growth strategies. For instance, dissemination and open-source change-making is a strategy which is unique to SE ventures: commercially-oriented entrepreneurial firms are founded with the logic of preserving their uniqueness and competitive advantage for as long as possible, whereas SE ventures overturn this logic and focus on spreading social innovations as widely as possible.

Resource providers (e.g. venture capital firms) and market conditions (e.g. increasing competition) often push SE ventures to pursue rapid growth through organisational growth strategies, which may distract them from their social and/or environmental goals, thus leading to “mission drift”. Mission drift is a poorly studied phenomenon in the context of social entrepreneurship, although it was previously studied in the context of nonprofit organisations that switch from grant financing to commercial activities. This is arguably a much narrower understanding of mission drift than the one experienced by many SE ventures. In social entrepreneurship mission drift often refers to growth strategy decisions that conflict with the original mission of the SE venture. Why mission drift occurs in SE ventures is, however, a question that has not been previously addressed in academic research. The following section once again applies the lens of organisational identity theory to explain the growth strategy options by SE ventures and speculates about the reasons for mission drift in social entrepreneurship.

2.4 Growth Strategies through the Lens of Organisational Identity Theory

It has been demonstrated in Section 2.2 that organisational identity theory can be a useful lens to define the population of SE ventures. OI theory can also offer a language (and, therefore, constructs and theorised relationships between them), which can be used to explore mission drift in SE ventures when making decisions about growth. This section outlines previously hypothesised and empirically tested relationships between organisational identity and strategy, which are then extended for the purpose of understanding mission drift in social entrepreneurship.

2.4.1 Organisational identity and strategy in hybrid ventures

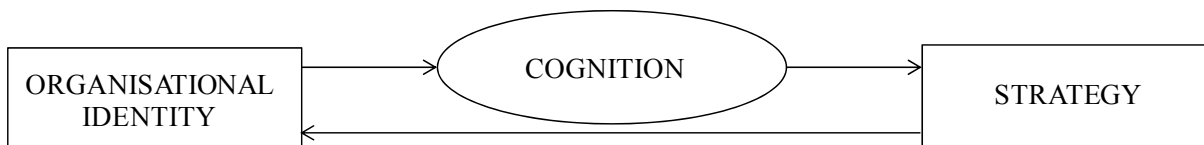
There is a general consensus among OI scholars that organisational identity and strategy are related. According to Ashforth and Mael (1996), identity and strategy are reciprocally related in a way that “identity is enacted and expressed via strategy, and inferred, modified, or affirmed from strategy” (p. 19). Organisational identity thus guides key strategic decisions, such as whether to enter a new market or make an acquisition (Tripsas, 2009). In turn, strategic actions consistent with OI reinforce shared beliefs regarding what the organisation stands for and thus influence identity. As noted by Livengood and Reger (2010: 61): “identity impacts actions and those actions, in turn, affect the organization’s identity itself. How this coevolution works and the implications for managerial behavior are fertile ground for future research.” Probably the best metaphor describing the relationship between identity and strategy is a quote by Rhonda K. Reger in Whetten and Godfrey’s (1998: 115) book on conversations around the OI topic: “Identity and strategy are like pencils linked by a rubber band. At any point in time, they don’t have to correspond exactly. But if one gets too far removed from the other, stress is created.”

In the context of hybrid organisations, it has also been demonstrated that their strategy choices are related to their dominant identities. For instance, in the study of OI change in academia, Gioia and Thomas (1996) found that when decision-makers viewed their academic institutions as predominantly utilitarian (or guided mainly by business principles) they pursued strategies intended to proactively define these academic institutions as leaders in their field (e.g. proactive and ongoing development of new programmes and curricula). In contrast, when decision-makers perceived their

academic institutions as predominantly normative (or mainly guided by the principles of providing high quality education), they were found to pursue only reactive strategies (e.g. limited development of new programmes) and to be primarily concerned with teaching quality and university efficiency.

OI theory suggests that one of the mechanisms, through which organisational identity influences strategy, is the cognition of organisational decision-makers, or their interpretations of uncertainties in the external environment, which have a mediating role in the identity-strategy link (Figure 2-5). According to Tripsas (2009), organisational identity “serves as a lens that filters a firm’s [strategic] choices. It influences what gets noticed, how it is interpreted, and what action is taken.” (p. 454) Livengood and Reger (2010) also refer to organisational identity as “a key perceptual filter and motivational force behind competitive action and reaction” (p. 51), which helps to explain why organisations act the way they do (see also Ashforth & Mael, 1996; Glynn, 2000; Gioia & Thomas, 1996; Dutton & Dukerich, 1991).

Figure 2-5 Relationship between organisational identity and strategy



According to the cognitive perspective, decision-makers have limited attention and limited ability to process information (March & Simon, 1958). Mental models, or “cognitive schemas”, guide the information processing capabilities of decision-makers by simplifying their views of external environment (Fiss & Hirsch, 2005; Reger et al., 1994). Therefore, decision-makers “notice” and react only to a limited number of stimuli in the external environment. Borrowing the language from the cognitive perspective, OI can thus be conceptualised as a shared “cognitive schema” (Elsbach & Kramer, 1996; Reger et al., 1994) or a “particularly powerful mental model” (Livengood & Reger, 2010: 51) about the fundamental nature of an organisation, which focuses the attention of decision-makers only on certain aspects of the internal and external environment. Since attention is limited, over-focused attention may lead

to missed strategic options, also referred to as “blindness” or “managerial myopia” (Livengood & Reger, 2010: 55). Scholars have identified numerous examples of such strategic blindness: a digital photography company missing an opportunity to enter the flash memory market (USB drives) because of its over-focus on its identity as a photography company (Tripsas, 2009); Intel considerably delaying its decision to exit the unprofitable memory business because of its self-definition as a memory company (Livengood & Reger, 2010); or Greyhound missing an opportunity to enter the business of express package delivery because of its over-focus on the identity of a bus company (Whetten & Godfrey, 1998: 118).

Organisational identity “filters” not only what gets noticed, but also how it gets interpreted (paraphrasing the earlier quote from Tripsas, 2009). Using the term “strategic issue” to describe any uncertainty in the internal or external environment (e.g. events, developments or trends that may have some consequence to the organisation), Dutton and Dukerich (1991) and Gioia and Thomas (1996) suggest that OI constitutes a major lens through which decision-makers in organisations interpret strategic issues, and it is not the issues themselves, but their interpretations that will guide strategic choices since “the meaning of a strategic issue is not inherent in the environmental events or developments... Because organizational actions taken vis à vis strategic issues follow from the meanings attached to these issues, organizations may respond differently to similar environmental events” (Dutton & Jackson, 1987: 77). For instance, Dutton and Dukerich (1991) found that the Port Authority of New York and New Jersey changed its interpretation of strategic issues over time, which triggered the change in OI and strategy. Specifically, the Port Authority shifted its perception of homelessness issue as a security problem to be solved by the local police to the moral problem that required action from the Port Authority itself. Its identity, consequently, shifted from a company that managed transport facilities to a socially responsible company and its strategy changed from the disregard of the homelessness issue to its proactive management.

Hybrid organisations were found to differ in their interpretations of strategic issues depending on their dominant identity. Gioia and Thomas (1996) concluded that academic institutions, as hybrid organisations, tend to interpret the same strategic issues differently depending on how they see themselves – as predominantly utilitarian or predominantly normative. Likewise, in the study of environmental strategies of

Canadian oil and gas corporations, Sharma (2000) suggested that the same environmental issues might be interpreted as opportunities by companies that perceive environmental concern as being central to their identity and as threats by companies that perceive environmental concerns as not being central to their identity. According to Sharma (2000), corporations are more likely to exhibit a proactive, voluntary environmental strategy when they interpret environmental issues as opportunities. Consequently, the greater the degree to which decision-makers in a corporation interpret environmental issues as threats, the greater the likelihood of a company to exhibit a reactive, conformance-based environmental strategy. Shepherd and Haynie (2009) also suggested that family firms, conceptualised as hybrid ventures with dual “family” and “business” identities, tend to interpret opportunities differently. A certain opportunity might be evaluated as consistent with the business identity but inconsistent with the family identity, thus slowing down decision-making process and potentially leading to missed opportunities, organisational “paralysis” or “procrastination”.

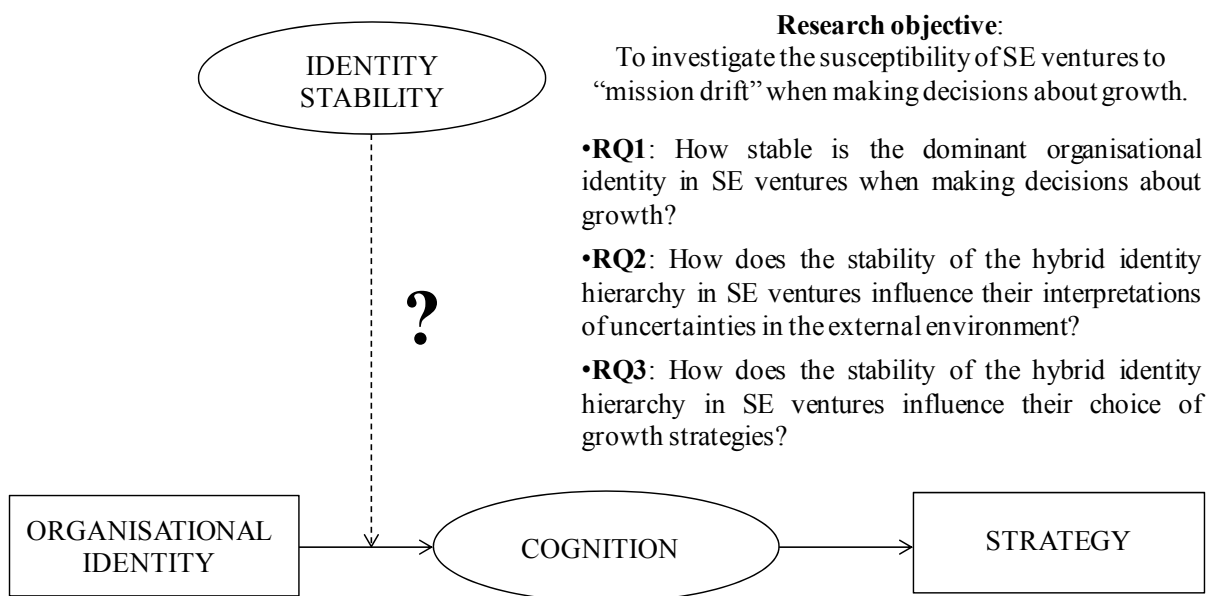
To summarise, it has been theorised that organisational identity and strategy are closely related through a mediating role of cognition: organisational identity acts as a filter defining what gets noticed and how it gets interpreted and subsequently how an organisation acts upon what got noticed and interpreted in a certain way. It has also been theorised that in hybrid organisations it is the dominant identity that guides interpretation of the external environment and strategic choices. However, these theorised mechanisms have received only limited empirical testing and mostly in the context of organisations with a single identity. The only exception is a study on universities as hybrid organisations (Gioia & Thomas, 1996), which demonstrated that the dominant identity (normative or utilitarian) guides interpretation of decision-makers and is related to the choice of strategies that are consistent with this identity.

Following this logic and assuming that SE ventures are hybrid organisations with a dominant normative identity we should not see cases of SE ventures choosing growth strategies that are inconsistent with their dominant normative identities and that might lead to mission drift. However, the instances of mission drift in SE ventures abound, as described in Section 2.3.3, which points to the limitations of predictive power of OI theory and an interesting theoretical gap to address. The following section outlines research gaps and defines research questions.

2.4.2 Research gaps

Given the absence of substantive research on mission drift in social entrepreneurship and the limitations of OI theory to explain strategic choices of hybrid ventures that are not consistent with their missions, this dissertation aims to explore why some SE ventures are more susceptible to mission drift than others when making decisions about growth. This dissertation questions whether the hybrid identity hierarchy (HIH) is a stable property (see Section 2.2.2) and whether the dominant identity is prone to change when hybrid ventures are faced with growth strategy decisions, thus leading to mission drift. Since prior studies on hybrid organisations did not question the stability of their dominant identities, this dissertation is organised as an exploratory study, which is described in the following chapter. Figure 2-6 summarises research gaps and questions that are addressed in this dissertation.

Figure 2-6 Research objective and questions



Answering these questions can move us forward toward developing a theory of mission drift in social entrepreneurship. Introducing a new explanatory variable in the identity-strategy link can also contribute to OI theory, which currently cannot fully explain the instances of mission drift in SE ventures. Finally, a theory of mission drift can also be useful for the founders and leaders of SE ventures since it can help them understand when their SE ventures are particularly susceptible to mission drift and which measures can be implemented to minimise the risk of mission drift.

2.4.3 Summary

This chapter has presented a literature review on SE definition and growth strategies. It has concluded that social entrepreneurship is an elusive phenomenon, which is difficult to define using surface attributes, such as an organisational form or stated goals. It has been proposed that organisational identity theory might be a promising lens to better define SE ventures as hybrid organisations with normative and utilitarian identities. According to OI theory, the dominant identity in hybrid ventures will guide their interpretation of uncertainties in the external environment and their strategic choices. However, existing literature does not provide sufficient guidance as to the dominance of a particular identity type in SE ventures and, therefore, OI theory has only a limited ability to predict whether SE ventures will choose organisational growth or impact scaling strategies to pursue growth. Even if we are to assume that the normative identity dominates the hybrid identity hierarchy of SE ventures, it is not known whether such a hierarchy is a stable property of SE ventures. This dissertation questions HIH stability in hybrid ventures and explores whether HIH stability can be a crucial factor that explains susceptibility of SE ventures to mission drift. The following chapter describes the research design and methods used in this dissertation to answer the defined research questions.

3. Research Design and Methods

This chapter outlines the research design and methods used to address research questions on the hybrid nature of SE ventures and their susceptibility to mission drift. I start by outlining the ontological and epistemological foundations of this research or, in other words, the philosophical assumptions on the nature of reality and knowledge that may influence our interpretation of the research (i.e. what we can learn about the social world and how we can do it). I then describe the overall research design and data collection methods based on the chosen ontological and epistemological assumptions. Further to this I provide details of specific data analysis techniques and conclude with a discussion on validity and reliability of these methods.

3.1 Ontological and Epistemological Foundations

Social sciences deal with the human world, which is less predictable and rational than the natural world. This observation gave birth to rival social inquiry paradigms, which can be broadly labelled ‘realism-objectivism’ and ‘subjectivism’ (Morgan & Smircich, 1980). At the heart of the dispute – which has its origins in the work of German historians and sociologists in the late 19th and early 20th centuries – was the claim that social sciences are fundamentally different from natural sciences in their scientific purpose and instruments (Schwandt, 2000).

In simplified terms, realism-objectivism regards the social world in a similar way to natural sciences: it is assumed that the social reality exists independent of, or external to, the researcher, who can accurately describe and explain (*Erklären*) social processes by directly observing them and making valid and reliable conclusions (Hatch & Yanow, 2008). In this tradition, the knowledge takes the form of universal principles and is assumed to be generalisable. In contrast, subjectivism posits that social reality is in the eye of the beholder; social realities are, therefore, not objective but rather constructed through collective processes and do not exist independent of the researcher. Social reality can thus be observed only in interactions between people (Hatch & Yanow, 2008); therefore, the researcher can only understand (*Verstehen*) the social reality, rather than explain it. The following section introduces the main social inquiry paradigms on the objective and subjective end of the paradigmatic spectrum (Table 3-1) and justifies the choice of pragmatism as the main paradigm adopted in this dissertation.

Table 3-1 Overview of main social inquiry paradigms

Item	Positivism / Functionalism	Postpositivism	Pragmatism	Critical theory paradigms	Constructivism- Interpretivism
Ontology	'Naive' realism: reality can be fully explained	Reality can be explained only imperfectly and probabilistically	No ontology: reality might be real or not – it does not matter for empirical research	Historical realism: virtual reality shaped by social, political, cultural, etc. values	Relativism: local and specific constructed realities
Epistemology	Objectivist; findings are true; knowledge is generalisable	Modified objectivist; findings are probably true; knowledge is generalisable	Intersubjectivist (emphasis on mutual understanding through the process of communication); 'truth' is neither objective, nor subjective, but can only be established through action	Subjectivist; value- mediated findings; knowledge is context-dependent	Subjectivist; created findings; knowledge is context-dependent
Methodology	Experimental; verification of hypotheses; chiefly quantitative methods; deduction	Modified experimental; falsification of hypotheses; may include qualitative methods; deduction	Abduction (induction followed by deduction), or inference to the most useful explanation; qualitative and quantitative methods	Dialectical /dialogic; induction	Dialectical / hermeneutical (i.e. understanding a specific sentence, requires understanding the whole text); induction
Inquiry aim	Explanation (<i>Erklären</i>); finding an 'objective' truth	Explanation (<i>Erklären</i>); finding an 'objective' truth	Instrumental: discovery of the most useful explanation that stimulates better research, teaching, learning and practice	Critique and transformation	Understanding (<i>Verstehen</i>); reconstructing 'subjective' truth
OBJECTIVISM ←				→	SUBJECTIVISM

Adapted from Lincoln & Guba (2000). Pragmatism is added to the original table from Lincoln & Guba (2000) based on Powell (2001, 2002, 2003) and Morgan (2007).

3.1.1 Overview of pragmatism

It is common in organisation and management science to distinguish between positivism (also referred to as functionalism) and postpositivism¹ on the objective end of the paradigmatic continuum; constructivism-interpretivism² and critical theory paradigms³ (e.g. feminist studies, postmodernism, poststructuralism) on the subjective end; and pragmatism⁴ in between the two extremes. These rival paradigms differ in terms of their ontological, epistemological and methodological assumptions (Lincoln & Guba, 2000).

Ontology describes beliefs about the nature of social reality. For instance, positivism and postpositivism are based on the ontology that social reality is ‘real’ (i.e. it is a perceptible entity), whereas constructivism-interpretivism and critical theory paradigms are based on the ontology that social reality is subjectively constructed by social, political and cultural values. Epistemology describes beliefs about the nature and the purpose of knowledge, or how one can attempt to understand the social reality and what constitutes the ‘truth’. Positivistic (postpositivistic) epistemology suggests

¹ Postpositivism refers to a relatively recent extension of positivism, which acknowledges that all knowledge is tentative, or probabilistic, and remains “provisionally known” unless falsified and, therefore, falsification of hypotheses, rather than their verification, becomes the goal of research. Postpositivism is often contrasted with “naive” positivism (e.g. Lincoln & Guba, 2000; Cunliffe, 2011) with its mechanistic view of the world.

² Constructivism-interpretivism is a very diverse set of philosophies that are all fundamentally critical of positivism but differ in their ontological beliefs about the nature of meanings (Schwandt, 2000). For interpretivists, meanings are objective and the role of the researcher is to remove subjectivity (e.g. personal biases) in order to uncover the objective ‘truth’. In contrast, philosophical hermeneutics posits that meanings are subjective because understanding is all about interpretation, and, therefore, personal and socio-historical subjectivity should be embraced. For social constructionists, meanings are neither objective nor subjective and, therefore, we cannot discover the meanings (as there is neither subjective nor objective ‘truth’) but only construct them (Schwandt, 2000).

³ Critical theory paradigms explore the presence of fundamental contradictions in social systems and their implications for social action and human freedom (Gephart, 2004). However, the boundaries between critical theory paradigms and constructivist-interpretivist studies, many of which have a critical angle, are often blurred.

⁴ Pragmatism has its origins in the work of the late 19th-century American philosophers – Charles Peirce, William James and John Dewey – and is closely associated with the name of a more recent philosopher Richard Rorty (1980, 1982). As noted by Rorty et al. (2004: 72), “the philosophical notion of pragmatism is perhaps not so different from its everyday meaning. One definition of ‘pragmatism’ that is ... that the value of an idea derives from its practical consequences.”

that ‘perceptible’ reality can be objectively described and explained using mainly quantitative methods, whereas subjectivist paradigms suggest that reality can be understood only subjectively, mainly through qualitative methods based on a dialogue between the inquirer and the subject of inquiry.

Pragmatism suggests that debates about ontological nature of social reality are philosophically valuable but not useful for empirical social research⁵. Whether social reality is indeed ‘real’ or whether it is only a ‘subjective construction’ is a purely metaphysical question, which should be divorced from epistemology of empirical research. According to pragmatists, there is not such a thing as ‘objective truth’ (as in positivism) or ‘subjective truth’ (as in some of the constructivist-interpretivist traditions), but truth is “what is good in the way of belief” (Rorty, 1980: 721; also see Rorty, 1982). Truth, therefore, does not correspond to anything objective in the social world or subjective in the minds of individuals but it is something that can be established only over time through the practical usefulness of a certain research finding. Therefore, ‘truth’ is a practical concern of scientists to discover the most useful explanation for the studied phenomenon – explanation that can advance research and practice. Pragmatists thus believe that the aim of scientific inquiry is essentially instrumental: to discover a theory that offers the most useful explanations for practice, teaching and learning (Rorty, 1980, 1982; Rorty, Putnam, Conant, & Helfrich, 2004).

Although pragmatism has an emphasis on practical aspects of research, it is not anti-theoretical – it relies on sound theorising as much as objectivist or subjectivist paradigms. However, it offers “a helpful check to ensure that the debates and discussions of academics do not become so esoteric that they are irrelevant—arguments over differences that don’t make a difference—and don’t help us live better

⁵ For instance, Powell (2003) illustrates the ontological stance of pragmatism in the following way: “The planet’s (or the manager’s, or the firm’s) ontological status has no research consequences. What does have research consequences, and pernicious ones, is the interjection of ontological beliefs... about ultimate ‘truth’ and ‘reality’... we can believe in them or not, or be agnostic, as we are inclined. But introducing ontological beliefs into the research context seems a strange and nefarious intrusion – like bringing political opinions into weather predictions. Unless someone had an ulterior motive, it isn’t clear why they would do it.” (Powell, 2003: 287) Another illustrative example is offered by Kivinen and Piirainen (2007: 100): “As concepts are just tools, it is no more interesting to investigate the ontology of any social scientific concept than it is to study the ontology of, say, forks and spoons. You will soon enough find out that a spoon works better than a fork in eating soup, and you need no metaphysical arguments about the relationship between a spoon and the soup to ground your choice.”

lives” (Wicks & Freeman, 1998: 136). Pragmatism views theory as a tool to explain and predict phenomena for the benefit of society and to direct human action to the “ways of living or structuring organizations which prove especially valuable” (Wicks & Freeman, 1998: 136).

Not only is pragmatism not anti-theoretical, but it also does not reject research rigour criteria. Adopting pragmatism, “does not mean that social scientists should stop using control groups, double-blind studies, regression analyses, and other techniques that are associated with good social scientific research. While pragmatists reject an essential and fundamental distinction between objective and subjective, they can accept for pragmatic reasons, that there are differences between facts and values and different methods of inquiry appropriate to each.” (Wicks & Freeman, 1998: 136-137) Consequently, for pragmatic reasons pragmatism allows mixing qualitative and quantitative research designs and evidence, as long as it helps develop explanations that are practically and theoretically useful. Since qualitative and quantitative research relies on different rigour criteria, pragmatism embraces all of them. The following section suggests how organisational identity research may look in the pragmatic tradition and what consequences this paradigmatic choice may have for the study of hybrid identities of SE ventures and their susceptibility to mission drift.

3.1.2 Organisational identity in pragmatic tradition

Previous OI studies adopted a plurality of views on OI construct (e.g. Ravasi & Canato, 2013). Positivist scholars treated organisational identity “as a variable to be manipulated (often for the purposes of predictability and controllability) to better manage an organization” (Gioia, 1998: 26-27). OI was thus viewed as an objective phenomenon and a testable construct that can be measured and compared across time, organisations and industries. In contrast, constructivist-interpretivist paradigms viewed OI essentially as a subjective (or a socially constructed) phenomenon and, therefore, the main use of this construct in constructivist-interpretivist studies was defined not as a prediction of outcomes but a description and insightful explanation of how organisation members collectively construct an understanding of ‘who we are’. These studies are “usually rendered in narrative form, so another hallmark of interpretive work is that it often tells an interesting, readable story, one that has depth and richness, producing informative insights, but at the expense of demonstrable generalizability”

(Gioia, 1998: 27-28). A variety of paradigmatic views on OI adopted in previous research has not been perceived as a problem. As Brown (2009: 187) succinctly put it, “there are many ways in which the [OI] concept may be defined and deployed and... none of these is inherently more worthwhile than any other”, and, therefore, “rather than seek to restrict the scope of debate, scholars interested in organizational identity may be better advised to recognize, appreciate, and accept” the differences in ontological and epistemological assumptions of OI research.

In the pragmatic philosophical tradition, organisational identity (and, therefore, the hybrid identity hierarchy of SE ventures) can be seen not as a “perceptible entity” (Powell, 2002: 878), which “resides somewhere in time and space, findable in the same way that we find a misplaced fountain pen, or a sunken ship” (Powell, 2001: 885), but as a theoretical construct, which might be instrumental in understanding mission drift in SE ventures. In other words, since OI is an abstract and intangible concept, from the point of view of pragmatism it does not matter, ontologically, whether OI (and, therefore, hybrid identity hierarchy) actually exists or not; moreover its existence cannot be empirically verified. The best we can do is to “believe” or “hope” that it exists (Powell, 2002: 878) and use it as a metaphor or a “way of seeing” (Powell, 2001: 885). What matters is if this abstract, intangible, theoretical concept can help provide useful explanations that can be further used in research and practice.

3.1.3 Summary

Since social sciences deal with the human world, which is less predictable and rational than the natural world, several rival social inquiry paradigms co-exist in social sciences broadly and organisation science specifically. These paradigms differ in terms of their ontological and epistemological assumptions and related methodological issues. Ontology refers to beliefs about the nature of social reality (or ‘what’ can be learned). Epistemology describes beliefs about the nature and purpose of knowledge (or ‘how’ we can learn about social reality). Methodology describes the application of ontological and epistemological beliefs to a specific piece of research. If one imagines the rival social inquiry paradigms on a continuum from objectivist beliefs to subjectivism, positivism-postpositivism is located at the objective end of the continuum, thus assuming that social reality is ‘real’ and can be fully (or probabilistically) explained using quantitative experimental and manipulative methods.

In contrast, critical theory paradigms and constructivism-interpretivism are located at the subjective end of the paradigmatic continuum, which assumes that social reality cannot be explained but only subjectively understood using dialogic and hermeneutical methods (which are essentially qualitative). Pragmatism can be viewed as located in the middle of the paradigmatic continuum.

In this dissertation I subscribe to the philosophical views of pragmatism, which rejects ontological beliefs of both objectivism and subjectivism and advocates for a combination of epistemological views in a way that can produce the most useful research for further theorising and practice. By decoupling epistemology from ontology, the researcher increases his/her range of instruments, with which the social reality can be investigated. As a consequence, pragmatist studies adopt a combination of qualitative and quantitative research methods and embrace the rigour criteria relevant to both types of research methods. Viewed from this point of view, the ontological nature of organisational identity (and hybrid identity hierarchy) becomes a metaphysical question, or in other words a matter of ‘beliefs’ and ‘hopes’ (i.e. whether it is ‘real’ or ‘subjectively constructed’). The focus is instead shifted on practical usefulness of this construct to explain and predict the strategic behaviour of hybrid ventures.

3.2 Data Collection Methods

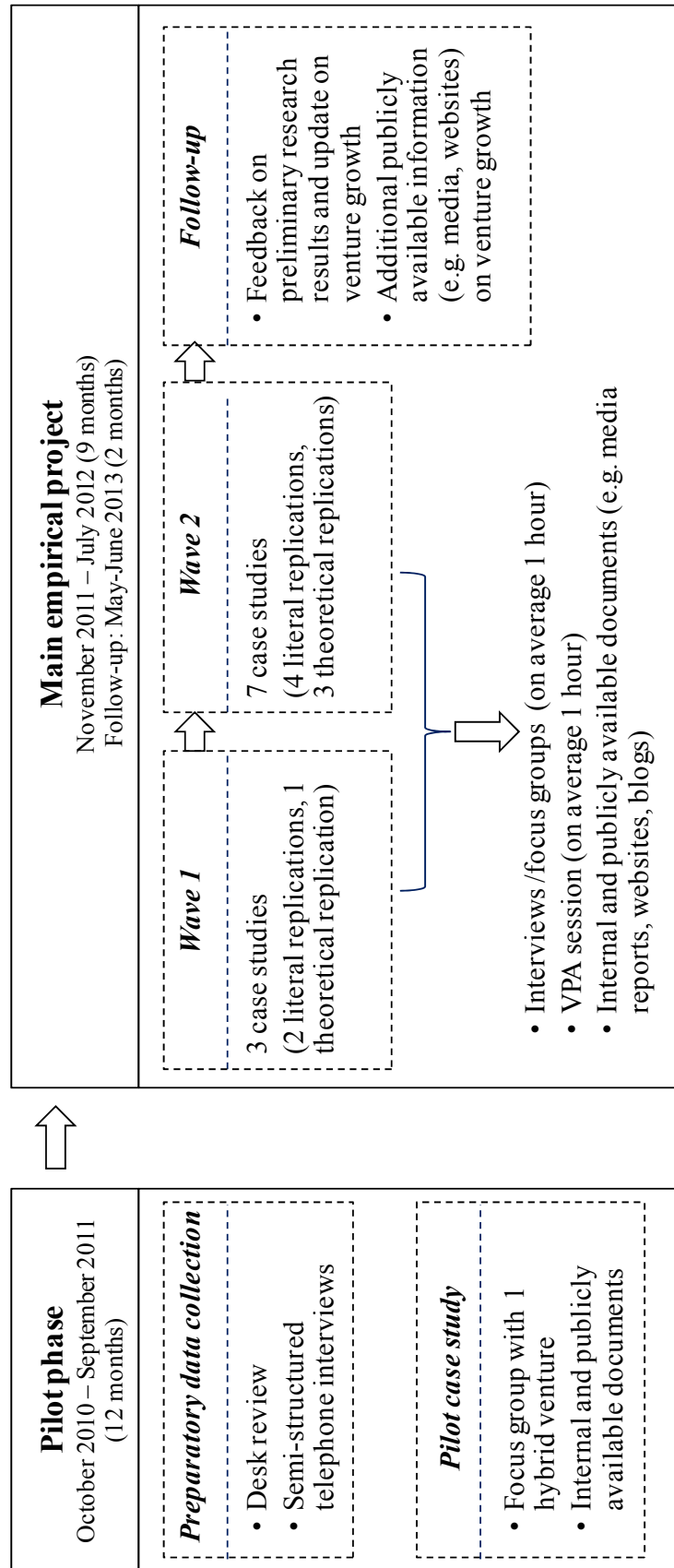
This dissertation adopts a multiple case study research design (Eisenhardt, 1989; Yin, 2003). A case study is “a research strategy which focuses on understanding the dynamics present within single settings” (Eisenhardt, 1989: 534). Although the case study method is most often associated with qualitative research, it does not have to be solely qualitative (Eisenhardt, 1989). In this dissertation, I combine traditional qualitative data collection methods (such as interviews) with less traditional methods (such as verbal protocol analysis, VPA) for the study of the hybrid identity hierarchy and its stability in SE ventures. The following sections describe the overall research design and specific data collection methods, including further information on verbal protocol analysis.

3.2.1 Research design

The multiple case study research design consisted of two data collection phases (Figure 3-1): a pilot phase (October 2010 – September 2011), the main empirical phase with two waves of data collection (November 2011 – July 2012), and a follow-up phase (May-June 2013). The pilot phase consisted of an extensive review of publications and media reports on the strategic behaviour of SE ventures, which helped identify numerous high-profile cases of hybrid ventures that were pursuing sell-outs, acquisitions, partnerships and other growth strategies (Nazarkina, 2011b). This desk review was complemented by several semi-structured telephone conversations with founders of hybrid ventures, which were one way or another affiliated with the author's university and, therefore, willing to participate in the exploratory phase of this dissertation. The purpose of these exploratory interviews was to better understand the context in which hybrid ventures operate and the major challenges that they face while making decisions about growth.

Following the desk review and semi-structured telephone interviews, a pilot case study (which will be further referred to as Lambda to protect the identity of the participating hybrid venture) was conducted in September 2011. Lambda was chosen because of its prior links to the researcher's university and its geographical proximity, which is a common practice for conducting pilot studies in case study research (Yin, 2003). Lambda's business involved the production and trade of snacks made of local, fair-trade and natural ingredients. It operated two cafes in a large city in Switzerland. Primary data collection for the pilot case study involved a telephone interview with Lambda's founder and a focus group with three Lambda representatives (Founder & CEO, Head of Operations, and Strategic Advisor). In addition, internal documents (such as a business and strategy plan) and publicly available documents (such as the website, blog, Facebook pages, press cuttings downloaded from Lambda's website, as well as other publicly available documents found through online search and the LexisNexis database) were analysed to collect identity and strategy relevant statements, as well as to get a better feeling for the type of data that can be collected from these sources.

Figure 3-1 Schematic overview of research design



The main data collection phase followed immediately after the pilot phase and consisted of 10 case studies, the data for which was collected in two waves: the first wave (November-December 2011) comprised three case studies; the second wave (March-July 2012) comprised seven case studies. Further information on the case selection is provided in Section 3.2.2. The data collected during the first wave was partly analysed before the second wave of the data collection started. This helped develop first preliminary theoretical insights, which were further expanded and refined during the second phase of data collection and analysis.

When the preliminary results of data analysis from the two data collection waves were ready, a summary report aimed at a practitioner audience was prepared and sent to the 10 case firms. Feedback on the findings of the study and a further update on the ventures' growth plans were requested as part of the follow-up research phase (May-June 2013). Additional information that appeared in media reports and case firms' websites between the time of the initial data collection session and June 2013 was also incorporated in the overall body of data.

3.2.2 Case selection

Case study research relies on theoretical (rather than statistical) sampling (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Yin, 2003). Therefore, although it is equally important to define a population, from which the cases are drawn, a random selection of cases out of this population is "neither necessary, nor even preferable" (Eisenhardt, 1989: 537). In multiple case study research design each case is carefully selected so that it either (a) predicts similar results ('literal replication') or (b) predicts contrasting results but for predictable reasons ('theoretical replication') (Yin, 2003). Thus multiple case study design is akin to experimental research in the laboratory, where a researcher may want to conduct 2 or 3 literal replications of a certain result by conducting the same experiment several times and 4 to 6 slightly different experiments by manipulating conditions in order to establish if results indeed vary for predictable reasons. As Yin (2003: 33) suggested, "Under these circumstances, the mode of generalization is 'analytic generalization,' in which a previously developed theory is used as a template with which to compare the empirical results of the case study. If two or more cases are shown to support the same theory, replication may be claimed.

The empirical results may be considered yet more potent if two or more cases support the same theory but do not support an equally plausible, rival theory.”

The actual number of cases in a multiple case study research design depends on the certainty that the researcher wants to have about results, which is similar to the idea of ‘power’ in statistical quantitative research: if you are interested in general patterns, it is possible to have fewer cases (2-3) for literal replication; however, if you are interested in subtle differences with a high degree of certainty, it might be required to have 5 or more literal replications. As for theoretical replications, Yin (2003: 51) suggests that “the important consideration is related to your sense of the complexity of the realm of external validity. When you are uncertain whether external conditions will produce different case study results, you may want to articulate these relevant conditions more explicitly at the outset of your study and identify a larger number of cases to be included.”

It is generally recommended, however, to have between 4 and 10 case studies (Eisenhardt, 1989: 545): “With fewer than 4 cases, it is often difficult to generate theory with much complexity, and its empirical grounding is likely to be unconvincing, unless the case has several mini-cases within it... With more than 10 cases, it quickly becomes difficult to cope with the complexity and volume of the data.” Eisenhardt and Graebner (2007: 27) also note, “Because case numbers are typically small, a few additional cases can significantly affect the quality of the emergent theory. For example, adding three cases to a single-case study is modest in terms of numbers, but offers four times the analytic power. Thus, theory building from multiple cases typically yields more robust, generalizable, and testable theory than single-case research.”

Following this logic, I have designed a study that combines literal and theoretical replications of the initial pilot case (10 case firms in total). To control for extraneous variation, I decided to focus on a specific industry – the so-called LOHAS (lifestyle of health and sustainability). By offering products with extrinsic social and environmental benefits, firms in the LOHAS industry offer an alternative to overconsumption, which has been identified, particularly in developed countries, as one reason for escalating resource depletion, environmental pollution, reduction in biodiversity and increasing poverty of the least well-off. Reducing consumption is only one part of a solution, and it is the most difficult to implement. Changing

consumption patterns by offering goods and services with the same intrinsic benefits (i.e. taste and functionality) as mainstream goods and services but with improved extrinsic benefits (i.e. reducing environmental impact, improving the social conditions for the people involved in the production and contributing to maintaining good health) is an alternative strategy to address the problems of overconsumption. This is the mission taken up by firms in the LOHAS industry.

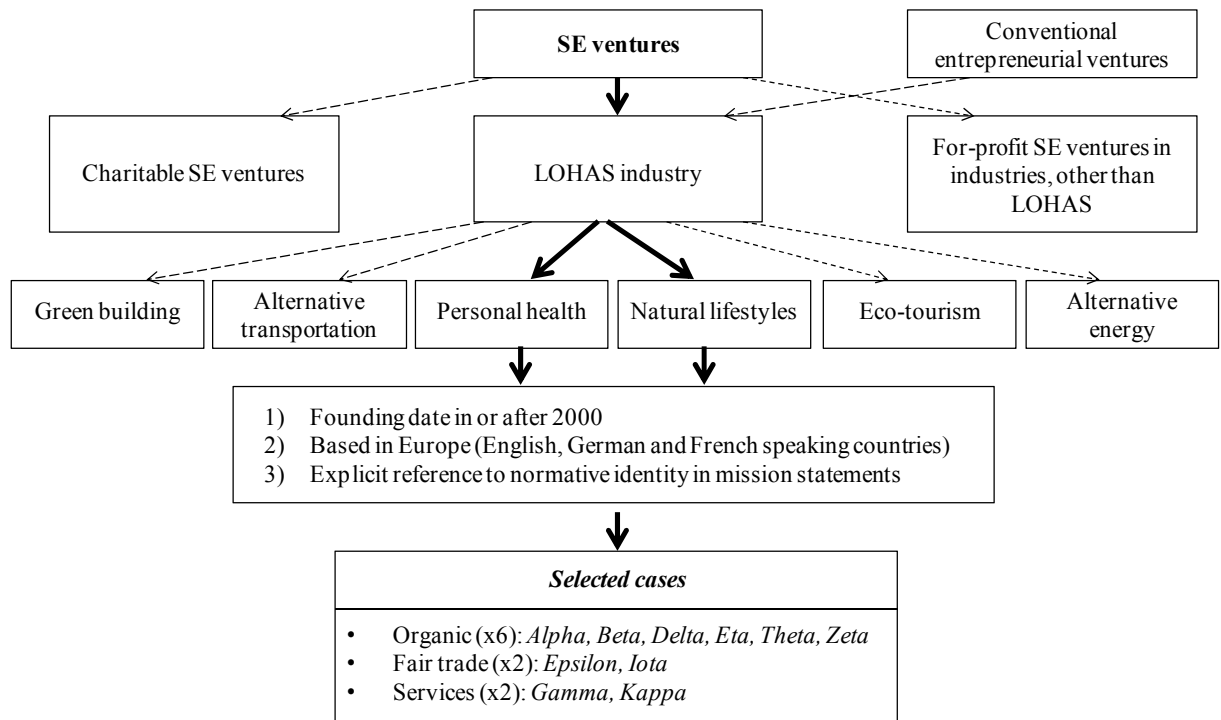
According to the Natural Marketing Institute, the LOHAS industry includes the following categories of products or services: personal health (e.g. natural and organic food and personal care products), natural lifestyles (e.g. environmentally friendly cleaning products and apparel), green building (e.g. energy star appliances), alternative transportation (e.g. hybrid vehicles or car sharing), eco-tourism and alternative energy⁶. The size of the LOHAS industry in the USA was estimated at \$300 billion in 2013⁷ - a significant increase from \$219 billion in 2005 (LOHAS Journal, 2010). A similar trend of rapid market growth was recorded for the UK-based LOHAS industry, which has grown from £16 billion (\$26 billion) in 2000 to £46.8 billion (\$75 billion) in 2010, nearly a three-fold increase (Co-operative Bank, 2011).

To further narrow down the population of hybrid ventures from which case firms were drawn, I excluded green building, alternative transportation, eco-tourism and alternative energy sectors and focused on the personal health and natural lifestyles sectors of the LOHAS market (Figure 3-2). The choice of these sectors reduced venture variability by eliminating nonprofit and charitable SE ventures, as well as for-profit SE ventures that do not produce goods or services for consumption by LOHAS individuals (e.g. SE ventures that operate in such sectors as education, community services, poverty relief, etc.).

⁶ Source: <http://www.lohas.com/about> (Accessed on 20 November 2013).

⁷ Source: CSR wire (16 April 2013). Link: http://www.csrwire.com/press_releases/35469-Green-Consumer-Market-Grows-Up-LOHAS-Conference-to-Update-U-S-Businesses-On-the-Influential-Customer-That-Is-Transforming-the-Marketplace-June-18-20-2013-in-Boulder-CO (Accessed on 20 November 2013).

Figure 3-2 Case selection criteria



Since commercial market data for the LOHAS industry was not available through academic channels, a database of hybrid ventures was compiled manually. I started by conducting an online search of major industrial associations promoting personal health and natural lifestyles. I also searched for references to suitable hybrid ventures in online and printed media materials. The more I searched, the more it became clear that it was necessary to further narrow down the personal health and natural lifestyles sectors since they included a very diverse group of ventures. I decided to focus on ventures that are related to food production, processing and services. These venture types were also studied by other scholars as examples of SE ventures (e.g. Simon, Miree, & Dule, 2013).

The main criteria for including a hybrid venture in my database were as follows: (1) founding date during or after 2000; (2) based in Europe (its English, German and French speaking countries⁸); and (3) explicit reference to the normative identity in mission statements on the venture's website. The last screening criterion

⁸ The choice of English, German and French-speaking European countries for empirical data collection was made for the reasons of geographical proximity to the researcher's university (since data collection involved travelling to venture's premises) and researcher's language capabilities.

was crucial since I was interested only in entrepreneurial ventures that had a strong sense of purpose that goes beyond, for instance, producing just organic food. Analysis of mission statements on ventures' websites for the identification of SE ventures is also consistent with previous SE research (e.g. Moss et al., 2011).

Over the course of the two waves of data collection, I defined 57 hybrid ventures that complied with the criteria described above. I contacted all 57 firms by email and invited them to participate in my study. Each introductory email included a brief overview of the research project; tasks required of a participating firm; benefits of participation; and a researcher's curriculum vitae, also listing recognised experts who serve as advisors to the research project. No direct compensation was offered to any of the contacted hybrid ventures; the benefits from participation were described as a summary report that would be compiled and shared with participants at the end of the research project. Two weeks after the first introductory email, I sent a follow-up email to those hybrid ventures that did not reply. One week after the first reminder, I attempted to establish a telephone contact with non-respondents.

As a result, I established contact with 33 out of 57 identified hybrid ventures: 15 firms out of 33 declined to participate justifying their decision as a result of limited resources and other pressing tasks; eight firms expressed interest but could not allocate the necessary resources in the timeframe of data collection; and 10 firms agreed to take part. These 10 cases shared similar characteristics but were also sufficiently different to enable the logic of literal and theoretical replication. For instance, six out of 10 case firms were manufacturers of organic food (and were, therefore, literal replications of the pilot case study). Two ventures were fair trade chocolate producers and two ventures operated in the services sector (i.e. consulting on climate-friendly food and development of urban farming systems); these four ventures were theoretical replications of the pilot case study. More information on these 10 case firms⁹ is presented in Table 3-2.

⁹ Identifying information was removed to protect the identity of participating firms.

Table 3-2 Profile of case firms

Firm	Founding date	Number of employees	Product/ service offered	Example of a normative identity statement from the online mission statement
Alpha	2006	9	Natural, organic and healthy cereals and snacks	“We’re a small company with big dreams. With great food inside us, we feel we can do just about anything, change the nation’s eating habits [and] revolutionise farming... We choose ingredients that taste amazing... We don’t over-process anything into unnatural shapes and textures... We work to minimise our packaging, and to grow our ingredients where they grow naturally. And we’ll never, ever use GM.”
Beta	2003	3	Organic smoothies	“Happy fruit are all natural! As we would like to continue using ‘happy fruit’ in our smoothies, we protect the environment. We use only organically grown fruit that get exactly what they love: water, sun and lots of affection. Everything else, such as weed killers (herbicides), pesticides and fertilizers, is not allowed in organic farming. In short: who drinks [our smoothies] helps make the fruit of this world happier.” (translation from German)
Gamma	2010	6	Technology for growing organic food in the urban environment	“Fresher food is better food. For too long, urban agriculture has been a hobby amongst a few dedicated enthusiasts... We provide systems and solutions that enable enterprises to grow the freshest vegetables... without fossil-fuel-based fertilizers, chemical pesticides, or antibiotics, and we do it sustainably and on large scale.”
Delta	2006	6	Organic beer	“We strive in every way to make our business as sustainable as possible – financially, environmentally and socially. It is not just the process of brewing beer – minimising our resource use, using local and organic ingredients, re-cycling our waste and delivering locally – but also the way we do business. We believe an important element of developing long term sustainable communities is to strengthen the local economy – to bring money into it and then keep it there! This is one of the reasons why we will not sell our beer through the supermarkets, but choose to sell through independent outlets.”

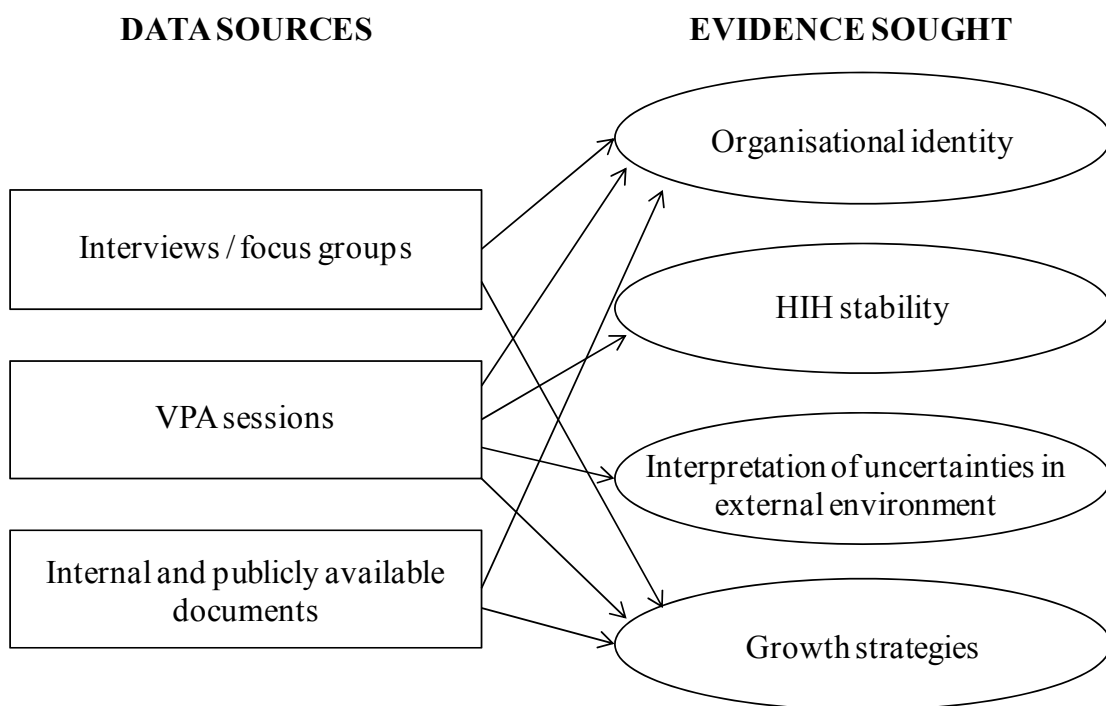
Firm	Founding date	Number of employees	Product/ service offered	Example of a normative identity statement from the online mission statement
Epsilon	2006	1	Boutique selling fair trade chocolate	<p>“[Epsilon] is a chocolate concept store that is not like the others! Two key concepts are central: diversity and ethics. Diversity because everyone is unique... Ethics because life deserves respect. We source products that respect people and the environment. Our products are organic, fair trade and produced by small... artisanal chocolate makers. And we also think about those without whom we would not have been able to enjoy the chocolate – cocoa farmers.” (translation from French)</p>
Zeta	2006	2	Organic and healthy soft drinks	<p>“[Our products] began with the need to develop a thirst-quenching drink that you can enjoy carefree... The search for the right ingredients, without doing harm to our environment or our body, the work on the delicate balance between the natural fruit juices, the sweet stevia extracts and the healthy tea leaves made so much fun that we hardly wanted to stop.”</p>
Eta	2004	> 20	Organic / environmentally-friendly consumables that finance charitable projects	<p>“We’ve been producing [bottled water] for quite some time now. It’s how we started, so naturally, we’re incredibly proud of it. It’s sourced from [a local spring], and we add nothing else – apart from bubbles, if that’s what you’re into. It’s naturally pure, great tasting and a more ethical choice: all profit goes to fund water projects in Africa. [And] we bottle all over the world, local to our markets to minimise food miles.”</p>
Theta	2003	> 10	Organic, fair trade, wild-grown coffee	<p>“[Our firm] was founded in 2004 by several innovative entrepreneurs with the ambition to create an integrated, sustainable development project in the desperately poor [region of Africa]. The use of only natural ingredients while protecting the environment, where they are grown, in conjunction with support of local communities, have always been in the centre of [our] activities.” (translation from German)</p>

Firm	Founding date	Number of employees	Product/ service offered	Example of a normative identity statement from the online mission statement
Iota	2005	10	Social integration enterprise producing fair trade chocolate	<p>“The value chain from cocoa producers to finished chocolate products is very long and involves many actors. Since we would like to be able to provide a complete traceability of our products... and... to measure the impact of our activities throughout the value chain, [we] aim to be present, alert and transparent at all stages of this chain ... Our company was created to become a modern organisation, pioneering a new economic and social system that combines competitiveness with social responsibility, product quality with social support, customer satisfaction with concern for the overall well-being, professionalism with altruism.” (translation from French)</p>
Kappa	2009	4	Consulting on climate-friendly menus	<p>“Four years ago we came across first studies. Since then we have become even more aware of the relevance of nutrition to mitigate climate change. Having done many calculations, we realised that there is a potential to reduce carbon emissions by 50%! Now we have developed concrete measures that would enable each person to make decisions on climate-friendly food.” (translation from German)</p>

3.2.3 Data sources

Each case study was built on multiple sources of information (Figure 3-3). Interviews, observations and archival sources are the most common sources of case data; however, some case study researchers also often use unconventional methods for case data collection (Eisenhardt, 1989), such as quantitative laboratory data (e.g. Bettenhausen & Murnighan, 1986). The reason for using multiple sources of information in case study research is to achieve a so-called “triangulation”, or a stronger substantiation of findings from different sources of information (Eisenhardt, 1989; Yin, 2003). Triangulation is thus crucial for building rigorous theories based on case study data.

Figure 3-3 Data triangulation



Full triangulation can be achieved only when multiple sources of information result in the same evidence. As suggested by Yin (2003: 98-99), “When you have really triangulated the data, the events or facts of the case study have been supported by more than a single source of evidence; when you have used multiple sources but not actually triangulated the data, you typically have analyzed each source of evidence

separately and have compared the conclusions from the different analyses – but not triangulated the data.”

Bearing this in mind, the multiple data sources in this study were designed so that they produce full triangulation and result in the collection of different (but complementary) facts (Figure 3-3). Interviews, VPA sessions and document analysis were intended to produce triangulated evidence on the hybrid organisational identity of case firms and their growth strategies. VPA sessions, in addition, were intended to produce evidence of any change in the hybrid identity hierarchy (i.e. HIH stability) of case firms. The following sections provide further details on specific data sources used for collecting case study evidence.

3.2.3.1 Interviews/focus groups

In-depth interviews/focus groups were conducted with each case firm and lasted on average 1 hour each (Table 3-3 and Table 3-4). The purpose of interviews/focus groups was to collect first-hand verbalisations about each firm’s organisational identity and help to make participants feel at ease with the researcher and comfortable with the subsequent VPA task.

To capture the OI construct¹⁰, rather than idiosyncratic perceptions of individual organisational members, several key decision-makers from each case firm (i.e. a team of co-founders) were invited to take part in the focus group interview. Since this study is focused on young SE ventures, which are only starting their growth process, all 10 ventures were very small firms with only few key decision-makers who define organisational identity. When it was not possible to involve several participants, it was requested that the most senior decision-maker from the entrepreneurial team, who spent the longest with the venture, takes part. Seven firms out of 10 were willing to involve two or more key decision-makers in the focus group interview; in the other three firms only one decision-maker agreed to take part in the interview, justifying this decision by the fact that he/she was the most senior key decision-maker in this firm.

¹⁰ OI scholars tend to distinguish between different aspects of organisational identity (Brown, Dacin, Pratt, & Whetten, 2006): (1) shared views of organisational members (the actual organisational identity); (2) insiders’ projections to outsiders about identity (“intended image”); (3) insiders’ beliefs about how outsiders view the organisation (“construed image”); and (4) how outsiders actually view the organisation (“reputation”).

Table 3-3 Participants of data collection sessions

Firm	N of participants	Participants' profile	Interview and VPA session date	Interview language
Alpha	3	2 co-founders Finance Director	25 Nov 2011	English
Beta	3	2 co-founders CEO	2 Nov 2011	English
Gamma	3	Founder Director of Operations Chief Financial Officer	17 Nov 2011	English
Delta	2	Founder Distribution Partner	19 Mar 2012	English
Epsilon	1	Founder	31 May 2012	French
Zeta	2	Founder Sales & Marketing Support	13 Mar 2012	French
Eta	1	Founder & CEO	17 Apr 2012	English
Theta	2	Founder & CEO NGO Coordinator	23 Apr 2012	English
Iota	1	Founder & CEO	1 June 2012	French
Kappa	2	Founder & CEO Founder & Scientific Communications	25 July 2012	English

Table 3-4 Duration of data collection sessions

Firm	Total duration	Part 1: Interview/focus group		Part 2: VPA session (including closure)	
		Duration	Number of words/symbols	Duration	Number of words/symbols
Alpha	2hrs 10 min	1h 24 min	9,531 / 43,035	46 min	4,680 / 20,649
Beta	2 hrs 2 min	58 min	5,280 / 23,570	1h 4 min	4,065 / 18,408
Gamma	1 hr 46 min	1h 7 min	9,519 / 41,975	39 min	4,329 / 19,594
Delta	1hr 49 min	57 min	8,895 / 38,525	52 min	6,697 / 29,371
Epsilon	1 hr 7 min	48 min	5,836 / 26,169	19 min	1,314 / 6,014
Zeta	1hr 55 min	1h 5 min	6,369 / 29,810	50 min	3,637 / 16,315
Eta	1hr 27 min	48 min	7,027 / 30,587	39 min	5,073 / 22,169
Theta	1hr 54 min	1h 12 min	7,297 / 31,871	42 min	3,555 / 15,214
Iota	1hr 15 min	49 min	5,749 / 27,391	26 min	2,542 / 11,586
Kappa	2 hrs 12 min	1h 30 min	10,945 / 50,269	42 min	3,342 / 15,282

Interview/focus group participants were asked to answer a pre-defined set of open-ended questions. The interview was organised around three general topics: (1) firm background; (2) business model; and (3) past and future (potential) growth strategies (Appendix 1). Interview questions such as “Please tell me more about how you set up this business...” encouraged hybrid ventures to engage in ‘story-telling’. It was previously shown that storytelling is an essential component of an entrepreneur’s toolkit, which plays a critical role in conveying venture’s identity (Martens, Jennings, & Jennings, 2007; O’Connor, 2002, 2004; Lounsbury & Glynn, 2001). “Stories help individuals understand and describe who they are”, and, therefore, entrepreneurial stories or narratives “are primarily designed to create as comprehensible an identity as possible for an entrepreneurial firm” (Martens, Jennings, & Jennings, 2007: 1110). All ten interviews/focus groups took part on the premises of hybrid ventures. Audio-recorded data was transcribed by the researcher within a week after each meeting. A detailed meeting summary, as well as a transcript of the interview/focus group discussion, were sent back to participating firms for error and consistency check.

3.2.3.2 Verbal protocol analysis

Following interviews/focus groups, the same participants were invited to take part in a verbal protocol analysis session, the purpose of which was to investigate H1H stability, as well as interpretations of uncertainties in the external environment, when making decisions about growth. VPA is a data collection method¹¹, which requires respondents to ‘think out loud’ while making decisions during controlled experiments (Schweiger, 1983; Ericsson & Simon, 1993; Cable & Graham, 2000; Grégoire, Barr, & Shepherd, 2010). The method thus enables collecting ‘thinking out loud’ verbalisations from each respondent and comparing them within respondents (across experiments) and between respondents. The use of scenarios (or hypothetical tasks to solve) in VPA allows investigating decision-making processes in a relatively unobtrusive fashion (Barber & Roehling, 1993), by exposing participants to

¹¹ It should be noted that VPA is a data collection, rather than data analysis method, despite the somewhat confusing use of the word ‘analysis’ in the term ‘verbal protocol analysis’. The collected data is usually analysed using qualitative and quantitative content analysis techniques. Specific data analysis procedures that are used in this dissertation are described in Section 3.3.

challenging situations but not asking them directly how their organisational identity might change and why they would choose a particular growth strategy.

VPA was developed by cognitive psychologists concerned with human decision-making processes¹². Its advantage over other methods that analyse decision-making is its ability to record decision-making processes in real time, rather than rely on retrospective recollections of past decisions, thus improving data accuracy (Barber & Roehling, 1993; Grégoire, Barr, & Shepherd, 2010). In entrepreneurship and management, VPA was used to study the decision-making of managers and corporate officers (Isenberg, 1986, Melone, 1994); entrepreneurs (Grégoire, Barr, & Shepherd, 2010; Grégoire, Shepherd, & Lambert, 2010); investors, venture capital fund managers, business angels and bank loan officers (Hall & Hofer, 1993; Sarasvathy, Simon, & Lave, 1998; Mason & Stark, 2004; Morrin et al., 2002; Carter, Shaw, Lam, & Wilson, 2007); auditors and financial analysts (Bedard & Biggs, 1991; Anderson & Potter, 1998); job seekers (Cable & Graham, 2000; Robie, Brown, & Beaty, 2007); salespeople (Shepherd, Gardial, Johnson, & Rentz, 2006); and consumers (Bettman & Park, 1980; Kuusela & Paul, 2000).

The four scenarios used in VPA sessions outlined potential industry developments in the next 3-5 years. These scenarios were created by manipulating two criteria: resource availability (low/high) and growth potential (low/high) (Figure 3-4). As suggested in Section 2.3, SE ventures are often pushed for growth by key resource providers (Battilana et al., 2012; Austin, Stevenson, & Wei-Skillern, 2006), and, therefore, the SE venture's perceptions as to how easy it might be to get access to key resources (e.g. financial or human) and how significant a growth potential in a given

¹² Because of the time-consuming and demanding nature of this method, it is common in VPA research to collect data from small sample sizes. The sample of 10 firms in this dissertation is consistent with previous VPA studies, which "tend to trade large sample sizes that would warrant statistical validity for methodological strategies that emphasize the internal, construct, and external validity of the observations" (Grégoire, Barr, & Shepherd, 2010: 418). For instance, Anderson and Potter's (1998) VPA study had a sample of four financial analysts; Grégoire, Barr and Shepherd's (2010) study – nine senior executives; Sarasvathy, Simon and Lave (1998) – four entrepreneurs and four bankers; Melone (1994) – eight senior executives; Morrin et al. (2002) – nine investors; Mason and Stark (2004) – three bankers, three venture capitalists and four business angels; Choi and Shepherd (2005) – 11 individuals (three graduate students, three home business owners, two telecommunication-equipment distributors, and three bankers); Isenberg (1986) – 12 general managers; Cable and Graham (2000) – 14 undergraduate students; McVea (2009) – 12 entrepreneurs and 12 MBA students; Hall and Hofer (1993) – 16 venture capitalists.

environment might be – are some of the most important criteria that can have an influence on the SE venture's growth decisions.

Low resource availability was defined as limited access to financial resources and high market concentration (i.e. market domination by large businesses and, therefore, strong competition with market leaders for key resources). High resource availability was defined as abundant access to financial resources and low market concentration (i.e. co-existence of corporations and small entrepreneurial firms). Low growth potential was defined as industry trending toward a more conservative LOHAS market and high price sensitivity to LOHAS products and services. Finally, high growth potential was defined as more favourable industry trends toward a progressive LOHAS market and low price sensitivity to LOHAS products and services. These criteria were crossed to make up four experimental scenarios (a similar method is described in Melone, 1994).

Each of the four scenarios was focused on a specific “strategic issue” (see definition of a “strategic issue” in Section 2.4.1), such as a wide-spread introduction of genetically-modified (GM) crops and livestock (Scenario 1), market transition toward functional foods (Scenario 2), increased speed of globalisation and ‘fair capitalism’ (Scenario 3) and transition toward ‘de-growth’ economies (Scenario 4). The choice of these specific strategic issues was made based on a literature review of developments (and future scenarios) in the personal health and natural lifestyle sectors of the LOHAS industry (e.g. Allen, 2011; Deloitte, 2009; Financial Times, 2010; Food Ethics Council, 2008, 2010; Kilcher et al., 2011; Makower et al., 2011; PricewaterhouseCoopers, 2009; Soil Association, 2011; Steedman & Schultz, 2009). Each scenario combined existing trends and hypothetical industry developments. The length of each scenario was approximately 1 printed page. Full text of scenarios is presented in Appendix 2.

Figure 3-4 VPA instrument

RESOURCE AVAILABILITY		GROWTH POTENTIAL	
Low	High	Low	High
Issue 1: Widespread introduction of GM crops and livestock <ul style="list-style-type: none">• IT-: Increase of food and oil prices; increased use of GM crops and livestock• CV-: Consumer is price sensitive; only a small group of consumers is interested in sustainable produce• MC+: Large food businesses dominate the market• AF-: Access to small business finance becomes challenging	Issue 2: Market transition toward functional foods <ul style="list-style-type: none">• IT-: Trend toward health-boosting functional food; low interest in sustainable food• CV-: Consumers demand convenience and fun and are prepared to pay extra for health-boosting food; sustainable food has a ‘boring’ image• MC-: Although large businesses control some of the product categories, small businesses are still succeeding in creating their own market niches• AF+: Abundance of financial resources for both small and large businesses	Issue 3: Increased speed of globalisation and fair capitalism <ul style="list-style-type: none">• IT+: Limitless choice of artisanal, fair-trade, sustainably-grown and heritage-variety products from around the world; eating-out is common• CV+: Increased disposable income; under-35s strongly support sustainable products and shop ethically• MC-: Favourable climate for start-ups and small businesses to co-exist with large food corporations• AF+: Abundance of financial resources for both small and large businesses	Issue 4: Transition toward de-growth economies <ul style="list-style-type: none">• IT+: Organic, small-scale agriculture is common; urban agriculture and private allotments are on the rise• CV+: Consumers focus on sustainability and ‘enough food’ principle• MC+: Only a few large companies limited by country boundaries with short supply chains• AF-: Difficulties in obtaining loans; development of ‘community finance’ and ‘crowd funding’

IT+/- (industry trends), CV+/- (consumer price sensitivity and values), MC+/- (market concentration), AF+/- (access to finance)

IT+/- (industry trends), CV+/- (consumer price sensitivity and values), MC+/- (market concentration), AF+/- (access to finance)

Participants were asked to read the text of the four hypothetical scenarios one by one, and to ‘think out loud’ while making decisions about their venture’s growth in each of these scenarios. Participants were instructed not to worry about grammar or speaking in complete sentences (which was particularly relevant for those VPA sessions that were conducted in English, although English was not the mother tongue of all participants). They were also instructed to think aloud constantly, without pauses, and were prompted to continue thinking if they were silent for more than 3-5 seconds (e.g. Isenberg, 1986; Hall & Hofer, 1993; Melone, 1994; Goodman, Wood, & Chen, 2011). Finally, participants were asked to write down growth strategies on cards that were provided to them to assist and structure their thinking.

The role of the researcher during these VPA sessions was reduced to a time-keeper in order to prevent bias in the ‘thinking out loud’ process and avoid inadvertent prompting (Barber & Roehling, 1993). Each VPA session lasted about 1 hour. Audio-recorded data from VPA sessions was transcribed by the researcher within a week after the VPA session. A detailed meeting summary, as well as the transcript of the VPA session, were sent back to participating firms for error and consistency check.

3.2.3.3 Document analysis

The data collected from interviews/focus groups and VPA sessions with each case company was triangulated by document analysis, which included internal documents (where available), firms’ websites (‘About’ or ‘Mission’ sections; news web-pages); firms’ Facebook pages and other blogs; press cuttings downloaded from firms’ websites, as well as other press collected from internet search and the LexisNexis database. For those case firms that actively communicated with their customers through their product labels, the analysis of this data source was also performed. Finally, when preliminary results of the data analysis were ready, a summary report was sent to the 10 case firms with a request for a feedback on the preliminary results and an update on their growth strategies and plans since the interview/focus group and VPA session took place. This evidence was also incorporated in the body of collected and analysed data.

3.2.4 Summary

Data collection involved a pilot phase (i.e. desk literature review, semi-structured telephone interviews and a pilot case study) and a main empirical project (i.e. two waves of literal and theoretical case replications and a follow-up data collection phase). The pilot case study was chosen for proximity reasons, which is a common practice in case study research, whereas the 10 case firms in the main empirical project were chosen out of the manually compiled database of hybrid ventures in the LOHAS sector.

Data sources included in-depth interviews/focus groups and a VPA session with each case firm. Interviews/focus groups were organised around three general topics: firm background, business model, and past/future growth strategies. VPA sessions were used to triangulate the evidence on organisational identity and evaluate HII stability by comparing interviewees' responses across scenarios. The evidence collected from interviews/focus groups and VPA sessions was triangulated by the analysis of internal and publicly available documents (e.g. media reports, websites, blogs). The following section provides detailed information on the methods used to analyse the data collected from interviews/focus groups, VPA sessions and documents.

3.3 Data Analysis Methods

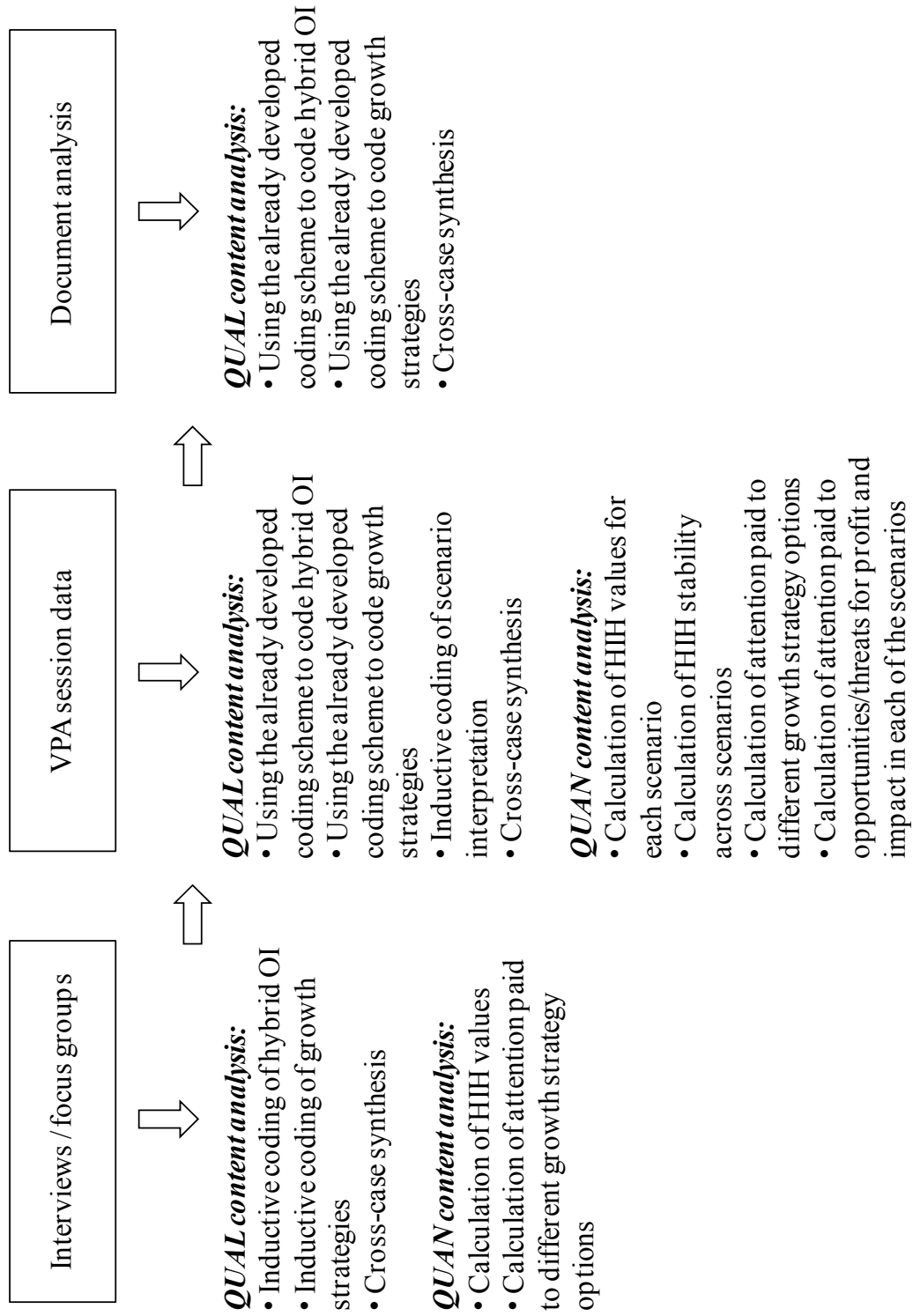
This section presents the qualitative and quantitative content analysis methods (Krippendorff, 2013) that were used for the analysis of collected case study data (Figure 3-5). As suggested by Krippendorff (2013), content analysis is the appropriate tool for analysing documents, open-ended interviews and focus group data (p. 33). Content analysis is also the preferred technique for analysing VPA data (e.g. Barber & Roehling, 1993; Sarasvathy, Simon, & Lave, 1998; Mason & Stark, 2004; Grégoire, Barr, & Shepherd, 2010).

Although Krippendorff (2013) notes that it is not very useful to distinguish between qualitative and quantitative content analysis since “ultimately, all reading of texts is qualitative, even when certain characteristics of text are later converted into numbers” (p. 22), some distinctions between the two techniques are important. Quantitative content analysis has its roots in communication research and specifically in the analysis of large volumes of printed media information; whereas qualitative

content analysis goes back to critical scholarship, ethnomethodology and literary theory and thus is essentially interpretive. Qualitative content analysis relies on a close reading and interpretation of relatively small amounts of textual data. As a contrast, quantitative content analysis relies on quantification of qualitative data and comparing the data using quantitative indices (e.g. presence or absence of a reference or concept; the frequency with which a concept occurs in the text; the frequency of co-occurrence of several concepts, etc.).

Although data quantification is a very useful instrument for data analysis, interpretation of results obtained with quantitative content analysis techniques should be approached with caution: “While it is tempting to regard numerical measures of density from a positivist perspective as objective indicators..., codes are derived from the researchers’ interpretations of the participants’ discussions” (Carter et al., 2007: 432, also see Krippendorff, 2013). To address this concern, quantitative indices calculated in this empirical study (e.g. HII and HII stability) are not interpreted as absolute values but only used for comparison between case firms with a view to establish patterns and subsequently develop a theoretical model. The following sections provide further information on the qualitative and quantitative content analysis techniques used for the analysis of data from interviews/focus groups, VPA sessions and documents.

Figure 3-5 Data analysis methods



3.3.1 Qualitative content analysis

The first stage of data analysis consisted of inductive coding of transcripts of interviews/focus groups. The coding scheme developed in this manner was then applied to VPA data and collected documents. The unit of analysis was a statement, defined as a sentence (in written documents) or a speech utterance (in audio recordings), which is distinguished from other speech utterances by a pause¹³, a change of topic/subject matter or a change in speakers (e.g. Grégoire, Barr, & Shepherd, 2010; Hall & Hofer, 1993). The coding was done using NVivo 10 – software for qualitative data analysis, which is commonly used in academic research. The coding of data in French or German was conducted in the original language to minimise the risk of misinterpreting the data by translating it first into English and then coding¹⁴. The following sections describe specific qualitative content analysis techniques used to analyse the data collected from interviews/focus groups (Section 3.3.1.1), VPA sessions (Section 3.3.1.2) and documents (Section 3.3.1.3). This is followed by the discussion of quantitative content analysis methods (Section 3.3.2).

3.3.1.1 Interviews/focus groups

To facilitate data coding and increase its reliability, the transcripts of interviews/focus groups were parsed into statements prior to coding. The parsing was verified by listening to audio recordings of interviews/focus groups once again. In the process of coding the first several transcripts, I iteratively fleshed out a coding scheme for different aspects of hybrid organisational identity of case firms and their growth strategies. I also allowed additional codes to be added to the coding scheme if they appeared in any subsequent transcript. In this case, earlier transcripts were re-coded to reflect a new code.

¹³ Consistent with existing practice in VPA research, not all pauses are considered as the end of a statement since the actual content of verbalisations is of primary importance and respondents usually demonstrate different patterns of speech and thought (e.g. Choi & Shepherd, 2005; Ericsson & Simon, 1993).

¹⁴ The quotes used to demonstrate results of data analysis in Chapter 4 are, however, all translated into English. All instances when a translation, rather than an actual quote, is used are clearly indicated in the text.

Each unit of analysis (i.e. statement) was assigned only one code. Context units¹⁵, which provided additional information for assigning each statement to a code, were defined as an utterance between the turns of talk. Krippendorf (2013: 102) suggests that “the best content analyses define their context units as large as is meaningful (adding to their validity) and as small as is feasible (adding to their reliability). Therefore, consistent with the best practice in content analysis, coding units / units of analysis were not overlapping, whereas context units were allowed to overlap to increase the validity and reliability of data coding. The resulting coding scheme was exhaustive and all codes for each analysed concept (i.e. HIH and growth strategies) were mutually exclusive (see Krippendorf, 2013, p. 132).

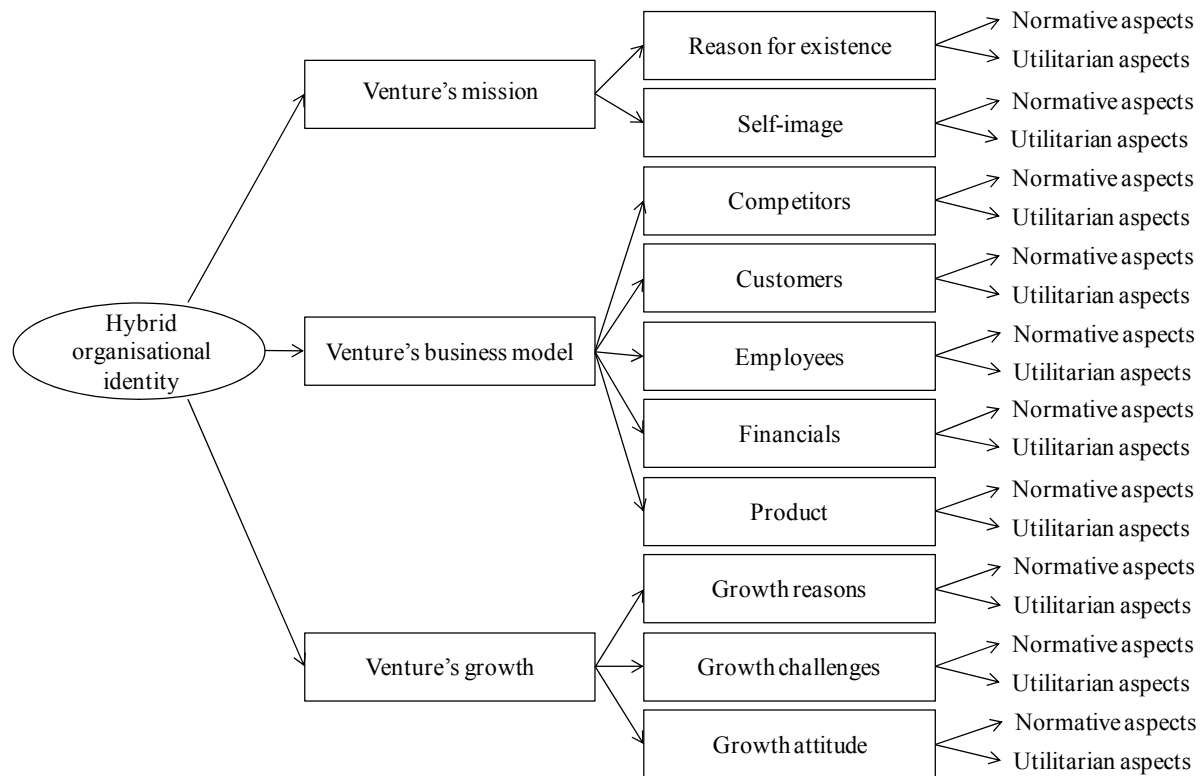
The coding scheme for hybrid organisational identity is outlined in Figure 3-6 and comprehensively described in Appendix 3 and Appendix 4. Statements describing a venture’s predominant focus on profitability and financial stability were coded as referring to utilitarian identity. Statements describing a venture’s predominant concern with its wider social and environmental impact were coded as referring to normative identity¹⁶. For instance, statements describing a venture’s preparedness to sacrifice profitability for achieving a larger impact or statements describing a venture’s choice to raise finance only from funding sources with similar values were coded as referring to normative identity. In contrast, statements describing a venture’s focus on the cost

¹⁵ The importance of using context units can be illustrated by inconsistencies in the study of hybrid identities of SE ventures by Moss et al. (2011), who measured SE ventures’ utilitarian identity by coding words that referred to venture’s growth ambitions, its products and entrepreneurial orientation (e.g. “solution”, “opportunity”, “Internet”, “increase”). However, the coding of words, without due attention to the context within which these words occur may produce erroneous results. One could argue that the word “opportunity”, as used in the study by Moss et al. (2011), does not necessarily refer to utilitarian identity. Social entrepreneurs may be talking about commercial opportunities, which can be indeed understood as a utilitarian identity statement; however, social entrepreneurs may be equally talking about opportunities to enhance their social impact, which can be understood as a normative identity statement.

¹⁶ A similar method was used by Brickson (2005) whose coding scheme for the construct of organisational identity orientation was based on the adjectives that respondents used to describe their organisations: for instance, statements containing words such as “aggressive”, “ambitious” and “profit-oriented” (i.e. focusing on maximising organisational value) were coded as an individualistic identity orientation; statements containing words such as “caring”, “accommodating” and “considerate” (i.e. connecting an organisation to other stakeholders) were coded as a relational identity orientation; and statements containing words such as “community-oriented”, “promoting a cause” and “politically active” (i.e. demonstrating concerns for the welfare of a larger collective) were coded as a collectivistic identity orientation.

of borrowing when selecting funding sources were coded as referring to utilitarian identity. Those statements that did not refer to any aspects of a venture’s mission, business model or growth were coded as “None”.

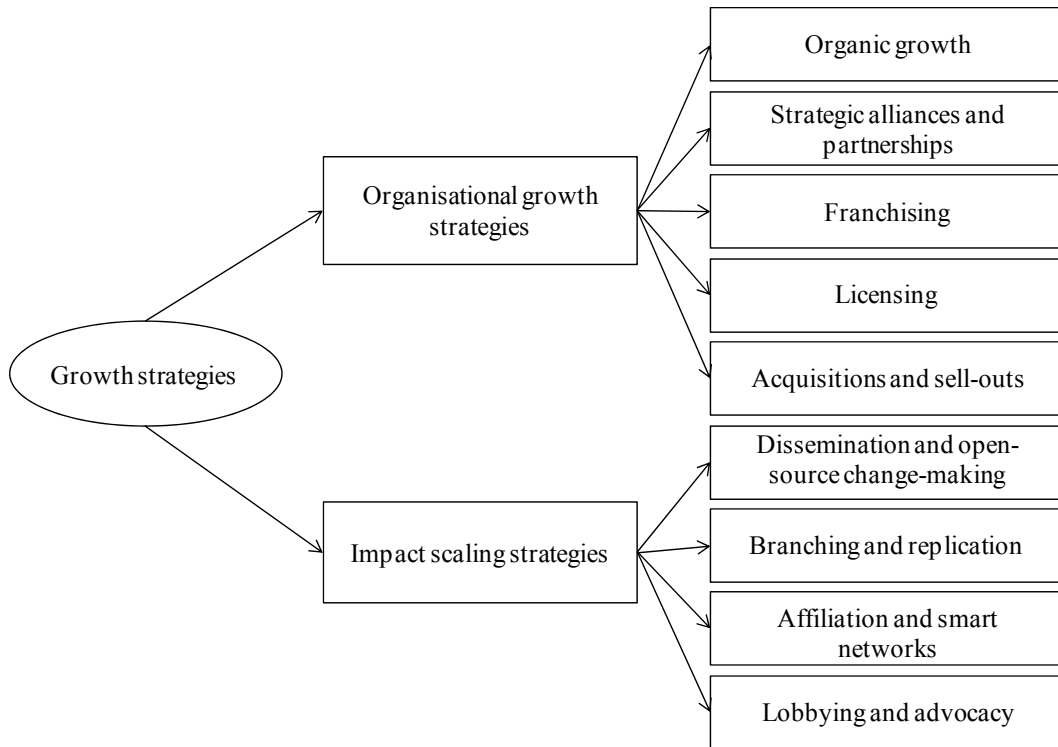
Figure 3-6 Coding categories for hybrid organisational identity



The coding scheme for growth strategies was centred on two types of growth in the context of SE ventures – organisational growth strategies and impact scaling strategies (as discussed in Section 2.3). Statements describing venture’s growth strategies intended to increase profitability, market position, competitiveness, etc. through organic growth, strategic alliances and partnerships, franchising, licensing or acquisitions/sell-outs were coded as organisational growth strategies. Statements describing venture’s growth strategies intended to increase the scale of created impact through dissemination and open-source change-making, branching and replication, affiliation and smart-networks, lobbying and advocacy were coded as impact scaling strategies. Those statements that did not refer to any type of growth were coded as “None” (see Appendix 5 for a comprehensive description of the coding scheme for growth strategies and Figure 3-7 for a brief summary of codes). As mentioned in Section 2.3, some impact scaling strategies are similar to organisational growth

strategies (e.g. branching and replication is somewhat similar to organic growth and franchising). Therefore, wider context units were carefully analysed for specific references either to impact scaling motives or commercial motives in order to correctly code ambiguous statements.

Figure 3-7 Coding categories for growth strategies



To enhance the reliability of data coding, I revisited the coded data a week after the initial coding and verified the consistency of coding by summarising coded data for each case firm and each code in the table format. The resulting tables were then cross-analysed. This procedure resulted in only minor modifications, which signals a high reliability of initial data coding. To establish patterns across case firms, the findings for each case were aggregated as tabular displays. This technique is used in multiple case study research designs and referred to as a cross-case synthesis (Yin, 2003; Eisenhardt, 1989).

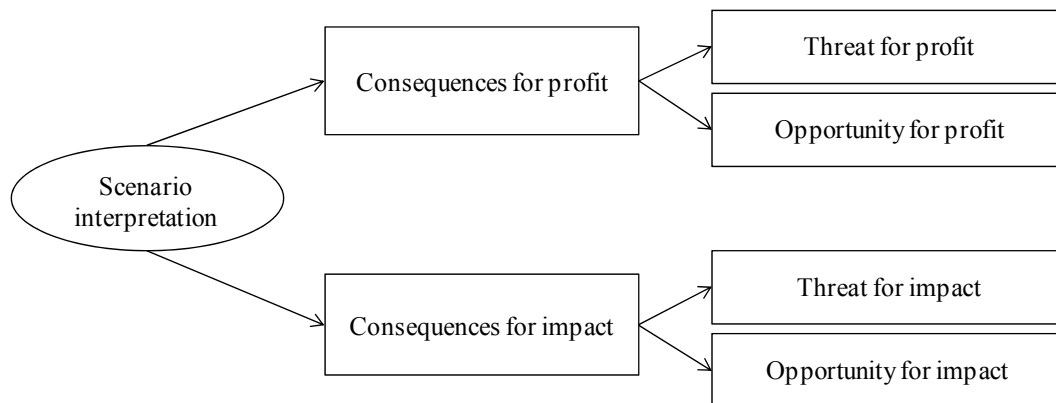
3.3.1.2 Verbal protocol analysis

The coding scheme for hybrid OI and growth strategies developed in the process of analysing data from interviews/focus groups was then applied to the transcripts of VPA sessions. Prior to coding, transcribed verbalisations from VPA

sessions were split into separate files, thus producing four protocols per interviewed firm (40 protocols in total). Protocols varied from 144 words to 2,479 words (638-10,961 characters) in length¹⁷ (on average 797 words and 3,555 characters per protocol), since the time each case firm spent discussing a particular scenario was not fixed rigidly (although the overall length of the VPA session was controlled not to exceed 1 hour).

Similar to the procedure described in Section 3.3.1.1, each protocol was parsed into statements and verified by listening to the audio recording once again. Then the coding scheme described in Figure 3-6 and Figure 3-7 was applied to all statements in all 40 protocols. Additionally, each VPA protocol was revisited to code for scenario interpretation, i.e. whether the interviewed decision-makers viewed the issues presented in each scenario as an opportunity or threat for profit or an opportunity or threat for impact (Figure 3-8). These coding categories for scenario interpretation emerged inductively in the process of reading through VPA transcripts. One week after the coding of VPA protocols I revisited the coding scheme to enhance its reliability. This procedure resulted in only minor modifications, which signals a high reliability of data coding.

Figure 3-8 Coding categories for scenario interpretation



¹⁷ Different lengths of protocols is a common issue in VPA studies (e.g. Isenberg, 1986; Goodman, Wood, & Chen, 2011) and there is no agreement whether protocol length can have any influence on the occurrence and relative importance of certain codes. As suggested by Isenberg, “This is as much a conceptual as a statistical question, in that it involves the extent to which certain categories of thinking can be expected to vary directly as a result of number of words” (p. 782).

3.3.1.3 Document analysis

Finally, the same coding schemes as presented in Figure 3-6 and Figure 3-7 were used to code textual data collected from internal and publicly available documents. There was no need to parse the documents into statements prior to coding, since written sentences already represent a statement. As above, context units, which were wider than a single statement, were used to assign statements to an appropriate code. The resulting coding scheme was revisited one week after to verify the logic of coding and enhance coding reliability.

3.3.2 Quantitative content analysis

The second stage of data analysis consisted of quantification of qualitative data from focus groups/interviews and VPA protocols. Quantification of data from internal and publicly available documents was not appropriate, since these documents varied in content and, therefore, the quantified data would not have been comparable across document types and case firms.

Coded statements referring to a particular type of hybrid identity (i.e. normative or utilitarian) were combined in one composite code¹⁸ and its density was calculated using the in-built NVivo 10 coverage/density function (e.g. Carter et al., 2007). NVivo software measures code density by calculating the percentage of text characters in a certain code in the total number of text characters in the text file. Code density is an approximation of the time respondents spent talking about various aspects of their organisational identity and is, therefore, an indicator of the amount of attention paid by respondents to different aspects of their hybrid identity over the duration of the interview/focus group and VPA session.

Hybrid identity hierarchy (HIH) was calculated as a relative code density for normative identity. For instance, if a firm's code density for utilitarian identity (UI) is 30%, code density for normative identity (NI) is 20% and code density for the code "None" is 50% (i.e. the sum of UI, NI and "None" equals 100%), then a relative code density for UI is 60% and a relative code density for NI is 40% (i.e. the sum of UI and

¹⁸ As described above, the coding scheme was mutually exclusive and each statement was assigned only to one code. Therefore, combining statements in a composite code is appropriate. Also see Barber and Roehling (1993) for a similar method of using composite variables by summing coding categories to indicate the total amount of attention paid to these categories.

NI equals 100%). In this hypothetical case HII value is 0.4 (i.e. equals relative NI and expressed as a decimal, rather than a percentage, for the ease of subsequent analysis and interpretation). This HII value suggests that this hypothetical firm spent approximately 60% of the time talking about issues that reflect its utilitarian identity and 40% of the time talking about issues that reflect its normative identity and, therefore, this firm's HII is relatively more utilitarian than normative.

In a similar way HII values were calculated for each VPA protocol. HII stability was calculated as the inverse of the average of absolute differences between HII values in each of the four VPA sessions and the initial HII value as determined from the interview/focus group:

$$HII_{STB} = 1 - \text{AVERAGE} (|HII_{S1} - HII_I|; |HII_{S2} - HII_I|; |HII_{S3} - HII_I|; |HII_{S4} - HII_I|)$$

where HII_{STB} refers to HII stability; HII_{Si} refers to HII value for scenario i ; and HII_I refers to HII value for the interview/focus group. For instance, a firm's HII_{STB} value of 1 means very a stable HII (which does not change no matter which scenarios are offered to the firm); HII_{STB} value of 0.5 means a relatively unstable HII (which changes considerably from scenario to scenario or from the initial HII value in the focus group/interview).

Code densities were also calculated for the specific growth strategy options mentioned in interviews/focus groups and in each of the VPA session protocols. These values indicate the amount of attention paid to different types of growth by each case firm. Finally, in VPA session protocols, code densities were calculated for scenario interpretations as offering opportunities or threats for profit/impact.

3.3.3 Summary

This section described the qualitative and quantitative content analysis methods that were used to analyse the data collected from interviews/focus groups, VPA sessions and documents. The unit of analysis used for data coding was defined as a statement (oral and written). Qualitative content analysis involved inductive development of a coding scheme for case firms' hybrid organisational identity, their growth strategies and scenario interpretations. Quantitative content analysis involved

the calculation of HII and HII stability values for each case firm, as well as the calculation of the amount of attention paid to different types of growth and opportunities/threats for profit/impact. Although quantification of qualitative data is a useful data analysis technique, both qualitative and quantitative content analyses are essentially interpretive and, therefore, inevitably face the challenges of validity and reliability. The following section describes validity and reliability criteria and the measures taken to ensure that the data collection and analysis procedure in this empirical study is valid and reliable.

3.4 Validity and Reliability

Since content analysis deals with texts (both written and interview transcripts), it inevitably faces the challenge of validity and reliability resulting from multiple interpretations and readings of the same textual data. Case study research has also been criticised for the lack of rigour (Gibbert, Ruigrok, & Wicki, 2008) despite the emergence of detailed guidelines on techniques for increasing validity and reliability of case research procedures and findings (e.g. Eisenhardt, 1989). As noted by Gibbert, Ruigrok and Wicki (2008), the lack of rigor in case study research is particularly problematic, since case studies are often undertaken in the early stages of theory development and any problems at these early stages might have “ripple effects” throughout later stages when emerging theoretical relationships are formally tested. It is, therefore, especially important for case study researchers, as well as for the users of the content analysis methodology, to take measures to insure validity and reliability of their research (Table 3-5).

Table 3-5 Validity and reliability criteria

Criteria		Description	Tactic	Phase of research in which the tactic occurs
Construct validity	Truth (absence of non-random or systemic error)	Establishing correct operational measures for the concepts of interest	<ul style="list-style-type: none"> – Use of multiple sources of data – Establishing a clear chain of evidence – Key informants review the study draft 	<ul style="list-style-type: none"> – Data collection and analysis – Data analysis – Data analysis
External validity		Establishing a domain to which the study's findings can be generalised; the study's relevance beyond an academic audience	<ul style="list-style-type: none"> – Replication logic – Providing a clear rationale for the case study selection – Key informants review the study draft 	<ul style="list-style-type: none"> – Data collection – Data collection – Data analysis
Internal validity		Establishing a causal relationship between the concepts of interest and results	Pattern matching	Data analysis (theory building)
Reliability	Trustworthiness (absence of random error)	Demonstrating that data collection and analysis can be repeated with the same results	<ul style="list-style-type: none"> – Developing a case study protocol – Coding the data twice after some time has elapsed 	<ul style="list-style-type: none"> – Data collection – Data analysis

Modified from: Yin (2003: 34) and Gibbert, Ruigrok and Wicks (2008: 1467).

Reliability is the measure of trustworthiness of data and findings. Reliability demonstrates that there are no random errors (Gibbert, Ruigrok, & Wicki, 2008) and that data collection and analysis operations can be repeated with the same results (Yin, 2003). As described by Krippendorff (2013: 268), “Reliability is not concerned with the world outside of the research process. All it can do is assure researchers that their procedures can be trusted to have responded to real phenomena, without claiming knowledge of what these phenomena ‘really’ are.” Reliability of data collection in case study research can be enhanced by developing a case study protocol, which describes all procedures and general rules to be followed in collecting the data (Yin, 2003). Case study protocols are particularly important for studies where comparable data is collected from multiple case firms. Consistent with these recommendations for data collection reliability, a case study protocol was developed to outline the types of documents for collection, interview questions and specific procedures for VPA sessions. With regards to the reliability of data analysis, it can be enhanced by duplicating research efforts under different conditions, e.g. by coding the same data twice after some time has elapsed, by involving several coders to work on the same data independently, etc. As described earlier, in this empirical study I recoded the same data twice after a short break to enhance the reliability of data coding.

In contrast to reliability, which “is not concerned with the world outside of the research process” (Krippendorff, 2013: 268), validity concerns the truth, and, therefore, cannot be established by duplicating analysis of the same data. It is common to distinguish between construct validity, internal validity and external validity. Construct validity refers to establishing the correct operational measures for the concepts of interest. In case study research, construct validity is commonly achieved through data triangulation, establishing a ‘clear chain of evidence’ (Yin, 2003) and seeking feedback on the draft case study report from case firms. All these techniques were used in this empirical study. As described earlier, several sources of information, such as internal and publicly available documents, interviews/focus groups and VPA sessions, were used to collect the case study data. Furthermore, a report with preliminary results of the data analysis was sent to case firms with a request for a feedback on findings. Finally, a detailed chain of evidence is presented in Chapter 4 (Results).

External validity refers to establishing a domain to which the study's findings can be generalised and the study's relevance beyond an academic audience (the latter is also referred to as a 'social validity'). As explained earlier, case study research does not permit statistical generalisation, since case studies are not drawn in the random fashion from a clearly defined population of cases. Instead, in case study research, external validity is achieved through 'analytic generalisation' using replication logic – in other words, undertaking a combination of literal and theoretical case replications (Yin, 2003), which leads to generalisations from empirical observations to theory, rather than to the population of firms. Consistent with these recommendations, the 10 case firms in this empirical study represented a mix of literal and theoretical replications (see the earlier discussed Figure 3-1 and Figure 3-2). A clear rationale for why these particular cases were included in this research was described in Section 3.2.2. Furthermore, to enhance social validity, a practitioner report with preliminary results was sent to case firms and a feedback on the relevance of findings in this report was requested.

Internal validity refers to establishing a causal relationship between the constructs of interest and the results and it is also referred to as a 'logical validity' (Gibbert, Ruigrok, & Wicki, 2008). In case study research, the most common technique to enhance internal validity is 'pattern matching' (Yin, 2003), which refers to comparisons between empirically observed phenomena with theoretically plausible explanations and is used at the theory building phase of research (which is described in Chapter 5).

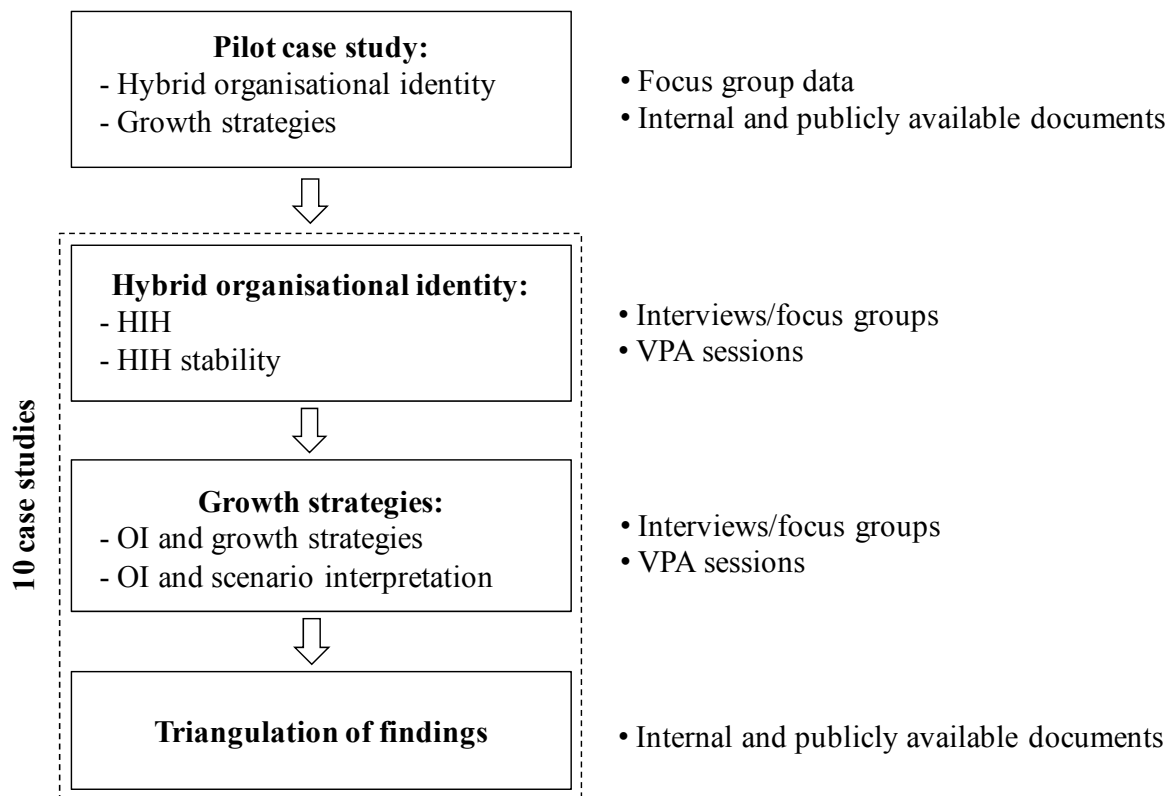
As suggested by Krippendorff (2013: 270), "In the pursuit of high reliability, validity tends to get lost" because of the researcher's "common dilemma of having to choose between interesting but nonreplicable interpretations that intelligent readers of texts may offer each other in conversations and oversimplified or superficial but reliable text analyses generated through the use of computers or carefully instructed human coders." Likewise, Gibbert, Ruigrok and Wicki (2008: 1468) highlight the problems of trade-offs between different validity criteria: "Without a clear theoretical and causal logic (internal validity), and without a careful link between the theoretical conjecture and the empirical observations (construct validity), there can be no external validity in the first place."

In this empirical study I tried to address Krippendorff's (2013), as well as Gibbert, Ruigrok and Wicki's (2008), concerns by paying equal attention to all validity types and reliability measures. In summary, this was achieved by using multiple sources of data and establishing a clear chain of evidence (to enhance construct validity); providing a clear rationale for the choice of the multiple case study research design and the choice of specific cases, as well as by requesting key informants to review a report with preliminary results of the data analysis (to enhance external validity); employing pattern matching techniques to build theory from cases (to enhance internal validity); and developing a case study protocol and recoding data twice (to enhance reliability of data collection and analysis). The following chapter presents results of data analysis.

4. Results

This chapter presents the results of the pilot case study (Section 4.1), followed by the results of data analysis of the evidence collected from interviews/focus groups, VPA sessions and documents for the 10 main case studies (Section 4.2, Section 4.3 and Section 4.4). I conclude this chapter by summarising emerging relationships, which are the basis for the subsequent development of a theoretical model in Chapter 5. Figure 4-1 presents the structure of this chapter.

Figure 4-1 Schematic overview of data analysis and interpretation process



4.1 Pilot Case Study

As described in Section 3.2.1, Lambda's case study involved a telephone interview with its founder, a focus group interview with Lambda's management team and the collection of secondary data, including Lambda's internal documents, relevant information from its website, blog and Facebook pages, press cuttings downloaded from Lambda's website, as well as other publicly available documents found through online search and the LexisNexis database. Since this was a pilot case study, a VPA exercise (i.e. four scenarios of potential industry developments in the next 3-5 years)

was not offered as part of the focus group interview and, therefore, no data is available on the stability of Lambda's hybrid identity hierarchy. However, the collected focus group data was analysed both qualitatively and quantitatively, thus enabling calculation of at least one HIH value. In the following section I outline Lambda's hybrid organisational identity and growth strategies and make first remarks about the emerging relationship between OI and the choice of growth strategies.

4.1.1 Hybrid organisational identity

Lambda was founded in 2006 as a "healthy" fast food restaurant that specialises in lunch meals, which are good not only for human health but also for the environment. Lambda defined its mission as "inspiring you to live a happy life. We are not just good... the concept goes far beyond that... It is not only about food, but about the whole attitude to life... We would like [our customers] to come back and feel like being in heaven" (focus group, translation from German). The reference to "happy life" can also be traced in all Lambda's interviews published in press, as well as on its website. For instance:

"We are a small company dedicated to fabulous food and passionate people (we humbly call them 'angels') serving you with a smile. Well, there are a few things we really care about: We are quite a bit obsessed with sourcing naturally great products as you'd get from a market. We want you not only to enjoy yourselves with great tasting food but inspire you to live life to enjoy it."
(Lambda's website)

Environmentally-friendly operations, the focus on organic sourcing and building long-terms relationships with local farmers were also a repeating feature in Lambda's narratives in most publicly available documents:

"Food is a bit like relationships – it's all about trust. It takes a lot of time to build, but can be quickly destroyed. Our approach is easy: We source locally whenever we can. We buy all our fresh veggies from known suppliers, many of them we know by name or even visit them frequently. We prefer having relationships with people we can look in the eye (and have a laugh with) than hiding behind a quality label. That's something for the big boys. We however,

often choose small and passionate suppliers – suppliers who have earned our trust over the last 5 years.” (Lambda’s website)

However, when Lambda was asked to talk about its mission during the focus group interview, it spent only 1.7% of the interview time talking about aspects that can be coded as “normative” versus over 40% of the interview time talking about aspects that can be coded as “utilitarian”, thus having the HIH value¹⁹ of 0.04, which is in stark contrast with the image that Lambda portrayed in its external communications. For instance, utilitarian reasons for existence evoked during the focus group interview included a personal curiosity in running an entrepreneurial venture (“at some point I realised that... I would like to build something myself and not manage a hotel”, “I think the biggest challenge that one can create for yourself is to build a company... I think there is no greater challenge in life, professionally, so that fascinated me... this fight against myself”, focus group, translation from German), generating revenue and creating self-employment (“of course, money plays a role, I hope we will all be exceptionally rich, but this wasn’t the primary motivation; however, I’d be lying if I said that it wasn’t a motivation at all”, focus group, translation from German) and addressing a market gap with a new product (“we have an opportunity to be the first in the market for a while”, focus group, translation from German).

During the telephone interview, which preceded the focus group discussion, Lambda’s founder expressed doubts that they were a suitable company for this research project since they viewed the sustainability aspects of their operations as their branding strategy rather than the core mission. This was also confirmed in the focus group interview when Lambda talked about social and environmental aspects as offering competitive advantages, rather than an essential element of their business:

“In 2008 the first big decision was that ... the concept will be based on the assumption that we will offer food that contains no preservatives... We didn’t have any knowledge about what exactly is considered a preservative and how far that goes. At some point we realised that it was not possible to implement this idea... Eventually we decided that this cannot be the core of [Lambda] that we do not use preservatives, but primarily it will be based on flavour, freshness and natural qualities.” (focus group, translation from German)

¹⁹ See Section 3.3.2 for the HIH formula.

“Our process isn’t incredibly innovative... The main point where we set ourselves apart from our competitors is our brand. That’s the only thing. We tell a story. We stand for something where we can distinguish ourselves quite clearly. Building our brand is absolutely central. We are not a pharmaceutical company, we have nothing special in particular, any kind of drug or a patent or something like that. You can copy us and run away. The only thing that remains is our brand.” (focus group, translation from German)

Interestingly, despite this apparent decoupling between Lambda’s image created on its website, and its actual organisational identity (as emerged during the focus group and telephone interview), Lambda was honest about its impact intentions when asked directly in interviews to the press: “Let me begin by saying something important: we also go to McDonald’s. We’re not the sectarian types who say, ‘You have to eat this way!’ We simply believe that there is room for a more conscious way of eating”; “Our goal is to provide quick meals, light and healthy, without being exclusively “green” or vegetarian”; “I’m not a health fanatic and sometimes eat a burger”; “Had everything been organic, our salads would have been more expensive and fewer people could have afforded buying them” (document analysis, in original and translation from German).

To sum up, Lambda can be characterised as a hybrid venture with a dominant utilitarian identity but with a predominantly normative “intended image” (Brown et al., 2006). Lambda has attempted to manage this de-coupling between its “intended image” (predominantly normative) and actual organisational identity (predominantly utilitarian) by focusing on only one aspect of its “intended” normative image (i.e. helping customers achieve a “happy life”) and downplaying other aspects (e.g. not “being exclusively green”). The following section describes Lambda’s growth strategies.

4.1.2 Growth strategies

Lambda viewed growth primarily as a vehicle to ensure financial stability/profitability and exploit emerging opportunities. For instance, during the focus group interview Lambda referred to high overheads and the lack of available surfaces for new restaurants as major challenges that forced it to consider rapid expansion to other cities and countries through franchising or partnerships and merger

with / sale to a larger company. Not a single impact scaling strategy was mentioned during the focus group interview:

“We knew that we needed to have a bigger turnover... we had to either dramatically reduce costs or to somehow generate more revenue. Then we decided that... our strategy should be to open new restaurants... At the beginning the business plan was based on the assumption that we will have 30 restaurants in the next five years... We had many discussions about how we should proceed. At first we thought we would build a key restaurant in a city and then we would expand further out in a circle. Or we could expand into other cities – different models were considered... And then ... a topic of international expansion has, of course, always been there. From the beginning it was clear that we wanted to build an international chain.” (focus group, translation from German)

“I would say franchising is actually an advantage because it is faster and you have a partner who knows the market. You don’t need to have the knowledge about all new markets yourself. So it’s not as easy as just to enter a new market and say, here we are, now we open a new restaurant. You have to know your local market, you have to know the locations, you have to have contacts to build relationships, etc. It is so much slower if you have to do everything on your own.” (focus group, translation from German)

“Cooperation with a big brother, so a company buys [Lambda] and brings capital... For example: large companies... which are or could be interested in buying [Lambda] to form a strategic partnership to accelerate the pace of expansion... On one hand, a sale would actually significantly reduce our risks, but on the other hand, our expansion may slow down... It depends who the buyer is and in which key markets it operates... So if it is, for example, Starbucks, then the chances are really great that we will roll out in the whole world and expand in size... because then you would get the speed and the availability of markets.” (focus group, translation from German)

The analysis of Lambda's internal documents (e.g. expansion plans) and articles in press confirms the findings from the focus group interview: Lambda viewed and portrayed itself as a successfully growing entrepreneurial business with clearly defined expansion plans that included organic growth (through opening new restaurants) and franchising (including in other countries). For instance, "We want to become the Starbucks for salads"; "We are in discussion with major investors"; "We've been looking for a top location in the city for some time... We had some luck because of our network... And now we're looking for new locations"; "[Lambda]'s franchising system is the most appropriate and effective way to expand into international market" (document analysis, translation from German). And indeed, since September 2011 (when the focus group interview took place) Lambda has expanded from two restaurants to six, three out of which were franchised restaurants in Latin America.

4.1.3 Summary

Lambda's case study confirms the relationship between organisational identity and strategy as described in Section 2.4.1. As predicted by organisational identity theory, Lambda's dominant utilitarian identity was associated with Lambda's choice of organisational growth strategies (with no impact scaling strategies considered either during the focus group interview or mentioned in internal/publicly available documents). The following section presents further results of qualitative and quantitative analysis of collected data for the 10 case studies. A major departure from the data collection methodology used in Lambda's case was the use of VPA sessions, which allowed tracking the change in HIH values (and, therefore, HIH stability) across scenarios and theorise about the role of HIH stability in explaining strategic behaviour of hybrid ventures.

4.2 Multiple Case Study: Hybrid Organisational Identity

This section presents results of qualitative and quantitative content analysis of in-depth interviews/focus groups and VPA sessions with 10 case firms (Alpha, Beta, Gamma, Delta, Epsilon, Zeta, Eta, Theta, Iota and Kappa). I first outline differences in HIH values among the 10 case firms, which emerged during the process of analysing interviews/focus groups and suggest a clustering system that is used in the subsequent analysis (Section 4.2.1). Then I present the findings on the differences in HIH stability based on the analysis of HIH variation across the four hypothetical scenarios in VPA sessions (Section 4.2.2).

4.2.1 HIH

Data analysis has revealed considerable differences in the relative importance of normative and utilitarian identity (or in other words the hybrid identity hierarchy) of the 10 case firms (Figure 4-2 and Figure 4-3). For instance, Beta spent only 5% of the interview time talking about issues that reflect its normative identity, whereas Zeta spent 30% of the interview time talking about similar issues (Table 4-1). Depending on their HIH values, the 10 case firms were grouped into two clusters. Cluster A consists of hybrid ventures with relatively high HIH values ($HIH \geq 0.4^{20}$), or in other words with a dominant normative identity, and includes Zeta, Gamma, Delta, Kappa, Iota and Eta. Cluster B consists of hybrid ventures with relatively low HIH values ($HIH < 0.4$), or in other words with a dominant utilitarian identity, and includes Alpha, Beta, Theta and Epsilon.

²⁰ The HIH value of 0.4 was chosen as the cut-off criteria to distinguish between hybrid ventures with a dominant normative identity and hybrid ventures with a dominant utilitarian identity since this study relies on quantification of qualitative data and, therefore, involves a certain degree of subjectivity in data coding. To mitigate the risk of assigning a firm to the wrong cluster because of the subjectivity involved in data coding, it was decided to reduce the cut-off criteria for HIH values from 0.5 to 0.4.

Figure 4-2 Relative importance of normative and utilitarian identity of case firms

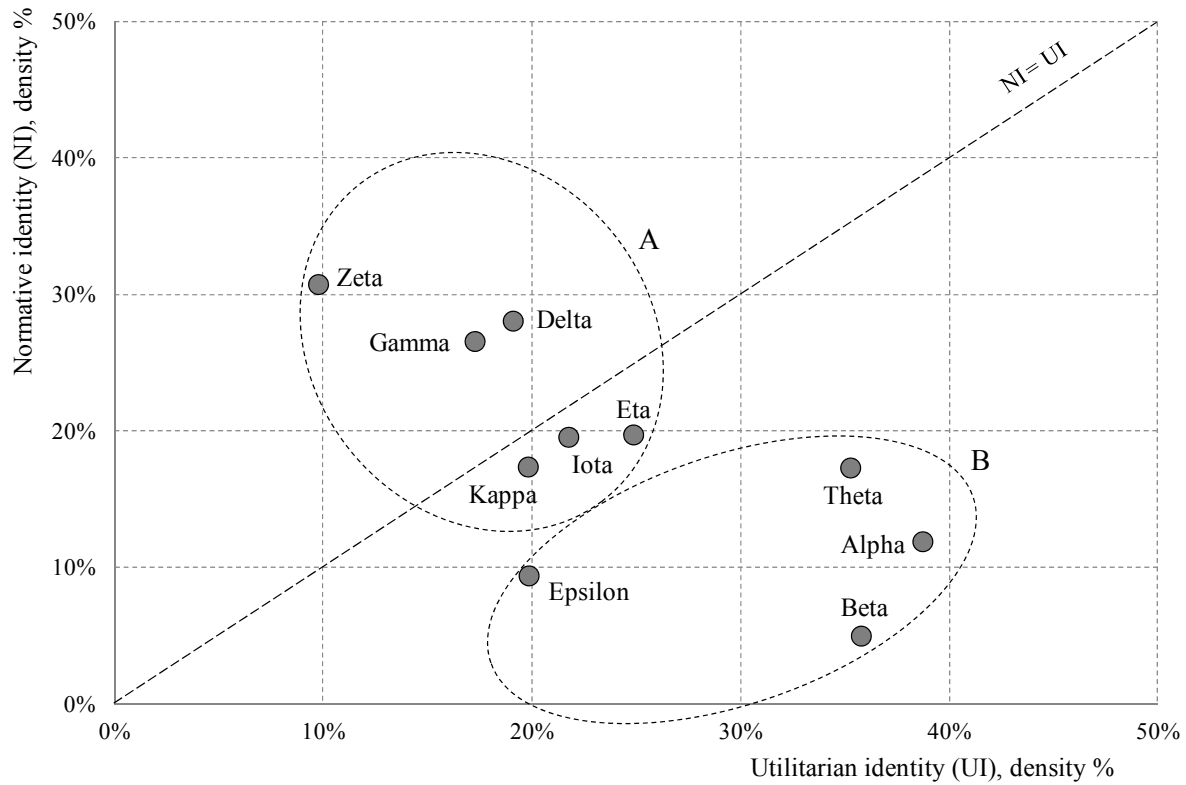


Figure 4-3 HII of case firms

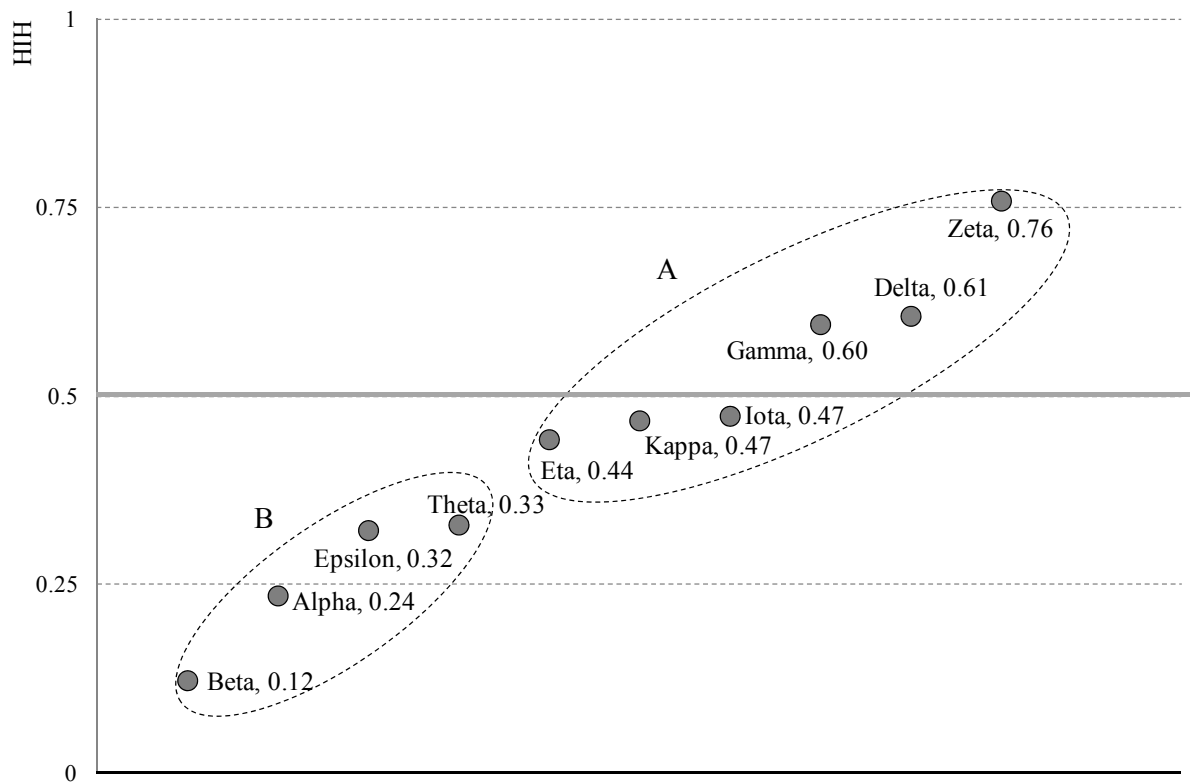


Table 4-1 Normative and utilitarian identity: Illustrative statements

Cluster	Firm	Utilitarian identity		Normative identity	
		Illustrative statements*	Density / relative density	Illustrative statements	Density / relative density
A	Zeta	– “It was in... 2005-2005 when we sold our first drinks... And we saw that there is a real market for this... I also... by chance lost my job and I told myself that instead of looking for another job, I will now further develop this product.”	9.75% / 24.06%	– “Our motivation was to develop a professional business, which can grow without negatively impacting the environment or human health. We were hoping that one day we will be able to offer a product that fully conforms to the “cradle-to-cradle” philosophy.”	30.77% / 75.94%
		– “Our goal is... to significantly increase our market share... We need to distribute our drinks everywhere where consumers can buy soft drinks.”		– “We do it also for public benefit because... the diffusion of stevia-based drinks will help achieve savings in the order of billions in the public health domain...”	
A	Delta	– “A business like this is a self-perpetuating project. It generates its own income and there’s nothing more satisfying than generating your own income to do more of what you want to do. And we are really enjoying it.”	17.25% / 39.34%	– “My background is as an ecologist so I have a global interest in terms of our impact as human species on the planet... So I wanted to run a business that had an element of sustainability to it.”	26.60% / 60.66%
		– “Basically we are looking to double-stroke-triple our current sales... I would say it’s easily achievable within 12 months.”		– “The other question is about where our ambitions are to grow... And you might talk to a lot of businesses and they will all talk about continued growth and that’s not our ambition at all.”	

Cluster	Firm	Utilitarian identity		Normative identity		HHH
		Illustrative statements*	Density / relative density	Illustrative statements	Density / relative density	
A	Gamma	<p>“I think it’s always good when people put money down on the table. At the end of the day... I am a business person and I wouldn’t carry on like this if we hadn’t had already significant, let’s say, realities from, you know, prospects and customers.”</p>	<p>19.08% / 40.45%</p>	<p>–</p> <p>“What really got me hooked up was this new way of doing agriculture, in a very clean, environmentally friendly and also very new and innovative way... I think the ecological impact everyone has and the social impact of bringing food back to people’s lives and having that exposure to plants... it’s really what drove me to it.”</p> <p>“There are few cities that are big enough for the idea because you need quite a lot of large urban space to actually have that problem that people don’t have access to local food anymore... I guess that’s why the idea has to be... international.”</p>	<p>28.09% / 59.55%</p>	0.60
A	Iota	<p>–</p> <p>“My market study showed that the chocolate industry... isn’t too risky and that it’s possible to earn good money. I told myself that I am not less intelligent than others and so I started.”</p> <p>–</p> <p>“Our ingredients are more expensive... which means that to justify our selling price we have to produce and sell more.”</p>	<p>21.74% / 52.60%</p>	<p>“When I started developing a business model, I really wanted to integrate a certain number of aspects that were important to me, including social impact here, in [this country], social integration of marginalised people, social impact internationally through fair trade.”</p>	<p>19.59% / 47.40%</p>	0.47

Cluster	Firm	Utilitarian identity		Normative identity		HHI
		Illustrative statements*	Density / relative density	Illustrative statements	Density / relative density	
A	Kappa	“It’s better to scale up faster... If we see, OK, more competitors jump in... then we need to create more pace behind it.”	19.80% / 53.21%	<ul style="list-style-type: none"> – “So the vision of the business is, yeah, bring a climate-friendly meal to every restaurant.” – “The business case is a more international thing... than we first anticipated... Also with this comes the necessity to go bigger... to provide more people by building a software.” 	17.41% / 46.79%	0.47
A	Eta	<ul style="list-style-type: none"> – “I’ve always loved business, I’ve always loved brands.” – “If I am in business, my mind is set about making money and investing any money that I have to grow the business.” 	24.85% / 55.70%	<ul style="list-style-type: none"> – “A good friend of mine said that there are a billion people in the world who are denied access to clean water. And why don’t we launch bottled water brand and give all the profits away.” – “But we have a commitment to give away 100% of the money we make, so that’s what we do.” 	19.76% / 44.30%	0.44
B	Theta	“My personal motivation is in between: this is very interesting but the marketing part is also interesting... how can we sell it with success over the long term.”	35.25% / 67.03%	“So this was my idea to say, OK, can we use... the positive things of globalisation... for poor farmers in [Africa]... and at the same time to... show the big companies how we can work in a sustainable manner... and not only aiming at the biggest profit?”	17.34% / 32.97%	0.33

Cluster	Firm	Utilitarian identity		Normative identity		HHH
		Illustrative statements*	Density / relative density	Illustrative statements	Density / relative density	
B	Epsilon	“Most other confectioners... also produce... pastries and ice cream... So it is a possible growth strategy but I didn't want to do it... Instead of developing this for my business I chose ... to have more time for myself rather than attempting to compensate the loss of money.”	19.84% / 67.76%	“...not only to show consumers that there is more to chocolate than Nestlé bars... but also to sell a lot of organic and fair trade products... products of very high quality, not necessarily organic but always made by small manufacturers... to show the diversity, to open people's horizons.”	9.44% / 32.24%	0.32
		– “We realised that there was possibly a gap in the market for wheat-free muesli.”		“One of the founders had an interest in health... and had mixed her own wheat-free muesli... And the group of four founders were also making lifestyle choices about organic having young children and also having come from an educated understanding of organic.”	11.94% / 23.57%	0.24
B	Alpha	– “Once we've realised that the market was receptive, we went direct to retailers. Retailers were receptive... so we needed to increase production.”	38.71% / 76.43%			
		– “When I came back, I realised that there were no smoothies in [our country]. So I thought there might be an opportunity. And I always wanted to try to build something myself.”	35.76% / 87.67%	“It's obviously related to our interest. We were both studying environmental science, so the environment was always an important issue for us. So it's somehow obvious to produce an organic product.”	5.03% / 12.33%	0.12

Source: interviews/focus groups.

* Quotes from Zeta, Iota and Epsilon are translated from French.

Firms in both cluster A and cluster B were founded for mixed reasons, including those that can be categorised as normative (such as to address a particular social or environmental problem) and those that can be categorised as utilitarian (such as to fill a market gap or create revenue and self-employment). However, firms in cluster A spent, on average, more time talking about their normative reasons for existence than their utilitarian reasons. The most extreme examples are Zeta and Gamma – these firms spent over 10% of the interview time talking about their normative reasons for existence versus only 1% of the interview time talking about utilitarian reasons (Table 4-2²¹). Moreover, when asked about reasons for growth, firms in cluster A talked a comparable amount of time about their intentions to scale the amount of impact that they generate and their efforts to become financially sustainable. In contrast, firms in cluster B, on average, did not spend nearly as much time talking about their normative reasons for existence as firms in cluster A. When asked about growth, firms in cluster B talked almost exclusively about utilitarian reasons for growth, which clearly differentiated them from firms in cluster A.

²¹ Table 4-2 presents quantitative data for reasons for existence and growth only. However, as discussed in Section 3.3.1.1 and shown in Appendix 3 and Appendix 4, the OI construct also includes other coding categories (such as the firm's business model including its attitude and relationship to consumers, competitors, etc.). These coding categories are not included in Table 4-2 for space limitations; however, they were used in data analysis.

Table 4-2 Code density for reasons for existence and growth

Cluster	Firm	Reasons for existence *		Reasons for growth **	
		Normative	Utilitarian	Normative	Utilitarian
A	Zeta	12.63%	1.29%	2.44%	1.34%
A	Delta	1.67%	2.26%	3.20%	2.59%
A	Gamma	10.22%	0.32%	5.45%	2.98%
A	Iota	5.22%	0.67%	0.30%	2.82%
A	Kappa	2.51%	1.00%	4.73%	2.60%
A	Eta	2.08%	0.15%	0.65%	2.72%
AVERAGE FOR A		5.72%	0.95%	2.80%	2.51%
B	Theta	3.82%	0.53%	0.48%	6.96%
B	Epsilon	3.72%	0.76%	0%	6.46%
B	Alpha	0.98%	0.17%	0.57%	5.67%
B	Beta	0.71%	2.83%	0%	8.81%
AVERAGE FOR B		2.31%	1.07%	0.26%	6.98%

* Normative reasons for existence include the following: to address a social or environmental problem; to create a business that reflects personal values and commitment to sustainability; and to disrupt the market with a socially/environmentally innovative product. Utilitarian reasons for existence include the following: to fill a market gap; to address a personal curiosity in running a business; and to create revenue and self-employment (see Appendix 3 and Appendix 4).

** Normative reasons for growth include the following: to respond to increasing social or environmental challenges; to increase the number of beneficiaries; to demonstrate that sustainable business is possible; as well as growth for longevity rather than for the sake of growth. Utilitarian reasons for growth include the following: to achieve financial stability or profitability; to exploit new commercial opportunities; to respond to increasing product demand; to stay ahead of competitors; to satisfy expectations of key stakeholders; to overcome competitive disadvantages of being small; and to reflect personal choices and development needs (see Appendix 3 and Appendix 4).

For instance, Zeta (cluster A) was founded to achieve a system change in the beverage industry, which was seen by Zeta as highly unethical and hypocritical. To address this problem Zeta came up with a solution to replace sugar in soft drinks by stevia extract, which at that time was a relatively unknown and poorly understood natural sweetener. Because of misconceptions about stevia at the time, its use in consumer goods was prohibited. Despite this legal barrier, Zeta went through multiple rounds of negotiations and clarifications with the local health authority and finally received the very first permit in Europe for the use of stevia in soft drinks. This, of course, opened up a market for Zeta's products but also facilitated a major transition of

the beverage industry toward more healthy sugar alternatives. The following quote from Zeta illustrates its mission:

“There is an enormous lack of such products in the beverage industry, most of which use a lot of chemical products. Most fruit used in these drinks are... treated with pesticides, insecticides, etc. And these products are very, very cheap... It’s totally insane! ... I can’t understand how we can live in the society that tolerates such products... We all know it very well that a consumer is right in the middle of all this. And consumers have to make choices of food products that they consume but they can’t find almost any other alternatives. Because there are not that many people anymore who can go hunting in the forest... or grow carrots in the garden, it’s no longer possible to do that. We all have to get our food from [our local food stores], or at best from the market. And so we fall in the trap of buying stuff, falling ill, getting treated... and then it continues like a vicious circle forever. We need to... we need to stop that. Moreover, it’s not only this vicious circle, we also pollute... we destroy our environment with all this... So it is our goal... to attempt to change this, to create a new generation of drinks.” (Zeta, focus group, translation from French)

Another example of a firm from cluster A is Gamma. This venture was created to find a solution to escalating CO₂ emissions, particularly those that are related to food production and distribution. To minimise food-related CO₂ emissions, Gamma was developing a technology that facilitates the growth of organic food in the urban environment (i.e. on roof-tops of buildings) using aquaponic methods. Aquaponics is a sustainable food production system that involves cultivating plants and fish in a symbiotic environment where fish ‘feed’ the plants with by-products of fish cultivation broken down into nutrients for plants, and plants ‘clean’ the water for the fish. Gamma described the reasons for starting business activities as follows:

“What really got me hooked up was this new way of doing agriculture, in a very clean, environmentally friendly and also very, let’s say, new and innovative way, which is aquaponics technology, which has been around for a lot and, you know, hasn’t had yet its place in food production for a number of reasons. And I really think that the beauty of the system in the urban environment – that’s really what was my greatest motivation to get started. And I liked the fact that

it's a very revolutionary idea on numerous counts. It really raises some serious questions as to how the conventional system is run, you know, big agro industries and how food is conventionally grown. And then organic goes back to organics, organic production, which I think is a really strong idea but what I also felt was here happening is best sides of both worlds – it's intensification, or it's intensive growing, and at the same time it's organic, that's what the industry was struggling for a long time: it's either conventional, it's bad for animal health and the environment but intensive is productive. Organics is not so productive but it has maybe other benefits. So the intriguing aspect of this is that it's really raising a lot of questions across the board: how the food should be grown, what the consumer has to say about growing food in his backyard or in the city, so the whole element of consumer response and bringing back, bringing agriculture back to where people live and making it part of our experiences. So it's just a mixed bag of completely new things which I felt were really revolutionary in a way, and quite honest also game changing. And I really liked the fact... or my motivation behind this was also, I think, that it is where you can have an impact not only on economic level, so you know, being a farmer and having income as a farmer, I think here it's only a very small part of the whole idea why we are doing this the way we are doing it. I think the ecological impact everyone has and the social impact of bringing food back to people's lives and, you know, having that exposure to plants, to food growing at people's door step, it's really what drove me to it.” (Gamma, focus group)

In contrast, when asked about reasons to start a venture, Beta (cluster B) referred to a market gap that could be addressed with their product, rather than to a social or environmental problem that Beta was trying to address (“when I came back, I realised that there were no smoothies in [our country]... so I thought there might be an opportunity”, focus group), as well as a desire to challenge themselves as entrepreneurs by creating a profitable business (“I always wanted to try to build something myself”, focus group). Only once did Beta mention that the reason for choosing organic ingredients for its smoothies was related to its personal interest in the environment as the subject that Beta's co-founders studied at the university: “And then it's obviously related to our interest. We were both studying environmental science, so the environment was always an important issue for us. So it's somehow obvious to produce an organic product” (focus group). When subsequently talking about organic

ingredients for its smoothies, Beta evoked only competitive advantage offered by the organic status of its products:

“...and that’s why organic is helping us because in this market the quality and the things behind the product are quite important. If you know [competitor’s name] a little bit, they are only talking about their fruits and the best fruits in the world and hand-picked and whatever, so they are talking about the same things but if the consumer wants a proof that these are really the best products, then we can say that we have an organic label.” (Beta, focus group)

With regards to the attitude or reasons to grow, firms in cluster A strived to achieve not only growth in turnover, but also in the scale of created impact. For instance, for Delta, growth meant longevity and thus the ability to create a long-term impact in the local community:

“The other question is about where our ambitions are to grow. What is the end point for our business? And you might talk to a lot of businesses and they will all talk about continued growth and that’s not our ambition at all. You know, we’ve moved into this building and actually, for the time being... if we can be brewing four times a week and supporting our team of six people, that is our end strategy... Of course, people say, if you are not doing that [pointing up], you are doing that [pointing down]. So the difficulty in the strategy for us is to get to that point but having enough dynamism, change, whatever, to maintain our sales, our interest and the business, both for ourselves and externally... But, you know, to continue growing like that [pointing up], I think also it has a point when it can do that [pointing down]. You know, and usually it happens at succession between one sale to another company, it overstretches, it can’t perform and then it dies. Or it’s sold and it goes into somebody other’s hands and they are buying it for your assets... So our ambition isn’t to sell it in that way or to continue growing. So the immediate question is, you know, our growth from now to brewing four times a week, which isn’t a huge jump, actually, and then how to maintain that interest in the face of increasing competition.” (Delta, focus group)

Furthermore, on numerous occasions firms in cluster A expressed their readiness to sacrifice profitability or to forego potentially profitable opportunities for the sake of their social or environmental missions. For instance, according to Delta (cluster A), which produced organic beer with locally sourced ingredients, “if we could get our sales up and then we are getting, you know, the returns we need, then I might be willing to lose these profits [and to source 100% organic ingredients] in order to maintain the integrity of the business and to enhance that business” (focus group). Likewise Eta struggled balancing expectations of profitability of its commercial division and increasing impact of its nonprofit division but was none the less committed to its mission: “So for me it’s... about trying to balance those two challenges. It’s not straightforward at all. But we have a commitment to give away 100% of the money we make, so that’s what we do” (focus group). Eta also was not willing to compromise its ability to create impact by sourcing growth finance from profit-driven finance providers. This was equally the position of Kappa, Delta and Gamma, which all made conscious decisions not to seek finance from profit-driven venture capital firms and instead to fundraise through social entrepreneurship competitions or crowd-funding schemes:

“If there is investment that comes in, the investors would want a share of the business... I think I am very comfortable with that. It’s about why do they want to put the money in, you know, what’s their motivation. So if they are a private equity person, they want three times return in three years – probably they are not the right people for us. If they are high-net worth philanthropist who is interested in accelerating charitable giving through a different kind of model, then they are probably the right people for us.” (Eta, interview)

“And to be honest... the reason I was here... as a social entrepreneur... because it allowed me to stay kind of off the radar from the typical business, let’s say, environment, where, you know, you get measured on economic realities. And since I knew that this concept deserves more than just being valid on the economic merits, you really don’t want to measure up against how much venture capital you can raise for the first three months because it is not what this is all about. It wouldn’t do justice to the reality.” (Gamma, focus group)

“So it was a... you can call it a “community loan”. And I raised about 50% of the finance through that... At the end of these three years we fully expect that not everybody is going to rush to take their money out as long as we are secure in paying that interest and still on competitive terms with the banks. And we will be in a position to re-negotiate those terms as well. I think people may leave their money in the brewery. And that’s a totally different relationship to our finance. And, you know, I would like to see that we build up our capital reserves so that I can pay off that money but actually I think it’s such a great way of having capital in the business and it builds that relationship. And it’s all about relationships. And I’d rather be indebted and have that relationship than just pay off the debt.” (Delta, focus group)

In contrast, firms in cluster B mentioned normative reasons for growth only very briefly or not at all, which is a striking difference from firms in cluster A. Both Alpha and Beta considered their small size as a competitive disadvantage and, therefore, aimed at achieving fast growth to stay competitive. The ‘liability of newness’ and the ‘liability of smallness’ (Stinchcombe, 1965; Freeman, Carroll, & Hannan, 1983; Bruderl & Schussler, 1990; Bruderl & Preisdorfer, 1998) aspects were emphasised throughout the focus group interview with Alpha (e.g. “as a small company, we don’t have the money to acquire a lot of statistics about our consumer”, “we were far too small for the likes of private equity and things like that at the time”, “you can’t divorce yourself from your business ... as a small business as easily as you used to be able to before the recession”, focus group) and were also one of the key features of Beta’s narrative (e.g. “we are too small for venture capital” and “too small compared to the [competitor’s name] marketing machinery to make really everybody understand the difference”, focus group). According to Alpha, it was not only their personal belief that a small firm size was a problem but also all key stakeholders expected fast growth:

“And the other challenge is obviously sales growth because the business, a small business like this, if it’s not growing, it’s nothing. You are your growth rate. It’s the value... There is no value in the business that just stagnates and turns over the same amount, even if it generates us a sort of steady small profit, there is no value in that. What people want is growing, it’s fast growth... I mean supermarkets are not interested in brands that just sit there; they want brands

that are growing. They put us on their shelves because they are expecting us to grow because they are looking for the next big thing or whatever. They want us to grow. Supermarkets want us to grow. Banks want us to grow to justify our facilities and things. Our investors want us to grow. So all stakeholders are interested in fast growth... Because we've got a too small base to be a small business, just sitting along. And we are a brand, we are not a factory or anything like this, so it's the fast growth which is the challenge. And no growth is disastrous." (Alpha, focus group)

To recap, data analysis has revealed considerable differences in the relative importance of normative and utilitarian identity of the 10 case firms. Depending on their HIIH values, case firms were grouped into two clusters, with cluster A consisting of hybrid ventures with a dominant normative identity and cluster B with a dominant utilitarian identity. Firms in both clusters were founded for mixed reasons, including those that can be categorised as normative and those that can be categorised as utilitarian. However, firms in cluster A spent more time talking about their normative reasons for existence (such as to address a social or environmental problem), whereas firms in cluster B talked almost exclusively about their need to grow to increase their financial stability, to become competitive with larger firms or to exploit new commercial opportunities with almost no consideration given to impact scaling up. Moreover, firms in cluster A viewed growth as a multidimensional process that involved not only the increase in revenues but also the increase in the scale of impacts. These firms were often prepared to sacrifice profitable opportunities if they compromised their ability to create impact. The following section outlines differences in HIIH stability among firms in cluster A and cluster B.

4.2.2 HIIH stability

This section outlines the results of qualitative and quantitative content analysis of VPA session data for the 10 case firms. Data analysis revealed considerable differences in HIIH stability for firms in cluster A and cluster B (Figure 4-4, Table 4-3 and Table 4-4). On average, firms in cluster A had a much higher variability of responses across scenarios (and, therefore, lower HIIH stability) than firms in cluster B. Firms in cluster B almost exclusively talked about utilitarian aspects of growth in all of the four scenarios (with the exception of Alpha in scenario 1 and Theta in scenario 4 –

see Figure 4-4), thus having relatively high HII stability values ($0 < \text{HII}_{\text{S1/2/3/4}} < 0.25$; $0.6 < \text{HII}_{\text{STB}} < 1$). In contrast, firms in cluster A had a much higher variability of responses to hypothetical scenarios ($0 \leq \text{HII}_{\text{S1/2/3/4}} \leq 1$; $0.4 < \text{HII}_{\text{STB}} < 0.9$). This means that hybrid ventures with relatively low normative identity values (cluster B) did not become any more normative when faced with identity-challenging situations (as outlined in VPA scenarios) and even completely lost their hybridity in some of the situations. As for hybrid ventures with relatively high normative identity values (cluster A), they varied in their responses to identity-challenging situations, enhancing normative identity in some situations and reducing in others.

Figure 4-4 HII variation across scenarios

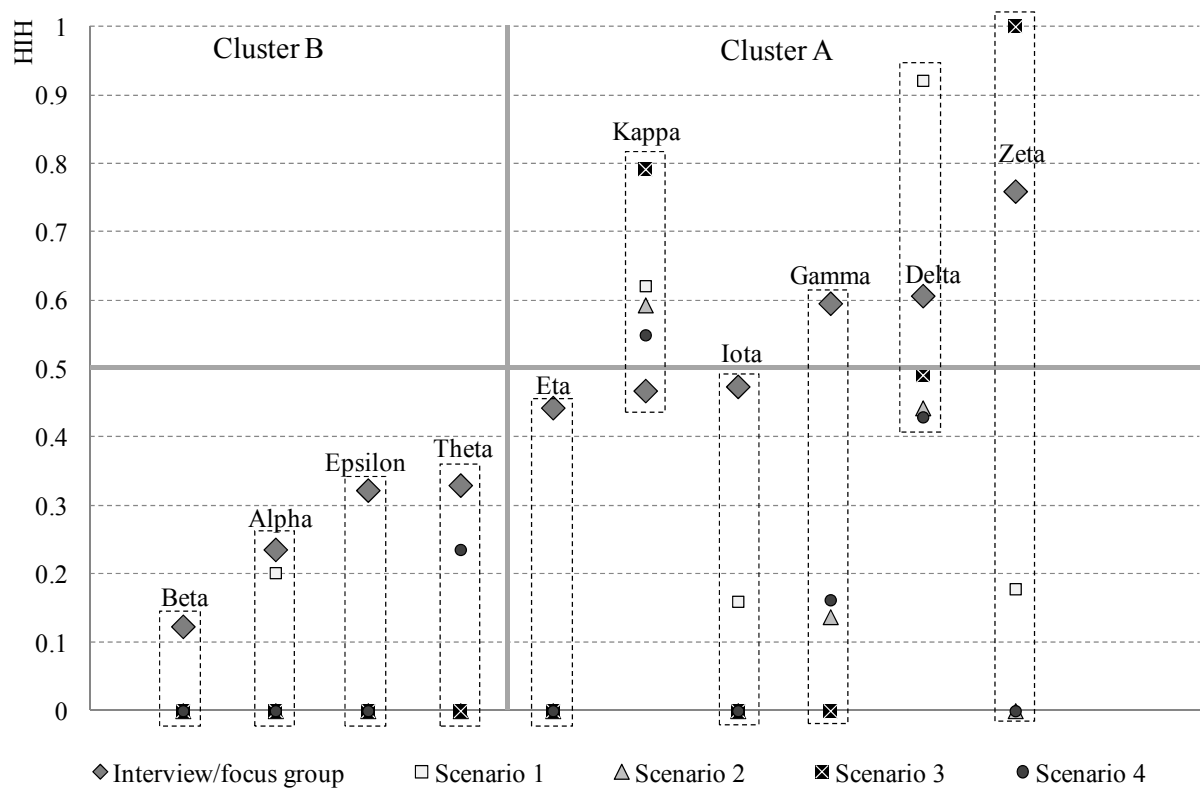


Table 4-3 Code density for normative and utilitarian identity across scenarios

Cluster	Firm	Part 1: Interviews / focus groups		Part 2: VPA							
				Scenario 1		Scenario 2		Scenario 3		Scenario 4	
		UI*	NI	UI	NI	UI	NI	UI	NI	UI	NI
A	Zeta	9.8%	30.8%	44.8%	9.7%	36.2%	0%	0%	12.2%	8.3%	0%
A	Delta	17.3%	26.6%	4.9%	57.6%	22.3%	17.7%	21.2%	20.4%	20.1%	15.1%
A	Gamma	19.1%	28.1%	28.0%	0%	14.4%	2.3%	10.3%	0%	16.6%	3.2%
A	Iota	21.7%	19.6%	57.1%	10.9%	15.9%	0%	57.7%	0%	43.3%	0%
A	Kappa	19.8%	17.4%	14.1%	23.1%	11.0%	16.0%	5.6%	21.1%	8.2%	10.0%
A	Eta	24.9%	19.8%	44.3%	0%	58.3%	0%	36.2%	0%	24.7%	0%
B	Theta	35.3%	17.3%	51.5%	0%	53.9%	0%	67.8%	0%	40.6%	12.5%
B	Epsilon	19.8%	9.4%	6.2%	0%	26.7%	0%	14.4%	0%	16.9%	0%
B	Alpha	38.7%	11.9%	71.0%	18.0%	34.5%	0%	15.2%	0%	15.5%	0%
B	Beta	35.8%	5.0%	32.9%	0%	4.2%	0%	25.7%	0%	21.8%	0%

*UI = utilitarian identity, NI = normative identity

Table 4-4 H1H and H1H stability across scenarios

Cluster	Firm	Part 1: Interviews / focus groups	Part 2: VPA				
			Scenario 1	Scenario 2	Scenario 3	Scenario 4	HHH stability
A	Zeta	0.76	0.18	0.00	1.00	0.00	0.41
A	Delta	0.61	0.92	0.44	0.49	0.43	0.81
A	Gamma	0.60	0.00	0.14	0.00	0.16	0.48
A	Iota	0.47	0.16	0.00	0.00	0.00	0.57
A	Kappa	0.47	0.62	0.59	0.79	0.55	0.83
A	Eta	0.44	0.00	0.00	0.00	0.00	0.56
B	Theta	0.33	0.00	0.00	0.00	0.24	0.73
B	Epsilon	0.32	0.00	0.00	0.00	0.00	0.68
B	Alpha	0.24	0.20	0.00	0.00	0.00	0.81
B	Beta	0.12	0.00	0.00	0.00	0.00	0.88

Zeta from cluster A offers an extreme example of low HIH stability ($HIH_{STB} = 0.41$). Zeta's responses to scenario 1 ("Widespread introduction of GM crops and livestock") contained only brief references to normative identity aspects ($HIH_{S1}=0.18$). In scenario 2 ("Market transition toward functional foods") and scenario 4 ("Transition toward de-growth economies") Zeta did not mention a single normative aspect ($HIH_{S2/S4}=0$). In contrast, Zeta's response to scenario 3 ("Increased speed of globalisation and fair capitalism") contained an extensive narrative, which can be coded as 100% normative ($HIH_{S4}=1$): Zeta referred to the need to lobby for the introduction of taxes on non-organic products and better define what 'sustainable development' meant (further examples of statements coded as normative and utilitarian for the 10 case firms across scenarios are presented in Table 4-5 and Table 4-6):

"In this day and age I am not sure if consumers really understand what they consume in terms of food. I think that they are more interested in saving money for a new television set, a car, holidays... saving up on everything else only to be able to afford those... And to compensate for this careless attitude to food they sometimes buy organic products... So in this scenario... it's typically... introducing taxes on non-organic products... By introducing this tax, you can achieve price parity between organic and non-organic products. Then this could really change the market structure. And then this "overall trend" ... It's not normal that large corporations exploit the [sustainable development] trend, which for them represents very little in terms of business, their revenues. And they exploit this trend for their global marketing campaigns. So what we need to do is to define specific rules: you can claim that you are a sustainable company only if you sell organic products, only if you sell products that do not harm the environment, only if you have a holistic environmental strategy – only then you can talk about sustainable development. Otherwise you should not be able to exploit this trend for your marketing campaigns." (Zeta, VPA session, translation from French)

Table 4-5 Utilitarian identity across scenarios: Illustrative statements

Cluster	Firm*	Scenario 1**	Scenario 2	Scenario 3	Scenario 4
A	Zeta	“We would need to find a niche and be... 100% authentic... You can do anything in this niche and it will work for your business... Or you become a... global player that produces large quantities to survive.”	“In this situation... if there is a demand for private labels, we would make an offer and see how it goes... If you enter with your own brand, you have to pay [fees] to get space on the shelf. If you produce private labels, you won't need to pay these fees... Your market is smaller but you sell much more and it's practically a net profit that you get.”	N/A	“I would say new products... because we need to go further than what we have now... We would also need to review our logistics, review our packaging, we would need to review everything.”
A	Delta	“One of the things that we are going to be looking at is always how we drive down our costs in terms of our energy use.”	“...increase our own outlets in order to secure some of [these revenue opportunities]. So that would be our response to this.”	“The bottled products... are growing all the time. And there's going to come the point when we will have to stop that growth. And when we get to this point... we can start... looking at what actually gives us our best returns on that production.”	“In the long term... we might do wider distribution in order to maintain diversity of ales locally. And also, if we decide to have our own pub estate, two or three pubs would really boost our... I mean it wouldn't be a significant part of sales but it would just help stabilise our sales.”

Cluster	Firm*	Scenario 1**	Scenario 2	Scenario 3	Scenario 4
A	Gamma	<p>“I think niche direct sales will be really important in this. I mean... you’ve got to go back to a niche basically. You’ve got to stay in niche, I feel... And you probably have to be quite... big to actually survive.”</p>	<p>“...really it boils down where you add the value and that you can only achieve with... integration, alliances and partners.”</p>	<p>“We are going to have all the social media, communication, romancing, branding, giving them the tools and the visibility and... I mean they will basically buy everything that we would offer them.”</p>	<p>“Branding and marketing is important again because there’ll probably going to be a lot of competitors... Diversification, that’s important too.”</p>
	Iota	<p>“Not much will change in my current growth vision... So I am going to look for a well-off segment of the population... emphasising product quality because in this cultural environment the fair trade and organic values no longer work.”</p>	<p>“In my opinion... no matter which products we sell – organic or not – we would need to focus on the web... Today we can do so much more on internet that we couldn’t do in a physical store... So we will create modern, trendy products... and we would need to exit traditional stores.”</p>	<p>“In my opinion... here consumers are already convinced that we are very, very responsible. In this case we would need to make a quick jump and become a quality leader.”</p>	<p>“We will adopt a strategy of store multiplication, we will try to create new stores with a franchising system.”</p>
A	Kappa	<p>“We cannot only target for the small market segment that is exclusively organic... We would have to adjust that we accept GM food and look more at costs... and skip the GM debate... So I think a lot will be the same.”</p>	<p>“...we build more satellites around the association that are specific for the different customer segments.”</p>	<p>“It’s one point to say that CO₂, resource efficiency and everything, it doesn’t really depend on the travel distance, so we can still provide additional value... so we can go with the market and provide... the knowledge.”</p>	<p>“We’ll still target... large canteens and... link canteens to local markets or... offer workshops to the employees which focus on cooking together or going to the market together... I mean for employees it will be more attractive to have a social experience instead of saying, OK, saving CO₂, with this.”</p>

Cluster	Firm*	Scenario 1**	Scenario 2	Scenario 3	Scenario 4
A	Eta	“We look at where we can sell a product. So in the case of eggs, if we’d gone free-range, we would’ve had massive competition because the bulk of the market is in free-range eggs, whereas by going organic, there are very few people who play in the organic sector, so we have a better chance of selling more product.”	“My idea would be every time you go shopping in a supermarket, every type of commoditised product that you can possible buy, you buy an [Eta] version of it. So if you are buying dishwashing liquid, buy [Eta] because it’s just dishwashing liquid.... If you are buying toilet roll, it’s toilet roll... so just buy [Eta].”	“Marketing and distribution. It would be to go to [a retailer] and say, here is 100,000, we would like this in 1,000 stores please. And then we’ll spend another 100,000 on promoting it within those stores. But ... how do you get back the 200,000 you spent? And you would have to sell an awful lot of water to do that.”	“I think it goes back to the 80-20 rule. You know, I think there’s a niche that is interested in this kind of thing. And I don’t think... these are big enough markets to work effectively. I think to make something effective, you have to have a scale, that’s where you get real success.”
		“We’ll always have people who can pay more... If the health aspect comes more in, then we have enough market share or market segment. Market segment will not disappear. If we have more genetically-modified food, so the nature-based food will be more successful than before because this argument of genetically-modified and really pure nature will be... easier to explain than today.”	“We cannot convince people to eat more chocolate or to use natural coffee, we don’t have the money for it, but [competitor’s name] has it, so the big companies can convince people, and we can swim up and go with [this trend].”	“And of course the taste... if we don’t have a special taste, an extraordinary taste, then we can forget it. So for the long term you always need the quality of product. Because the problem of this is that this is a story market. The question is whether the quality is also as high as the stories are.”	“We are so small, so we can... act with others in local markets where they have an opportunity to sell these products... I’d say, we have a lot of... small distributors, we deliver the coffee and they sell it on the market. Small, small, small, small. This is what we do... We don’t deliver supermarkets excessively, so if there are no more supermarkets, it’s no problem.”
B	Theta				

Cluster	Firm*	Scenario 1**	Scenario 2	Scenario 3	Scenario 4
B	Epsilon	<p>“This is my current position. I don’t want to fight. It’s not easy. So I choose to enjoy my life [and sell the store].”</p>	<p>“One day I could do these parcels... I will buy what I want... I will make an offer as to what will be included in my parcels... you subscribe to this service and then I send it by post... This is something that I can do.”</p>	<p>“... develop my own brand, with a strong identity... then what I have just explained about parcels... so something very targeted, very personalised.”</p>	<p>“My boutique works very well in this scenario.”</p>
		<p>“We would struggle to... make people take NPD, that might sort of fall out. And increased distribution would probably be much more fighting to just try and hold on to the rate of sale... I think so, survival, yeah.”</p>	<p>“That will... refine our product development if we thought that this was a real opportunity in food service where margins are typically very, very low.”</p>	<p>“I mean we can be very adventurous. We probably could do a lot of NPD... We could really develop the sort of food that is all about, you know, experience and taste.”</p>	<p>“We would... focus on things you couldn’t do at home. So we wouldn’t go into bread in a big way... but we might continue developing products that require very little processing but that you wouldn’t do at home.”</p>
B	Beta	<p>“I would say it’s more... going into the really high class... And not trying to be everywhere because the main market is difficult for us, so we really have to fix... in this very small niche, then [Beta] will double the price.”</p>	<p>“Probably we would have to develop new products, some functional, high-tech beverages, so I think that new product development will be important in this scenario.”</p>	<p>“I think this will be the most important in this scenario – making new products... And I would also add new communication strategies because people are looking for new ways to be informed.”</p>	<p>“We may not expand our business anymore. We are not going big, big, big with this scenario... We’ll have to find our way into the niche.”</p>

Source: VPA session.

* Quotes from Zeta, Iota and Epsilon are translated from French.

** Scenario 1 “Widespread introduction of GM crops and livestock”; Scenario 2 “Market transition toward de-growth economies” (see Section 3.2.3.2 and Appendix 2).
 speed of globalisation and fair capitalism”; Scenario 4 “Transition toward de-growth economies” (see Section 3.2.3.2 and Appendix 2).

Table 4-6 Normative identity across scenarios: Illustrative statements

Cluster	Firm*	Scenario 1	Scenario 2	Scenario 3	Scenario 4
A	Zeta	“What I don’t see is... business honesty. It doesn’t exist anymore... And definitely not in this scenario.”	N/A	“So it’s... introducing taxes on non-organic products... By introducing this tax, you can achieve price parity between organic and non-organic products. And then this could really change the market structure.”	N/A
	Delta	“I think we are starting to recognise that global economics isn’t working and perpetual growth is impossible because we haven’t got an infinite resource to fuel that growth... I think business has to stop growing at some point. It has to be part of its local community; it has to be part of its local economy.”	“I think there will be more pubs that are serving the community, rather than just trying to sell alcohol... And again I think it’s about working together closely with our pubs, you know, our community pubs. And that’s going to be how we get through it.”	“So rather than going out and selling products, we go out and we start building relationships. And that’s our strategy... We are going to the pubs and we are saying, ‘We are a local business and we want a family of 60 pubs. We really want you to be one of those pubs.’”	“I think our differentiation is going to be our integrity. It’s going to be doing it right and better, being transparent, and being able to be transparent because we are doing it... with integrity.”
A	Gamma	N/A	“One that we don’t have here because we are taking this as a given that we produce healthy food.”	N/A	“This is what we want to contribute toward... This is where our lights...”
A	Iota	“We continue work integration... we continue fair trade and organic.”	N/A	N/A	N/A

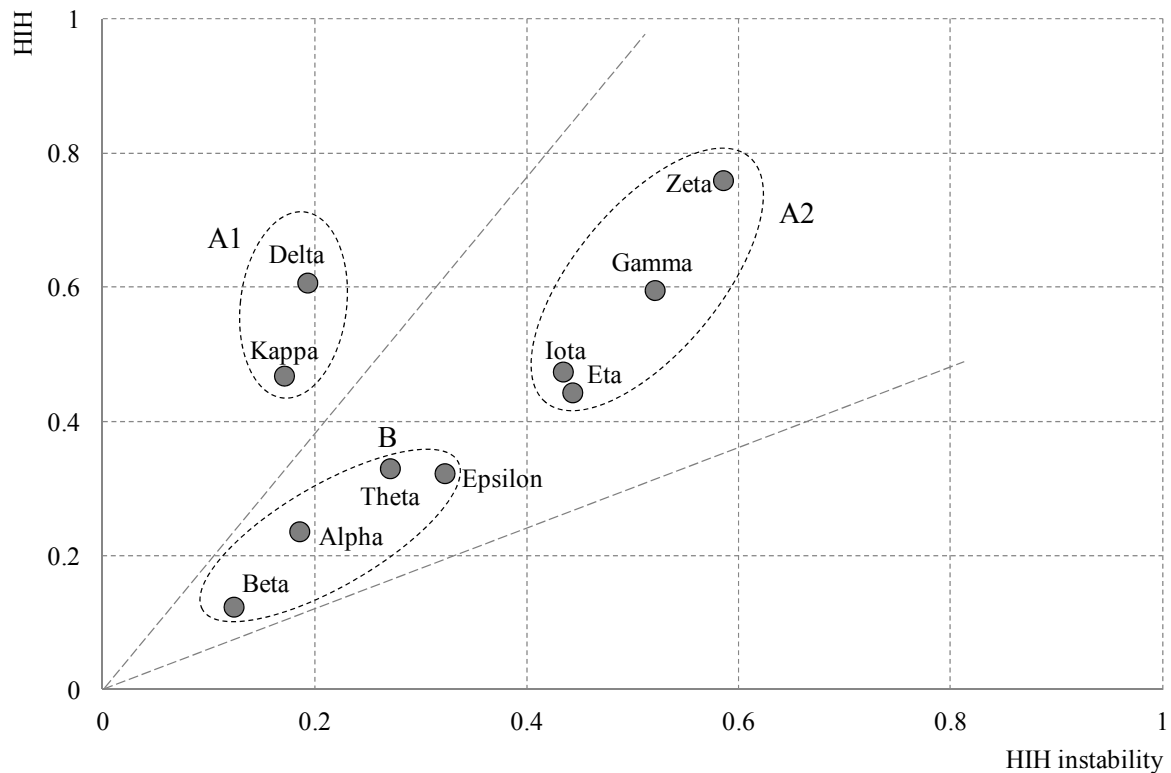
Cluster	Firm*	Scenario 1	Scenario 2	Scenario 3	Scenario 4
A	Kappa	“From an idealistic point of view, we would also try to connect with this small market of non-GM people and try to link them in a way that they can provide their services over us... I think maybe the business cannot afford to do that but the association can.”	“I think we can provide really interesting information... when we partner up with health experts... So people will see us also as a hub to differentiate between the good and the bad health stuff.”	“It sounds like when it happens like that, we are already part of a solution... and there will be a lot of other organisations that also flourish with that spirit... and we can connect with them, we can have really flourishing partnerships... with these organisations.”	“We try to position ourselves as a social movement toward... that vision that the world connects together over those local farmers, the world where we look at environmental and resource efficiency things.”
		N/A	N/A	N/A	N/A
		N/A	N/A	N/A	“This is one of my ideas to... disturb... a little bit more the interests of the big companies... to do something in another way.”
B	Epsilon	N/A	N/A	N/A	N/A
B	Alpha	“Ethically it matters to us, that it’s natural and real and healthy... what I wouldn’t do is to change to meet that need because it’s not just the money thing... I can’t produce food that is all about high-tech and GM.”	N/A	N/A	N/A
			N/A	N/A	N/A
B	Beta	N/A	N/A	N/A	N/A

Source: VPA session.

* Quotes from Zeta and Iota are translated from French.

When HIH and HIH (in)stability values for all 10 case firms are mapped on one chart (Figure 4-5), an interesting pattern emerges. Although firms in cluster A had, on average, lower HIH stability values than firms in cluster B, there were two firms in cluster A – Delta and Kappa – which had comparable HIH stability values to firms in cluster B. Such a different behaviour of Delta and Kappa justifies their separation into a different sub-cluster A1, with the other firms in cluster A – Zeta, Gamma, Iota and Eta – grouped in sub-cluster A2. The following section investigates differences in behavioural patterns (i.e. growth strategy choices) between these three firm clusters (A1, A2 and B).

Figure 4-5 HIH and HIH instability



4.2.3 Summary

The 10 case firms varied in the relative importance of normative and utilitarian identity, or in other words in their HIH values, which was the basis for grouping them into cluster A (hybrid ventures with relatively high HIH values) and cluster B (hybrid ventures with relatively low HIH values). Analysis of the VPA data revealed that case firms in cluster B had, on average, relatively stable HIH values across the four hypothetical scenarios, which means that they did not become any more normative

when faced with identity-challenging situations and even completely lost their hybridity in some of the situations. In contrast, firms in cluster A varied considerably in their responses to hypothetical scenarios. Two of the firms in cluster A demonstrated relatively high HII stability (and were subsequently assigned to a sub-cluster A1), while the rest of the firms in cluster A had relatively unstable HII values (these firms were assigned to a sub-cluster A2). The following section investigates the relationship between the case firms' hybrid identities and their growth strategies.

4.3 Multiple Case Study: Growth Strategies

As described in Chapter 2 (Section 2.4.1), organisational theory suggests that OI influences “what gets noticed” and “how it gets interpreted” (Tripsas, 2009). This section presents which growth strategies were “noticed” by case firms with a dominant normative and a dominant utilitarian identity and explores the role of cognition (scenario interpretation) and HII stability in explaining the relationship between organisational identity and strategy.

4.3.1 OI and growth strategies

Case firms in cluster A “noticed” the same spectrum of organisational growth strategies as firms in cluster B (such as organic growth; strategic alliances and partnerships; franchising and licensing; acquisitions, mergers and sale), plus additional strategies related to impact scaling (such as branching and replication; affiliation and smart networks; lobbying and advocacy; dissemination and open-source change-making). As a result, the proportion of time that firms in cluster A spent talking about impact scaling strategies was much higher than that of firms in cluster B (Table 4-7, Table 4-8 and Figure 4-6).

Table 4-7 Growth strategies by firm and cluster: Code density

Growth strategies *	A1		A2				B			
	Delta	Kappa	Zeta	Gamma	Iota	Eta	Theta	Epsilon	Alpha	Beta
Organisational growth strategies	OG **	12.23%	6.21%	6.68%	8.09%	2.65%	5.99%	3.53%	16.04%	28.15%
	SAP	4.95%	1.25%	0	0	0.91%	0	0	0	2.01%
	FR	0	0	0	0	0.74%	0	0.54%	0	0
	LC	0	0	0	0	5.21%	0	0	1.29%	0
	AMS	0	0	0	0	0.74%	0	7.82%	0	1.00%
Impact scaling strategies	BR	0	0	0	0	1.92%	0	0	0	0
	ASN	2.72%	2.98%	0	2.28%	0	2.63%	0	0	0
	LA	0	0	10.81%	0	0	0	0	0	0
	DOC	0	2.96%	3.89%	0	0	0	0	0	0

Source: interviews/focus groups.

* Organisational growth strategies: OG=Organic growth; SAP=Strategic alliances and partnerships; FR=Franchising; LC=Licensing; AMS=Acquisitions, mergers and sale. Impact scaling strategies: BR=Branching and replication, ASN=Affiliation and smart networks, LA=Lobbying and advocacy, DOC=Dissemination and open-source change-making.

** Organic growth includes new product/service development (including improvement of quality of existing products/services); new commercial activities (e.g. consulting or private labels); increase in distribution in existing or new channels; export or geographical expansion, etc. (see Appendix 5).

Table 4-8 Growth strategies: Illustrative statements

Cluster	Firm*	Organisational growth	Density / relative density	Impact scaling	Density / relative density
A1	Delta	“Our strategy is about diversifying our market. So rather than relying on pubs, just alone, which are a very fragile business, we are doing more direct sales and we are doing more bottling. So that then gives us three markets. Then we are also doing more wholesaling... and we are looking at export. So we’ve got a much broader market. So should any of those markets suffer, we could very quickly look at putting greater effort into something else.”	12.07% / 81.61%	“It’s also about building the relationship – the relationship between us and the pub, and the pub and the farms and the landscape and the locality. So we are going to be doing more of that looking at those things: you know, what builds relationships; what builds community; what our role in the local economy.”	2.72% / 18.39%
A1	Kappa	“The main driver behind the business will be a lot of sales calls... Yeah, it’s a service business for corporations, so we need to get into the corporations by warm calls, cold calls, networks, talking at conferences and doing all these things... So we are basically focused on getting more customers in that way.”	13.15% / 68.88%	“I mean this is all about partnerships... partner with health experts because we want to integrate CO ₂ ... I mean it has a lot of correlation – climate-friendly food and health, healthy food, yeah, healthy diet. So partnering up here is... making the product more attractive in that way... And of course, there are partnerships with NGOs... We call them also multipliers...”	5.94% / 31.12%

Cluster	Firm*	Organisational growth	Density / relative density	Impact scaling	Density / relative density
A2	Zeta	<p>“We are about to start selling in Europe but... stevia-based drinks were first legalised only in December 2011, so it’s really recent. We are in the process of negotiating with Austrian firms, German firms, French firms...”</p>	<p>7.46% / 33.65%</p>	<p>“I will also write ‘taxes’, for instance on pesticides... On one hand, [pesticides] of course pollute the environment... but also... this moves the capital to corporations, the sole activity of which is to produce pesticides... If you decide not to use pesticides, you have to compensate... the lost productivity... by using manual labour force, so this creates employment. This creates... income... for people who will then be able to use it for consumption purposes.... So in my opinion... there are many barriers that need to be removed.”</p>	<p>14.71% / 66.35%</p>
A2	Gamma	<p>“Alright, so, find a commercial customer, i.e. someone who buys for the ROI or the clear cost benefit calculation. It will take a while but that’s the goal, that’s the strategy because once you find that, you can replicate that.”</p>	<p>6.68% / 74.55%</p>	<p>“Maybe we can even influence food trends... I think a very good direction is to sort of keep that going by initiatives like in [...] where they actually give the public something to look at, to touch and feel... Yeah, the food awareness...”</p>	<p>2.28% / 25.45%</p>

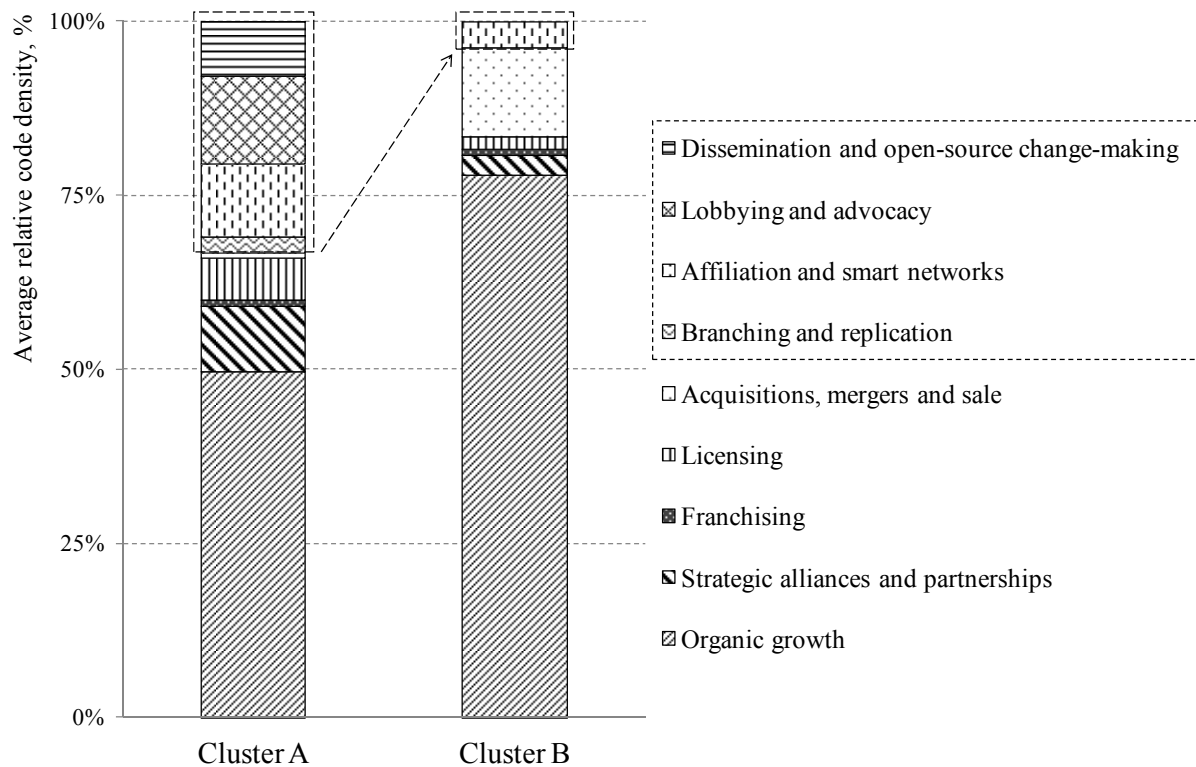
Cluster	Firm*	Organisational growth	Density / relative density	Impact scaling	Density / relative density
A2	Iota	<p>“The plan for the next five years is to... re-open a new store... and to validate the performance of these two stores... Then we can open a third store in another city... to understand whether these three stores... are good pilots for another replication model: franchising or cooperatives.”</p>	9.57% / 100%	N/A	0
A2	Eta	<p>“We started with manufacturing under a contract, we migrated that to a licensing model about 18 months ago. And the reason for that is to run a manufacturing business, even if it's outsourced co-packing, requires a lot of overhead in the business to do that, whereas if you are licensing brand to a third party, they are doing all that for you.”</p>	8.78% / 73.97%	<p>“So the... original kind of idea was to try and create this like-for-like concept of water funding water projects. But it was, if we could make that work, could we then replicate it in other products? So toilet tissues fund sanitation programmes, soap funds hygiene, condoms funds HIV ... food products fund food and so on and so forth.”</p>	3.09% / 26.03%
B	Theta	<p>“At the beginning it's possible to start with small shops but for the next steps to get bigger... you have to find [large] retailers.”</p>	5.99% / 69.49%	<p>“If we invest in the region... I'd like to have all... possible NGOs in the same boat... I believe in this integrated project because... only economic [goals] are not the right way, you have also the ecologic [goals].”</p>	2.63% / 30.51%

Cluster	Firm*	Organisational growth	Density / relative density	Impact scaling	Density / relative density
B	Epsilon	“At the beginning I thought of... opening stores like this one in several big cities, including in other countries, and adapting them to each of these countries.”	11.90% / 100%	N/A	0
B	Alpha	“Our focus at the moment is to get good distribution of what we already do whilst having very dynamic NPD that allows us to open doors in our existing customers and new customers and build awareness of [Alpha] because if we try to build the business on muesli only, we’d get nowhere.”	17.35% / 100%	N/A	0
B	Beta	“We started with four flavours. Then we realised that we are not growing fast enough just producing smoothies, so we decided to produce other products too.”	31.17% / 100%	N/A	0

Source: interviews/focus groups.

* Quotes from Zeta, Iota and Epsilon are translated from French.

Figure 4-6 Growth strategies by cluster



Source: interviews/focus groups.

The most common growth strategy for all ten case firms was organic growth. For instance, Beta spent nearly 30% of its interview time talking about various mechanisms to grow organically (e.g. “we started with four flavours; then we realised that we are not growing fast enough just producing smoothies, so we decided to produce other products too”, focus group). All ten firms discussed new product or service development; most firms also talked about increasing distribution in existing or new channels, as well as exploring opportunities for export and geographical expansion to other countries (e.g. “And that’s sort of five different markets within one business really... It gives you so many... ways of channelling different efforts into different sides of the business... And they are all reinforcing each other as well”, Delta, focus group). Additionally, Beta and Delta considered producing private labels as a strategy for organic growth, whereas Epsilon and Zeta considered launching new commercial activities, such as consulting.

It was also common among all ten case firms to set up partnerships and strategic alliances as a form of an organisational growth strategy. For instance, Beta had a production partnership with another small entrepreneurial firm, which allowed

both firms to reach economies of scale; Delta had a distribution partnership, which resulted in cost reduction for both firms (“there are so many benefits of doing it in partnership with [John] in terms of the other markets... we don’t need to own vehicles... [John] has the experience”, focus group). Eta considered joint ventures in launching new products or services; Kappa considered partnering with chefs to promote the benefits of climate-friendly eating; and Zeta considered partnering with sportsmen to promote health benefits of stevia-based drinks.

Other growth strategies, such as franchising, licensing, acquisitions, mergers and sale were much less common among the 10 case firms and their choice was most likely related to specific characteristics of the business model of the case firm. For instance, franchising was only considered by Epsilon and Iota, since both firms had their own stores (whereas most other firms relied on distribution through retailers) and, therefore, for Epsilon and Iota franchising was an obvious choice. Licensing was currently used only by Eta but was also considered as a potential option by Alpha:

“If you look strategically, extreme changes could be licensing the brand... So that we would give the brand to a specialist manufacturer and say, OK, you can make whatever you like with it and we want 5% and then in which case the company would shut down and we would be riding on them not making a mess of licensing the brand or... in another words, if we’ve built a strong brand, why would we let someone who is an industry expert – bearing in mind that none of us here is food industry people by training – an industry expert make a mess of it or grow it like crazy?” (Alpha, focus group)

“The model that we used to begin with changed, so where we started with manufacturing under a contract, we migrated that to a licensing model about 18 months ago. And the reason for that is to run a manufacturing business, even if it’s outsourced co-packing, requires a lot of overhead in the business to do that, whereas if you are licensing brand to a third party, they are doing all that for you. And then what they are doing is just paying royalty fees or in our case royalty fees and donations to manage the brand on our behalf... To give you an idea... it takes about 15 people to run two manufactured products, whereas it takes two people to run about 6 or 7 licensed products... But also you make about 6 times more money manufacturing it than you do licensing it. So it’s a different kind of gain.” (Eta, interview)

With regards to acquisitive growth, it was considered only by Beta (who made a brief comment about this strategy). In terms of mergers and sale, this strategy was considered by Epsilon (because of its goal to reconfigure the business from selling fair trade and organic chocolate through its own store to consulting on fair trade and organic chocolate issues), as well as by Beta (as a way to enhance competitiveness and increase distribution) and Iota (who had to sell one of the two initial chocolate stores because of its under-performance).

When looking at impact scaling strategies, the most common strategy among the 10 case firms was affiliation and smart networks. For instance, “it’s also about building the relationship – the relationship between us and the pub, and the pub and the farms and the landscape and the locality” (Delta, focus group) or “on the association side, it’s really that the association tries to target scientific institutions and NGOs to partner with them... I mean this is all about partnerships” (Kappa, focus group). Interestingly, affiliations and smart networks were the only impact scaling strategy considered by firms in cluster B and specifically by Theta (“this is important that all partners are around, in the same boat... this is why I believe in this integrated project because... only economic [goals] are not the right way, you have also the ecologic [goals], but the ecologic without the economic, you can forget it”, Theta, focus group).

In addition to affiliation and smart networks, firms in cluster A also considered pursuing branching and replication (“the original kind of idea was to try and create this like-for-like concept of water funding water projects... but it was, if we could make that work, could we then replicate it in other products? So toilet tissues fund sanitation programmes, soap funds hygiene, condoms funds HIV... food products fund food and so on and so forth”, Eta, interview); and dissemination and open-source change-making (“how it all started, it was, first, more about raising awareness, getting the topic known, getting it in the heads of the people, that’s also what you could call impact”, Kappa, focus group). Zeta also actively used lobbying and advocacy to introduce taxation on manufacturers of pesticides and promote legal changes in the use of terms ‘sustainable development’ and ‘corporate social responsibility’. For example:

“Definition of sustainable development... That means that we need to clearly define what we mean by sustainable development. And if you go outside these boundaries, it is no longer sustainable development. We should really define these boundaries because these days everyone is doing sustainable development but it is a real nonsense! It is clear that firms that offer products that are non-biodegradable or that pollute the environment do not fit the definition. However, they say that they are supporting the local economy and so on, but this is exactly the case – is this sustainable development? Will it still be sustainable in 50 years?” (Zeta, focus group, translation from French)

“I will also write ‘taxes’, for instance on pesticides... When you grow fruit or other food, if they are not certified as organic, they are grown with pesticides, insecticides, etc. So on one hand, this of course pollutes the environment... but also... this moves the capital to corporations, the sole activity of which is to produce pesticides... If you decide not to use pesticides, you have to compensate... the lost productivity... by using manual labour force, so this creates employment. This creates... income... for people who will then be able to use it for consumption purposes.... So in my opinion... there are many barriers that need to be removed.” (Zeta, focus group, translation from French)

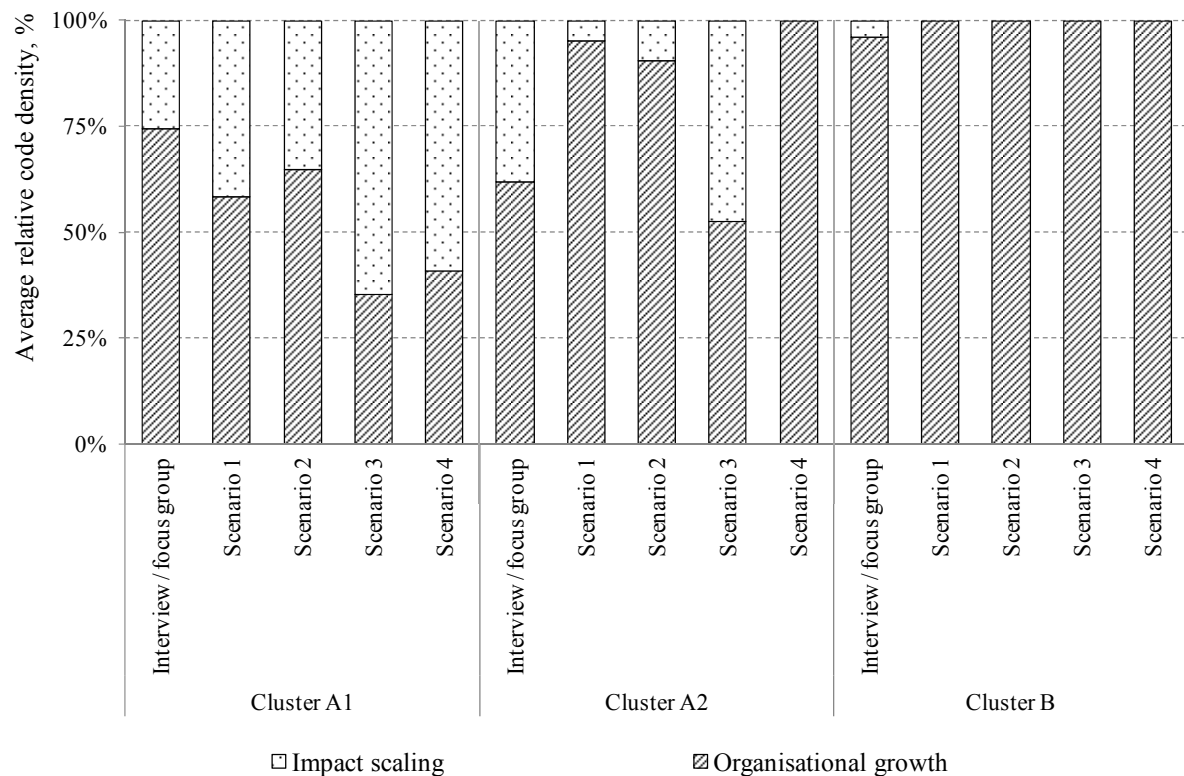
When growth strategy choices are analysed across scenarios, an interesting pattern emerges. Despite the initial similarity in “noticed” growth strategies between firms in cluster A1 (with higher HIH stability) and firms in cluster A2 (with lower HIH stability), their responses to hypothetical scenarios in VPA sessions were rather different. Whereas firms in cluster A1 consistently retained their emphasis on impact scaling strategies across all four scenarios, firms in cluster A2 were much less consistent and in three out of four scenarios talked only very little (or not at all) about specific mechanisms to scale their impacts. With regards to firms in cluster B, in all of the four scenarios they talked only about organisational growth strategies (Table 4-9 and Figure 4-7).

Table 4-9 Growth strategies by cluster across scenarios: Average code density

Growth strategies	Interviews / focus groups	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Average code density for cluster A1					
OG	9.67%	11.10%	11.37%	10.95%	14.79%
SAP	2.94%	0.48%	8.30%	0	0
FR	0	0	0	0	0
LC	0	0	0	0	0
AMS	0	0	0	0	0
BR	0	3.32%	0	0	0
ASN	2.85%	4.97%	7.51%	20.50%	19.40%
LA	0	0	0	0	0
DOC	1.48%	0	3.17%	0.86%	1.96%
Average code density for cluster A2					
OG	5.91%	13.07%	27.76%	7.56%	29.27%
SAP	0.54%	0	4.23%	3.12%	0
FR	0.19%	0	0	0	2.30%
LC	1.30%	0	0.18%	0	0.29%
AMS	0.19%	3.23%	0.00%	0	0
BR	0.48%	0	3.02%	0	0
ASN	0.86%	0.60%	0	0.12%	0
LA	2.70%	0.20%	0	9.57%	0
DOC	1	0	0.35%	0	0
Average code density for cluster B					
OG	13.43%	13.41%	26.80%	39.35%	10.17%
SAP	0.50%	0	0	0	0.68%
FR	0.14%	0	0	0	0
LC	0.32%	0	0	0	0
AMS	2.21%	3.01%	2.88%	0.29%	1.06%
BR	0	0	0	0	0
ASN	0.66%	0	0	0	0
LA	0	0	0	0	0
DOC	0	0	0	0	0

Source: interviews/focus groups and VPA sessions.

Figure 4-7 Growth strategies by cluster across scenarios



Source: interviews/focus groups and VPA sessions.

Perhaps the most striking example of this pattern is Iota from cluster A2: having been founded as a social enterprise that is based on the principles of fair trade and work integration of marginalised and handicapped individuals, in all of the four scenarios Iota repositioned itself as a leader in product quality, often being ready to forgo fair trade and organic product aspects for the benefits of product quality and financial stability. As an example, Iota responded in the following way to scenarios 1 and 2:

“Not much will change in my opinion. On the contrary, we will enhance... the focus on product aspects because in this cultural environment the fair trade and organic values no longer work. By contrast, a high quality product, a product that you can only find in small artisanal shops, even if you have to pay a lot, a product that is really original because it has a story to tell, a product that is really nicely packaged, which is produced by a famous chef... you will only need to apply certain marketing tools, which is exactly what we are trying to do now... And I think that we will be thinking about approaching large market actors because in order to follow this marketing discourse, we would need

power, we would need resources... so that our projects continue being backed up by this large structure that can give us this power... And we will stop emphasising the values of fair trade, but we will instead emphasise product experience values... We might also somewhat dilute the organic and fair trade aspects of our supply chain... We might tell ourselves that if we really want to produce luxury products, there are certain products that cannot be made truly luxurious with the organic and fair trade approach... the texture just isn't right... and our subcontractors cannot manufacture products of a required quality... So we might open up our supply chains.” (Iota, translation from French, VPA session, scenario 1)

“Whether it's organic or not, the chocolate embodies all of these values. It's good for health, it's good for concentration, it helps relaxing, it gives you pleasure, etc... even a non-organic chocolate brings all this. So we have a product, which is well placed in this scenario. In my opinion... in this scenario we will pay particular attention to the product, its qualities... We will say that these products embody these values but we will not talk about 'save the planet'. And in my opinion... no matter what products we sell – organic or not – we would need to focus on the web... We will move toward everything modern – new forms of distribution, new value creation. Today we can do so much more on internet that we couldn't do in a physical store... So we will create modern, trendy products... and we would need to exit traditional stores... and focus on the internet.” (Iota, translation from French, VPA session, scenario 2)

To recap, all 10 case firms were similar in their focus on organic growth as the main growth strategy. Additionally, most firms also pursued strategic alliances and partnerships in the production, distribution or marketing domains. What clearly differentiated firms in cluster A from firms in cluster B was that the former spent much more time talking about impact scaling strategies (such as affiliation and smart networks, dissemination and open-source change-making). In fact, only one firm in cluster B (Theta) mentioned one of the possible impact scaling strategies (i.e. affiliation and smart networks). When “noticed” growth strategies were analysed across scenarios, firms in cluster B retained their focus on organisational growth strategies (with no impact scaling strategies mentioned in any of the scenarios). However, firms in cluster A demonstrated heterogeneous behavioural patterns: firms

with a relatively stable HII (sub-cluster A1) retained their emphasis on impact scaling strategies across all four scenarios, whereas firms with a relatively unstable HII (sub-cluster A2) were much less consistent and lost their focus on impact scaling strategies in three out of four scenarios. The following section investigates the role of scenario interpretation in the choice of growth strategies by the analysed case firms.

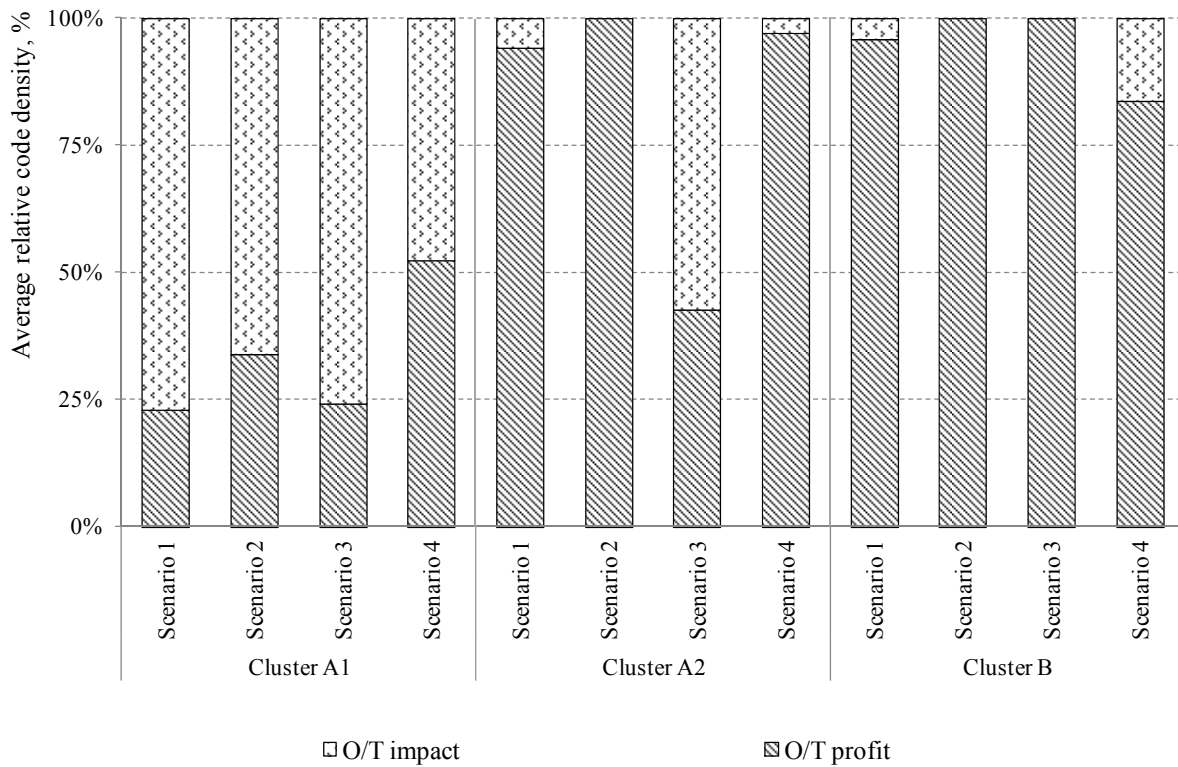
4.3.2 OI and scenario interpretation

The ten case firms differed considerably in their scenario interpretations as offering either opportunities/threats for profit or opportunities/threats for impact. For instance, scenario 1 (“Widespread introduction of GM crops and livestock”) was interpreted as “the killer-scenario for us” by Beta. For Eta scenario 1 was not “a gloomy scenario... but reality”; likewise for Alpha scenario 1 represented nothing more dramatic than “a smaller opportunity for us”, and, therefore, “as long as 20% or whatever it is still more scenario one, we just get on with the business as usual”. In stark contrast, Delta and Kappa interpreted scenario 1 as a call for action to “prevent this horror scenario from happening... so everything we do is... we are providing a solution to how we can escape that” (Kappa), because “businesses like our own have a role to play” (Delta).

When scenario interpretation is analysed across clusters, a very similar pattern to the one discussed in the previous section emerges (Figure 4-8). Firms in cluster B interpreted scenarios as offering mostly (or only) opportunities/threats for profit. In contrast, firms in cluster A noticed many more opportunities for impact in addition to opportunities for profit. For instance, Kappa interpreted all four scenarios as offering a combination of opportunities/threats for both profit and impact, but it spent relatively more time talking about impact-related aspects in all of the four scenarios (Table 4-10). As an example, scenario 3 (“Increased speed of globalisation and fair capitalism”) was interpreted by Kappa, on one hand, as being “a tough one because... it will be way more competitive from the service point of view”, thus offering a potential threat to its profitability. But on the other hand, Kappa noted that the increase in the number of other organisations working on similar problems is also a positive development (and hence an opportunity for impact) since it helps collectively solve these problems (“It seems like it really released a lot of tension on resource problem, released a lot of tension on the income gap problem... there will be a lot of other organisations that also

flourish on that spirit, that you have to solve that resource, income, third world problems”). Table 4-11 and Table 4-12 present further qualitative evidence on the variation in the case firms’ interpretations of the four scenarios as offering opportunities/threats for impact or profit.

Figure 4-8 Scenario interpretation by cluster



Source: VPA sessions.

Table 4-10 Scenario interpretation by firm and cluster: Code density

Cluster	Firm	Scenario 1		Scenario 2		Scenario 3		Scenario 4	
		O/T profit*	O/T impact	O/T profit	O/T impact	O/T profit	O/T impact	O/T profit	O/T impact
A1	Delta	3.50%	21.08%	10.64%	17.15%	4.11%	0	16.84%	3.72%
A1	Kappa	7.59%	16.06%	8.89%	21.10%	3.71%	24.59%	8.16%	19.16%
A2	Zeta	15.20%	0	4.84%	0	0	45.22%	19.75%	0
A2	Gamma	17.89%	0	15.44%	0	36.07%	0	38.14%	3.22%
A2	Iota	11.09%	3.86%	27.65%	0	12.31%	21.27%	35.15%	0
A2	Eta	16.78%	0	25.61%	0	1.07%	0	9.57%	0
B	Theta	49.67%	0	55.04%	0	40.65%	0	18.32%	12.48%
B	Epsilon	0	0	0	0	20.17%	0	12.52%	0
B	Alpha	39.85%	4.52%	21.17%	0	32.16%	0	19.01%	0
B	Beta	13.14%	0	19.21%	0	27.30%	0	13.81%	0

Source: VPA sessions.

*O/T profit = opportunities or threats for profit, O/T impact = opportunities or threats for impact

Table 4-11 Scenario interpretation as an opportunity/threat for profit: Illustrative statements

Cluster	Firm*	Scenario 1 **	Scenario 2	Scenario 3	Scenario 4
A1	Delta	<p>“One of the things in this scenario is the cost of fuel and I think that’s going to become an increasing pressure.” (TP)</p>	<p>– “There’s still going to be a sector or a group of people that value moderate, social drinking.” (OP)</p> <p>– “This is going to be... a pressure on us and decrease our market, the health issue and agenda... So I would suspect that we are always going to be on the worst side of that scenario.” (TP)</p>	<p>– “That also cuts the bank out of this loop for borrowing money to be able to trade with a big company like [...] and having to wait for your money; you are actually getting your money straight away.” (OP)</p>	<p>– “If the consumers are more sensitive to it, then they will also be willing to pay for our organic premium and the difference that we bring...” (OP)</p> <p>– “In this scenario the niche is smaller. Or rather the niche is bigger but it’s been shared by more people because they all have gone into it.” (TP)</p>
A1	Kappa	<p>“For the business it could also be an opportunity... maybe it’s even a chance for the business in that sense that they can greenwash the GM thing with the product.” (OP)</p>	<p>“...the environment is good for start-ups.” (OP)</p>	<p>“It’s a tough one because it’s a really nice scenario but it will be way more competitive from the service point of view.” (TP)</p>	<p>“It will be really hard to position ourselves as the experts on the environment because there will be so many experts talking about it. It will be much more competitive.” (TP)</p>
A2	Zeta	<p>– “...there will be people who would want to show off that they can afford to buy something like that.” (OP)</p> <p>– “Multinationals... create an unbelievable situation of monopoly... It is impossible to get access to... certain channels although our product is excellent.” (TP)</p>	<p>“When you have internet... it’s an opportunity for marketing strategies.” (OP)</p>	N/A	<p>– “It’s easier to get access to capital in this context.” (OP)</p> <p>– “In this context we are no longer the only ones with such products.” (TP)</p>

Cluster	Firm*	Scenario 1**	Scenario 2	Scenario 3	Scenario 4
A2	Gamma	<ul style="list-style-type: none"> – “...you are always going to have a section of society who does understand the benefits of healthy eating.” (OP) – “... these days of farmer markets, niche, weekend shoppers, you know, the foodies that really care... that’s like 2% of the population.” (TP) 	<ul style="list-style-type: none"> – “If food preferences... are changing so rapidly and so quickly, then it is the small guys that can actually adapt quickly to it.” (OP) – “Private customers will be basically wiped out... it’s going to be value-driven... it’s going to be transaction, not just because they care about...” (TP) 	<ul style="list-style-type: none"> – “...this would be really easy for us to do... I can see lots of opportunities here.” (OP) – “Here it sort of twists the whole thing, I think until the middle we could just sit back and... say this is us but then it actually gets interesting... It’s just a bit difficult to get demand of the houses.” (TP) 	<ul style="list-style-type: none"> – “There is a large market... Everybody wants something else... So it actually simplifies the business model.” (OP) – “You will have tons of competition, so... you need a lot of money... It doesn’t say that this is a profitable way of living... It’s probably not the easiest scalable market for us.” (TP)
A2	Iota	<p>“This scenario isn’t particularly favourable for our brand... because... the ‘well-off segment of the population’ ... will be clearly looking for very luxurious brands. And brands like ours... will struggle in these conditions.” (TP)</p>	<p>“...our product fits really well with this scenario.” (OP)</p>	<p>“If this scenario ever takes place... it would be perfect for our strategy... We won’t have too many difficulties in here.” (OP)</p>	<p>“Those who live in smaller urban communities will fully share these values... and an enterprise like mine has many opportunities in these small towns.” (OP)</p>
A2	Eta	<p>“I don’t think that it is a gloomy scenario. I think it’s reality. I think the world is changing, has changed, and... manufacturers have to evolve with it.” (OP)</p>	<p>“It’s about finding a market... Functional foods are an opportunity to make money for manufacturers... It’s about manufactures exploiting new categories.” (OP)</p>	<p>“Money goes where they are going to make money. That’s the reality.” (OP)</p>	<p>“I think if we start... something new, then it would be quite interesting to have a look at it... So conceptually it’s good, but it’s very, very niche.” (OP)</p>

Cluster	Firm*	Scenario 1**	Scenario 2	Scenario 3	Scenario 4
B	Theta	<p>“We’ll always have people who can pay more and who are able to use food in the healthier way than the others... Market segment will not disappear.” (OP)</p>	<p>“If there is a real trend to functional food... I am not afraid of this, it will help us.” (OP)</p>	<p>“I don’t like this scenario... The problem would be that we disappear. It will be very difficult to show us in the picture because this is exactly what we would like to do.” (TP)</p> <p>– “In this case, it would be easy to have... coffee in the world market.” (OP)</p> <p>– “The only problem will be if climate change is so huge that we can’t get coffee from [Africa] anymore.” (TP)</p>	
	Epsilon	N/A	N/A	<p>“My boutique belongs there... It fits very well in this scenario.” (OP)</p> <p>– “...I am well adapted to this...” (OP)</p>	
B	Alpha	<p>– “...scenario 1 is just a bigger opportunity for us and scenario 2 is a smaller opportunity for us...” (OP)</p> <p>– “...the danger for us is if this squeezes out our area to be so small... that we can’t grow, that we are just static.” (TP)</p>	<p>“In a way it would be reasonably good because it’s all about brand again... you’ve got to have a strong differentiation and it needs to be health and convenience, which is what we are trying to do at the moment.” (OP)</p>	<p>– “It would be quite fun, wouldn’t it? I think it... quite suits us... It’s again bang on for us.” (OP)</p> <p>– “In this scenario, you could argue... fewer people going to the supermarket at all...” (TP)</p> <p>– “...we are better placed than the big boys to take advantage of the smaller specialist shops.” (OP)</p>	
B	Beta	<p>– “It’s the killer-scenario for us.” (TP)</p> <p>– “There will still be a group of consumers big enough for [Beta] and this will be a group of people being able to pay more for our products.” (OP)</p>	<p>“Smoothies would fit in this scenario because it’s quick and easy and healthy, so we are not that far I think.” (OP)</p>	<p>– “That’s a huge opportunity... because people want... new stuff, new products.” (OP)</p> <p>– “...so if it’s 50%, we’ve still got a niche for the others who don’t have their own production.” (OP)</p> <p>– “In this scenario, it’s millions of food producers... We’ll have to find our way in the niche.” (TP)</p>	

Source: VPA session.

* Quotes from Zeta, Iota and Epsilon are translated from French.

** OP = opportunities for profit; TP = threats for profit.

Table 4-12 Scenario interpretation as an opportunity/threat for impact: Illustrative statements

Cluster	Firm*	Scenario 1**	Scenario 2	Scenario 3	Scenario 4
A1	Delta	<p>“Businesses like our own have a role in... I think there’s enough evidence to suggest that... putting the control in large corporations in terms of our food needs isn’t the solution... We see all the time that actually small-scale intensive agriculture is far more productive than large-scale monocultures sprayed with expensive pesticides.” (OI)</p>	<p>“We are talking about fast moving pace of life, convenience foods, all healthy convenience. But one thing that’s always been necessary throughout all that is places where you can create community. You know, people irrespective of the fast lives and time-poor lives, we still need places to have a community and have those meaningful relationships.” (OI)</p>	N/A	<p>“Even this - the cost of bottling our product in terms of extra packaging, the transport, the wrapping that comes with this... Ideally, more people should drink beer in the pub from draught because it’s sold locally, the money goes locally, it’s just... it’s so much better.” (OI)</p>
A1	Kappa	<p>“Basically all we are doing right now is trying to prevent that, this horror scenario from happening... So everything we do is... we are providing a solution as to how we can escape that.” (OI)</p>	<p>“And, of course, it’s not ‘in’ to talk about ‘save the planet’ but information will be there because we provide the information.” (OI)</p>	<p>“The only thing that is not getting targeted here is, I mean, it sounds like a fluffy nice world, is the problem of climate change, which will still be there, so we would focus on that problem.” (OI)</p>	<p>“There are a lot of these locals but if they tend to be too local... they lose the relationship. I mean, the environment is a focus for them but they need to see the broad scope, what’s happening globally.” (OI)</p>

Cluster	Firm*	Scenario 1**	Scenario 2	Scenario 3	Scenario 4
A2	Zeta	N/A	N/A	“It’s not normal that large corporations exploit the [sustainable development] trend, which for them represents very little in terms of their revenues. And they exploit this trend for their global marketing campaigns.” (TI)	N/A
A2	Gamma	N/A	N/A	N/A	“This is slow food. This is a slow food revolution... This is what we want to contribute toward.” (OI)
A2	Iota	“The reason why we do what we do is not because the overall trend isn’t favourable.” (OI)	N/A	“Everyone is trying to communicate, even if that’s not true, that they are sustainable, environmentally-friendly, etc... As a result, the “green” and “fair trade” discourse remains unnoticed given that everyone talks about it.” (TI)	N/A
A2	Eta	N/A	N/A	N/A	N/A
B	Theta	N/A	N/A	N/A	“In coffee you have 6-7 big companies to purchase coffee, to buy the coffee, so this is good if [we can] disturb... a little bit more the interests of the big companies.” (OI)

Cluster	Firm*	Scenario 1**	Scenario 2	Scenario 3	Scenario 4
B	Epsilon	N/A	N/A	N/A	N/A
B	Alpha	“That would be the challenge if the number... of people interested in food, health, natural [products] decreases, then we’ve got a big problem because that is who we are but it’s also what we believe in, so it’s the thing that we wouldn’t be prepared to move because it’s economically intelligent.” (TI)	N/A	N/A	N/A
B	Beta	N/A	N/A	N/A	N/A

Source: VPA session.

* Quotes from Zeta and Iota are translated from French.

** OI = opportunities for impact; TI = threats for impact.

Interestingly, there was again variation between sub-clusters within cluster A. Firms with relatively stable HIH values (sub-cluster A1) talked about opportunities/threats for impact more than firms with relatively unstable HIH values (sub-cluster A2). More importantly, firms in cluster A1 consistently noticed opportunities/threats for impact in all of the four scenarios, whereas firms in cluster A2 totally overlooked opportunities for impact in scenario 2 and noticed very few opportunities in scenarios 1 and 4 (see the earlier discussed Figure 4-8 and Table 4-10). For instance, Eta from cluster A2 did not identify a single opportunity or threat for impact and Gamma (also cluster A2) identified only one opportunity for impact in scenario 4, referring to it as “a slow food revolution” and noting that “this is what we want to contribute toward” (VPA session). This pattern of scenario interpretation makes firms in cluster A2 more similar to firms in cluster B than to firms in cluster A1.

To recap, firms with relatively low HIH values (cluster B) interpreted all scenarios as offering mostly opportunities/threats for profit, whereas firms with relatively high HIH values (cluster A) viewed scenarios more multi-dimensionally and noticed opportunities and threats both for profit and impact. However, firms in cluster A varied in the amount of attention paid to impact-related aspects of scenarios: firms with a relatively high HIH stability (sub-cluster A1) spent more time talking about opportunities/threats for impact offered by the four hypothetical scenarios than firms with a relatively low HIH stability (sub-cluster A2). Moreover, firms in cluster A1 consistently noticed opportunities for impact in each of the four scenarios, whereas firms in cluster A2 did not notice any opportunities for impact in some of the scenarios.

4.3.3 Summary

The analysis of interviews/focus groups and VPA session data revealed that the choice of growth strategies considered by the ten case firms was related to the dominance of a particular OI type (normative or utilitarian). Specifically, firms with a dominant utilitarian identity (cluster B) considered almost exclusively organisational growth strategies, whereas firms with a dominant normative identity (cluster A) considered a mix of organisational growth and impact scaling strategies. A more in-depth analysis revealed, however, that there was a considerable variation in the amount

of attention paid to impact scaling strategies by case firms in cluster A. Those firms that had a higher HIH stability (cluster A1) more consistently talked about a mix of strategies with a prominent role given to impact scaling strategies across all four scenarios. In contrast, firms with a lower HIH stability (cluster A2) considerably reduced their attention to impact scaling strategies in three out of four scenarios and were, therefore, less consistent in their growth narratives than firms in cluster A1.

The analysis of scenario interpretations revealed the same pattern. Firms with a dominant utilitarian identity (cluster B) interpreted the four scenarios as offering mostly opportunities/threats for profit, whereas firms with a dominant normative identity (cluster A) identified opportunities/threats for both profit and impact. Again, among firms with a dominant normative identity those that had a more stable HIH (cluster A1) talked consistently about opportunities/threats for impact in all four scenarios, whereas firms with a less stable HIH (cluster A2) shifted their attention to opportunities/threats for profit in three out of four scenarios. The following section triangulates the findings on the relationship between OI and growth strategy choices from the analysis of internal and publicly available documents.

4.4 Triangulation of Findings

This section presents the results of an analysis of internal and publicly available documents for each case firm. As described in Chapter 3 (Section 3.2.3.3), the collected documents included relevant extracts from firms' websites, blogs, newspaper articles, as well as internal documents (where available). In contrast to interviews/focus groups with structured questions, these internal and publicly available documents varied in content and, therefore, the quantification of qualitative data was not appropriate. As a consequence, this section presents only qualitative evidence for the hybrid organisational identities of the studied ventures and their growth strategies. However, to facilitate the comparison of this qualitative data among the 10 case firms, I have also developed a ranking system for the hybrid OI and growth strategies mentioned in documents, as presented in Table 4-13.

Table 4-13 Ranking for organisational identity and growth strategies (document analysis)

Cluster	Firm	Organisational identity	Growth strategies
A1	Delta	2	2
A1	Kappa	1	2
A2	Zeta	2	1
A2	Gamma	2	2
A2	Iota	2	2
A2	Eta	2	2
B	Theta	3	1
B	Epsilon	1	4
B	Alpha	4	3
B	Beta	4	4

RANKING SYSTEM

	Organisational identity		Growth strategies	
	Reasons for existence	Reasons for growth	Impact scaling	Organisational growth
1	Only normative	Only normative	Predominantly	Very few
2	Only normative	Predominantly normative	Equal importance	Equal importance
3	Predominantly normative	Predominantly normative	Very few	Predominantly
4	Predominantly normative	Predominantly utilitarian	None	Only

For instance, if internal and publicly available documents mentioned only normative reasons for existence and growth²² for a particular firm, this firm was ranked “1” for its hybrid OI. In contrast, if documents mentioned only utilitarian reasons for growth, such a firm was ranked “4”. In a similar pattern ranking was assigned to firms based on the type of growth strategies mentioned in internal and publicly available documents, with firms ranked “1” if documents mentioned predominantly impact scaling strategies and “4” if documents mentioned only

²² Table 4-13 presents ranking only for reasons for existence and growth. However, as discussed in Section 3.3.1.1 and shown in Appendix 3 and Appendix 4, the OI construct also includes other coding categories (such as firm’s business model including its attitude and relationship to consumers, competitors, etc.). These coding categories are not included in Table 4-13 for space limitations; however, they were used in data collection and analysis.

organisational growth strategies. As an example, all internal and publicly available documents for Delta referred only to normative reasons for its existence and predominantly normative reasons for growth, with only a very few documents also mentioning utilitarian reasons for growth (as a consequence, Delta was ranked “2”):

“I started the brewery because it gives me a purpose and sense of place. Hearing people reminiscing about the old [Delta] brewery and the impact it had on local life fuels my enthusiasm to see the new [Delta] brewery equally embedded into local life.” (Delta, website; normative reason for existence)

“We’ll never be a big company and have no intention of growing much more... We know all our customers by name and that level of personal service is the way we want to do business. The intention is to build our team to half a dozen people, but no more.” (Delta, newspaper interview, 2011; normative reason for growth)

“Our ambition is to manage growth within the capacity of our current site, and continue to be dynamic without growth in production, but improve our efficiencies and profitability with a steady customer base and turnover.” (Delta, feedback comments, 2013; utilitarian reason for growth)

As follows from Table 4-13, document analysis reveals a similar pattern of hybrid OI for the 10 case firms, as was established based on in-depth interviews/focus groups in Section 4.2.1. Firms in cluster B (Theta, Epsilon, Alpha and Beta) appeared, on average (with the exception of Epsilon), to be more utilitarian in their hybrid OI than firms in cluster A (Delta, Kappa, Zeta, Gamma, Iota and Eta). And indeed all 10 firms appeared to have only or predominantly normative reasons for existence but varied considerably in their reasons to grow. For instance, Kappa from cluster A1 emphasised the need to grow in order to increase the scale of created impact (“We hope that our idea is taken up by as many canteens, catering firms and restaurants as possible”, newspaper interview, 2010). In contrast, according to Alpha, it “has to continue to grow to thrive and survive and it is our view that the company is doing well but must continue to do so and growing sales is an important aspect of this” (feedback comments, 2013). Further qualitative evidence is provided in Table 4-14.

Table 4-14 Reasons for existence and growth: Illustrative statements (document analysis)

Cluster	Firm	Reasons for existence		Reasons for / attitude toward growth	
		Normative	Utilitarian	Normative	Utilitarian
A1	Delta	“I like to support other independent businesses like my own as they are more likely to care for their staff and support the local community. Businesses like ours can respond to what people need and we can work with a genuine passion and care for our product and people around us – it means a lot to me to know and trust the people I trade with.” (newspaper interview, 2009)	N/A	“There is a lot of pressure from industrial maltings which are offering much cheaper prices than local suppliers. But we are committed to local malt, and by extending our brewery I can continue this commitment. This means that the grant is not only helping our business to grow, but also our suppliers in the region, who will need to produce more to meet our demands.” (newspaper interview, 2010)	“Our ambition is to manage growth within the capacity of our current site, and continue to be dynamic without growth in production, but improve our efficiencies and profitability with a steady customer base and turnover.” (feedback comments, 2013)
		“At [Kappa] we are convinced that we can reduce climate-damaging greenhouse gas emissions by half! This is equivalent to one tonne of CO ₂ per person per year. Similar to a car journey from the North Cape (Norway) to Lisbon (Portugal).” (website, translation from German)	N/A	“With a motto ‘less CO ₂ – 100% taste’ [Kappa] wants to encourage as many people as possible to make a daily personal contribution to the climate protection project.” (online profile, translation from German)	N/A

Cluster	Firm	Reasons for existence		Reasons for / attitude toward growth	
		Normative	Utilitarian	Normative	Utilitarian
A2	Zeta	<p>“Food is our primary source of energy and it is even more important than electricity and fuel. It should be, therefore, clean and renewable... With [our drinks] it becomes easier to make a choice of healthy products that offer clean and renewable energy.” (blog, translation from French)</p>	N/A	<p>“If in five years the number of products displaying the [...] logo increases..., the quantities of pesticides and insecticides will reduce to the degree that bees will be able to pollinate plants without the risk of dying, and micro-particles will disappear from our lakes.” (blog, translation from French)</p>	<p>“[Zeta] is the leading European producer of drinks based on stevia. Last December the EU legalised the commercial use of stevia, thus creating great opportunities for [Zeta].” (newspaper article, 2012, translation from French)</p>
	Gamma	<p>“What’s the impact? It’s an economic impact: we are driving resilience for a city... We have environmental impact of lowering the environmental footprint of food. And we have a social impact because people who grow their own food, those that have been exposed to the way the food is grown... have a mental change. It changes the attitude toward a lot of other consumption issues.” (fundraising pitch, video, 2012)</p>	N/A	<p>“In the city of [...] alone, there are 2 million square metres of idle rooftop space. And using just 5% of that would yield harvest for 40,000 people... The time is right to consider food security. We are at a tipping point, the environment cannot be scaled, we need to think of better solutions, so the next time you see an empty roof, think about the fresh food it could produce.” (newspaper interview, 2013)</p>	<p>“Although the road to commercial breakthrough is still far, we are convinced that we now have the necessary ingredients for a successful market entry.” (newspaper interview, 2012, translation from German)</p> <p>“[Growth in] Q1 2013 will result in... substantial returns for early investors.” (Gamma flyer, 2012)</p>

Cluster	Firm	Reasons for existence		Reasons for / attitude toward growth	
		Normative	Utilitarian	Normative	Utilitarian
A2	Iota	<p>“The enterprise adopted a holistic approach to its environmental impact over the whole value chain... To reduce emissions of greenhouse gases caused by the transportation of cocoa beans from Venezuela, [Iota] decided against... air transport. The decision was also made to compensate the rest of CO₂ emissions... by investing in energy efficiency and renewable energy projects in developing countries.” (newspaper article, 2009, translation from French)</p>	N/A	<p>“I hope that one day [Iota] becomes a chain of stores that... create employment for disadvantaged people, sell only fair trade products, choose responsible suppliers ... and... renewable energy providers, etc. So the goal is to create one day a dozen of stores that put all this into practice.” (video interview, 2010, translation from French)</p>	<p>“‘It is not a charity. We are guided by profitability concerns’, reminds [Iota’s founder]. His goal is to open a chain of stores.” (newspaper interview, 2006, translation from French)</p>
		<p>“I read an article recently that said we broke all the rules, but I don’t really know what the rules are to be broken. I’m just doing what’s right. I am not in it to make a fast buck... If you are working 18 hours a day, seven days a week you don’t need a lot of money... When I was earning £70,000 a year I still had no money at the end of the month, I just spent it on other stuff.” (newspaper interview, 2007)</p>	N/A	<p>“I just said, look, I just want to prove that I can create a bottled water brand. And then if I can do that, can I sell a bottle? If I can sell a bottle, can I sell enough bottles to change one person’s life? And then, if I can change one person’s life, can I change a family? And if I can change a family, can I change a community?” (newspaper interview, 2012)</p>	<p>“According to [Eta’s founder] they do it because there’s a commercial advantage. He looks at it as not being atypical. ‘It’s traditional,’ he says, ‘We do things a slightly different way. Not necessarily do different things but do things in a different way.’” (newspaper interview, 2011)</p>

Cluster	Firm	Reasons for existence			Reasons for / attitude toward growth		
		Normative	Utilitarian		Normative	Utilitarian	
B	Theta	“I come from business, not from the NGO side, but I have a strong sense of justice and opposition to existing power structures in the coffee market... I would like to contribute to a sustainable regional development... while protecting the remaining tropical rainforests in [Africa].” (newspaper interview, 2010, translation from German)			“As an entrepreneur and a shareholder, I have to be willing to wait for the profits. And much longer than in a normal investment project.” (newspaper article, 2012, translation from German)	“Commercialising wildy collected products... is fascinating, when it works. The key to successful forest protection is, therefore, sales. That’s why we need a market. This means that we need to have consumers who are interested in such things, who would like to know the provenance of products that they buy and who are willing to spend money on them.” (newspaper article, 2012, translation from German)	
			N/A		“There is a natural limit [to our growth] because our coffee, tea and cocoa are not mass products. I suppose we can increase our turnover by five times but that’s it.” (newspaper article, 2012, translation from German)		
B	Epsilon	“[Epsilon] is a chocolate concept store which is not like the others! Two key concepts are central: diversity and ethics... We source products that respect people and the environment. Our products are organic, fair trade and produced by small... artisanal chocolate makers.” (website, translation from French)		N/A			N/A

Cluster	Firm	Reasons for existence		Reasons for / attitude toward growth	
		Normative	Utilitarian	Normative	Utilitarian
B	Alpha	“I look for foods that come from a sustainable, local (at worst regional) sources, from farmers or primary processors I can meet in person and get to know their practices, that grow and produce food that’s not been chemically treated, contains no preservatives, is not fortified, is not refined or over-processed.” (blog, 2013)	“We have never seen ourselves as an artisan company. We’ve got one foot in the health aisle and another in the gourmet aisle...” (newspaper interview, 2007)	“It’s all about growth but we won’t compromise. We will always work to our founding principles.” (newspaper interview, 2007)	“The company has to continue to grow to thrive and survive and it is our view that the company is doing well but must continue to do so and growing sales is an important aspect of this.” (feedback comments, 2013)
		“We are proud of our efforts to optimise [our product] design: the labels are now made of paper instead of plastic, and the paper itself is, of course, 100% FSC-certified... New bottles are made of 50% recycled PET... And we strive to improve the sustainability of our products in the future even more.” (PR documents, 2009, translation from German)	“I always wanted to create something myself but I didn’t know what. And then came [Jack] with a suitcase full of juices from London.” (newspaper interview, 2004, translation from German)	“[Beta] does not want to grow at all costs, but rather to remain small and approachable and to be financially healthy.” (newspaper article, 2009, translation from German)	“Going back to the question regarding the decision to sell [Beta], one of its founders... explained that... ‘they would increase their growth opportunities by partnering with a large company.’” (newspaper article, 2012, translation from French)

Source: publicly available documents and feedback comments.

Such a confirmation of the overall pattern in HIIH-based clustering is good evidence of data triangulation. The only exception is Epsilon, which appeared to have a dominant normative identity (in contrast to other firms in cluster B) in all collected publicly available documents. This means that the clustering of Epsilon as a B-cluster firm potentially needs to be adjusted, which is discussed later in this section.

Document analysis also confirms the relationship between organisational identity and growth strategies, as identified in interviews/focus groups and VPA sessions (see Section 4.3.1). Again, on average, firms in cluster B mentioned fewer impact scaling strategies than firms in cluster A (Table 4-13 and Table 4-15). For instance, there was not a single impact scaling strategy mentioned in Beta-related documents; whereas most documents related to Zeta mentioned almost exclusively Zeta's impact scaling strategies. The following quotes illustrate this point (further qualitative evidence on growth strategies for the 10 case firms is presented in Table 4-15):

“Since October 2010 [our] organic smoothies are produced in our brand-new factory... In collaboration with [partner's name] we have built a small but sophisticated production line. Now we can have a 100% control over the quality of our products and we can also respond quickly to the needs of our customers. Moreover, new production facilities allow us to develop new products.” (Beta, website news, 2010, translation from German; organisational growth)

“We have a new concept that we want to launch very soon. This concept explains and demonstrates that a drink can be good not only for the environment but also healthy. An organic drink that contains sugar is environmentally friendly, but not exactly healthy... We would like to spread this important information in an attractive and interesting way, especially to young people.” (Zeta, newspaper interview, 2012, translation from German; impact scaling)

Table 4-15 Growth strategies: Illustrative statements (document analysis)

Cluster	Firm	Organisational growth strategies		Impact scaling strategies	
		Illustrative quotes	Mentioned strategies	Illustrative quotes	Mentioned strategies
A1	Delta	<p>“Currently the brewery can make up to 6,000 pints of quality beer a week. To make the business more stable [Delta’s founder] wants to diversify its markets including more direct sales, and a greater range of bottled beers.” (newspaper article, 2011)</p> <p>“[Delta] has teamed up with [Omicron] to make their summer seasonal beer.” (newspaper article, 2012)</p>	<ul style="list-style-type: none"> – Organic growth – Strategic alliances and partnerships 	<p>“We believe an important element of developing long term sustainable communities is to strengthen the local economy – to bring money into it and then keep it there! This is one of the reasons why we will not sell our beer through the supermarkets, but choose to sell through independent outlets... And we raised much of our start up finance... from local people.” (website)</p>	<ul style="list-style-type: none"> – Affiliation and smart networks
		<p>“To build our venture, we need open and direct partnerships, which will enable us to get access to valuable market insights and strengthen us in our vision.” (website)</p> <p>“Rapid expansion and focus on the international market... which can offer a potential for expansion and world-wide application [of our product].” (website)</p>	<ul style="list-style-type: none"> – Organic growth – Strategic alliances and partnerships 	<p>“Step by step we are promoting climate-friendly menus with partners. We are bringing this topic to the table, raising awareness and helping people act.” (website)</p> <p>“[Kappa] synthesises relevant information so that it can be understood by everyone... [since] everyone should be able to find out the greenhouse gas balance of their favourite dish.” (online profile)</p>	<ul style="list-style-type: none"> – Dissemination and open-source change making – Affiliation and smart networks

Cluster	Firm	Organisational growth strategies		Impact scaling strategies	
		Illustrative quotes	Mentioned strategies	Illustrative quotes	Mentioned strategies
A2	Zeta	<p>“Having already entered the Austrian market last July, [Zeta] intends to expand to the German market in spring, with the objective of achieving considerable distribution in neighbouring countries.” (2013, newspaper article, translation from French)</p>	<ul style="list-style-type: none"> – Organic growth 	<p>“According to [Zeta], replacing sugar with stevia is possible in all beverages. This pragmatic, practical and environmentally-friendly decision will help avoid many health problems and introduce sizable savings for the healthcare system.” (newspaper article, 2012, translation from German)</p>	<ul style="list-style-type: none"> – Lobbying and advocacy – Dissemination and open-source change making – Branching and replication
	Gamma	<p>“We are at the stage right now where we have two operating farms... And we are looking at the pipeline of five to six farms over the next two years... And we would like to go into Asia, Pacific, into Japan, North America, Europe.” (fundraising pitch, video, 2012)</p> <p>“[Gamma] and [Omega] signed ... a research & development project in aquaponics... The funding will be disbursed over a period of 18 months... and fund a team of more than 15 scientists and engineers involved in the project from both partnering organizations.” (2012, newspaper article)</p>	<ul style="list-style-type: none"> – Organic growth – Strategic alliances and partnerships 	<p>“We are only beginning to understand the vast potential of aquaponics rooftop farming in the city. I am convinced that it will prove a working, robust, and scalable solution to feed growing urban centers in the 21st century... Now it’s time for pioneers and entrepreneurs around the world to expand this reality and bring a fresh revolution into our cities.” (newspaper interview, 2013)</p> <p>“[Gamma’s founder] wants to expand his company to other roofs... ‘That would be my dream: to grow food on the roof of a shopping centre, which is then sold on the level below.’” (newspaper interview, 2013, translation from German)</p>	<ul style="list-style-type: none"> – Affiliation and smart networks – Branching and replication

Cluster Firm	Organisational growth strategies		Impact scaling strategies	
	Illustrative quotes	Mentioned strategies	Illustrative quotes	Mentioned strategies
A2	<p>“The goal is to increase the number of stores, in other words to open three or four in the 3-years time frame.” (video interview, 2010, translation from French)</p>		<p>“Meetings, discussions and events are planned to increase awareness... about fair trade and sustainable development issues.” (Facebook, 2009, translation from French)</p>	<ul style="list-style-type: none"> – Dissemination and open-source change making – Affiliation and smart networks
	<p>““We would also like to create a tea room.’ The idea is to produce chocolate in front of customers and according to their wishes... by mixing in spices, vanilla, etc. ‘It will be personalised chocolate’, summarises [Iota’s founder].” (newspaper interview, 2006, translation from French)</p>	<ul style="list-style-type: none"> – Organic growth 	<p>“[Iota] works with a local NGO that controls and supports famers in the process of organic certification. [Iota] also has a distribution partnership with an association... that specialises in work integration.” (Facebook, 2009, translation from French)</p>	
A2	<p>“Ethical water brand [Eta] has become the exclusive bottled water sold in [partner’s name] in the UK.” (newspaper article, 2013)</p>		<p>“The [Eta] Water Project aims to deepen understanding of social enterprise among young people by engaging them in a hands-on enterprise activity connected to a real social enterprise – the [Eta] Foundation.” (newspaper article, 2008)</p>	<ul style="list-style-type: none"> – Dissemination and open-source change making – Affiliation and smart networks – Branching and replication
	<p>“[Eta] only employs six people, because many of its products ... are made under license by an existing manufacturer... Its move into energy and financial services would be done in a similar way, through providers who already have the right accreditation to sell to consumers, with [Eta] getting a licensing payment.” (newspaper article, 2012)</p>	<ul style="list-style-type: none"> – Organic growth – Strategic alliances and partnerships – Licensing 	<p>“The gas and electricity service is due to start next year... The profits will go to solar lighting projects in Africa, with the aim of supplying power to 125,000 people.” (newspaper article, 2012)</p>	

Cluster Firm	Organisational growth strategies		Impact scaling strategies	
	Illustrative quotes	Mentioned strategies	Illustrative quotes	Mentioned strategies
B				
Theta	<p>“Yes, we are planning [to expand]. Climate-friendly products have good growth potential in all industrialised countries with high average incomes. Such consumers can afford luxurious products instead of worrying about satisfying basic food needs. And these consumers, when shopping for coffee, look for “organic” or climate-friendly products... Very strong markets for such products are the UK, USA and Sweden. They are more advanced than [our local market].” (newspaper interview, 2012, translation from German)</p>	<ul style="list-style-type: none"> – Organic growth – Strategic alliances and partnerships 	<p>“Such a small company as [Theta] would not have been able to do all the ground work ... on its own. A total of 1.5 million in cash and in-kind support by the [partner’s name] was provided for the training of farmers in cooperatives... The consortium of partners also includes a rainforest protection NGO, the food corporation and the conservation fund... All together consortium partners are working to create the right environment... to support the protection of rainforest plants and animals.” (newspaper article, 2009, translation from German)</p>	<ul style="list-style-type: none"> – Affiliation and smart networks – Branching and replication
B				
Epsilon	<p>“From your visit, nothing has changed. My shop is still on sale, but no buyer right now.... And I do not have a new strategy, no strategy as usual, and I will not change.... I only have a new website, a blog, and this is all.” (feedback comments, 2013)</p>	<ul style="list-style-type: none"> – Organic growth – Merger and sale 	N/A	N/A

Cluster Firm	Organisational growth strategies		Impact scaling strategies	
	Illustrative quotes	Mentioned strategies	Illustrative quotes	Mentioned strategies
B Alpha	<p>“The business continues to grow through increased listings in the multiples and growing awareness through a variety of marketing strategies, with the intention of improving rates of sale.” (feedback comments, 2013)</p>	<p>– Organic growth</p>	<p>“Co-founder of the cereal maker [Alpha] said that the scheme would bring transparency to healthy eating schemes. ‘There is total confusion thanks to a bombardment of messages... Educating through a card game is a brilliant idea.’” (newspaper interview, 2012)</p>	<p>– Dissemination and open-source change-making</p>
	<p>“[Alpha] has overhauled its portfolio with new packs and NPD as part of plans to grow from a 3m to 5m brand.” (newspaper article, 2013)</p>			
B Beta	<p>“Since 2005 the turnover has increased from 800,000 to 3 million this year... The number of outlets has increased from 300 to 400. And opportunities for further growth for the company with six employees are really good.” (newspaper article, 2008, translation from German)</p>	<p>– Organic growth – Strategic alliances and partnerships – Merger and sale</p>	<p>N/A</p>	<p>N/A</p>

Source: internal and publicly available documents; feedback comments.

Theta, however, offered an unusual finding: in contrast to the other firms in cluster B, only very few organisational growth strategies were mentioned for Theta, and those that were mentioned had the potential to simultaneously scale impacts in addition to adding a new revenue stream. For instance, Theta's plans to pursue organic growth into new products can also be seen as a form of branching and replication into new impact categories. Therefore, from the point of view of growth narratives in publicly available documents, Theta was much closer to firms in cluster A2 than to Alpha and Beta in cluster B:

"[Theta] has conducted an extensive study of market potential for rainforest honey... [that] suggests that there are opportunities... to produce organic honey of an outstanding quality. It is planned to start a honey production cooperative next year... [Theta] hopes to introduce the first rainforest honey in Europe in the autumn of 2013... Ecotourism in the place of origin of coffee and the trade of regional products, such as rainforest honey or cardamom ... should help local population further diversify their income sources." (Theta, website, translation from German; organic growth with a potential to be categorised as branching and replication)

With regards to Epsilon, the analysis of publicly available documents revealed the same pattern as established during the interview and VPA session (Section 4.3.1): Epsilon had a very low willingness to grow and, as a consequence, none of the collected documents mentioned any growth strategies for Epsilon. However, in its feedback comments in June 2013, Epsilon confirmed that it was still willing to sell its business, and it was continuing to grow it organically while looking for a suitable buyer: "From your visit, nothing has changed. My shop is still on sale, but no buyer right now.... And I do not have a new strategy, no strategy as usual, and I will not change" (feedback comments, 2013).

Another interesting finding that emerged from the analysis of internal and publicly available documents is a striking contrast between Beta (cluster B) and Eta (cluster A) in terms of their attitude toward a sell-out as a potential growth strategy. As the following quotes demonstrate, for Eta this strategy was unimaginable, whereas Beta was sold to a large corporation [referred to as Sigma in the quote below] in August 2012, a year after the initial focus group and VPA session:

“The philosophy of [Sigma] and that of [Beta]’s smoothies fit well together. In both cases it is related to natural products. Thanks to conveniently located production facilities, it is possible to be flexible in operations and produce small batches. According to [Beta’s co-founder], the decision to sell [Beta] is justified by the fact that [Beta] has reached its limits and could no longer develop in the same format as before. And with [Sigma]... [Beta] can reach a new target audience and new markets.” (Beta, newspaper article, 2013, translation from German)

“[Eta’s founder] gets grumpy when the subject of big businesses buying small ethical brands comes up. He cites the example of Ethos water, a bottled-water brand set up in southern California to give profits to water charities, which was bought out by Starbucks in 2005. Ethos’s founders argued that selling out gave them access to a far larger consumer base, and enabled them to do far more good. Critics just saw it as selling out. [Eta’s founder] was offered venture-capital backing to do the same, but declined it, preferring instead to use volunteers and put his own money in... [Eta’s founder] harrumphs that too many multinationals are looking to buy credibility rather than really change things.” (Eta, newspaper article, 2007)

Beta’s decision to pursue a sell-out is particularly interesting given its earlier claim in 2009 that it “does not want to grow at all costs, but rather to remain small and approachable and to be financially healthy” (newspaper article, 2009, translation from German). However, no negative feedback (similar to that which accompanied the sale of Innocent Drinks to Coca-Cola – see Section 1.1) followed Beta’s decision. It might be partially explained by the fact that Beta’s acquirer already had an established portfolio of other organic products and, therefore, enjoyed a good reputation, and partly by a different level of consumer activism in Beta’s local market. Since Beta demonstrated low levels of normative identity in all collected sources of information (i.e. focus group, VPA session and internal/publicly available documents), its decision to pursue a sell-out cannot be considered as evidence of mission drift but rather as a conventional developmental strategy for a conventional entrepreneurial firm.

To recap, document analysis has revealed a very similar pattern to the one that has emerged from the analysis of interviews/focus groups and VPA session data, which is a good sign of triangulation. Specifically, firms that were previously labelled

as hybrid ventures with a dominant utilitarian identity (cluster B) also appeared to have predominantly utilitarian identities in internal and publicly available documents. In contrast, firms in cluster A were portrayed in collected documents as having predominantly normative identities, similar to the findings from other sources of information. The theoretical relationship between OI and the choice of growth strategies has also been confirmed in the document analysis: firms in cluster B pursued predominantly organisational growth strategies, whereas firms in cluster A appeared to attribute equal importance to both organisational growth and impact scaling strategies.

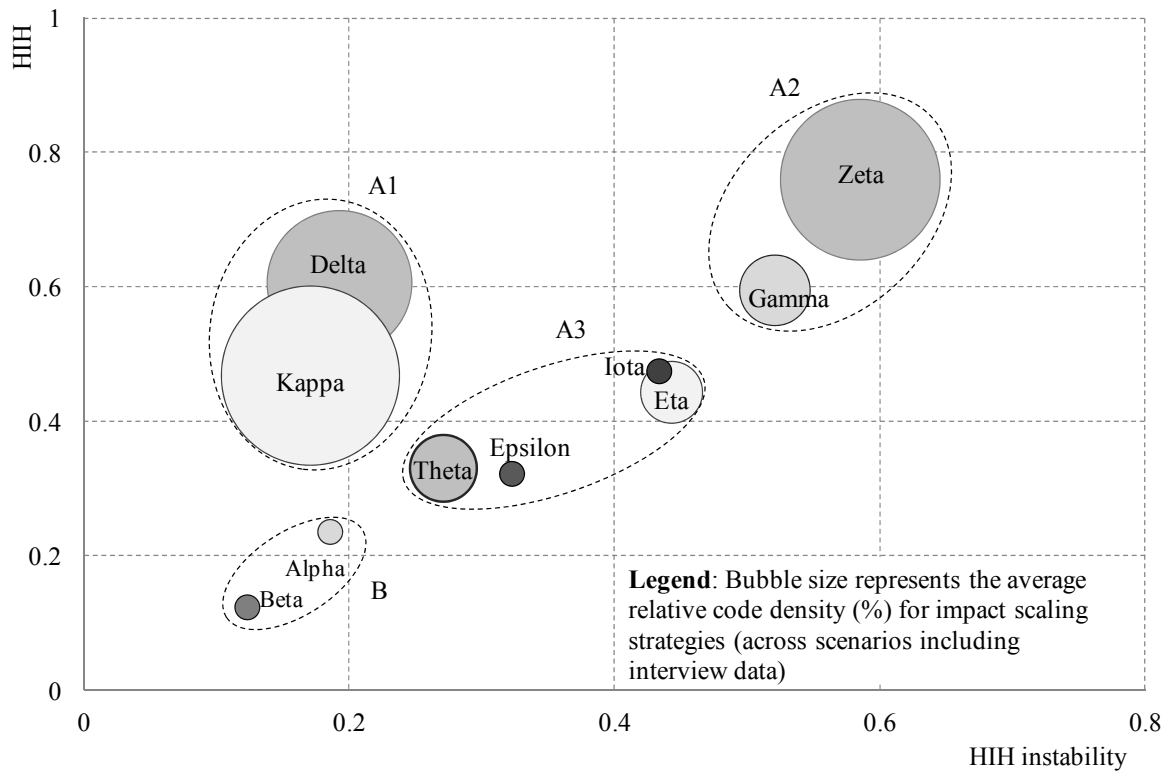
The only surprising findings from the document analysis were related to Epsilon's organisational identity and Theta's strategic behaviour: in contrast to other firms in cluster B, Epsilon-related documents portrayed it as a hybrid venture with a dominant normative identity, whereas documents collected for Theta mentioned predominantly impact scaling strategies, rather than organisational growth strategies. This means that the existing clustering scheme might need some adjustment to accommodate new findings from the document analysis.

As shown in Figure 4-9²³, Theta, Epsilon, Eta and Iota might be a cluster on their own (A3), rather than being part of clusters A2 or B. These four firms are characterised by similar levels of HIH and HIH stability and seem to have similar patterns of minor inconsistencies between what appears as their dominant organisational identity and their choices of growth strategies. These firms also have similar organisational structures in a sense that their hybrid missions are structurally separated, with the utilitarian identity guiding strategic decision-making in the core organisation and the normative identity realised through close collaboration with nonprofit partners. For instance, Theta sells coffee to European consumers through market-driven mechanisms (i.e. utilitarian identity) but also collaborates with multiple NGOs to protect African rainforests (i.e. normative identity). Eta sells bottled water and other consumer goods (i.e. utilitarian identity) but also collaborates with several international NGOs in the delivery of water, food and health projects in developing countries (i.e. normative identity). Iota and Epsilon sell artisanal chocolate through concept stores (i.e. utilitarian identity) but also partner with fair trade cooperatives in

²³ Figure 4-9 is a modification of the earlier presented Figure 4-5 that illustrates the relationship between HIH and HIH (in)stability (Section 4.2.2). Figure 4-9 shows additionally the amount of attention that the 10 case firms paid, on average, to impact scaling strategies in interviews/focus groups and VPA sessions (i.e. average relative code density in % for impact scaling strategies).

developing countries in sourcing cocoa beans for their chocolate (i.e. normative identity). Iota also collaborates with social integration enterprises in the production of its chocolate (i.e. normative identity).

Figure 4-9 Final clustering of case firms



The clustering of case firms into sub-clusters A1, A2, A3 and B (as shown in Figure 4-9) makes it clear that the strategic behaviour of hybrid ventures is explained not only by the dominance of a particular identity type (i.e. normative or utilitarian), as suggested in the earlier OI literature – see Section 2.4.1, but also by the HIH stability of hybrid ventures, particularly for those ventures that have a dominant normative identity. Therefore, it appears that HIH stability might have a moderating role in explaining the influence of organisational identity on strategy choices for hybrid ventures with a dominant normative identity. The following chapter discusses these findings further and develops a conceptual model of mission drift in social entrepreneurship. I then discuss contributions of this research to theory and practice, research limitations and directions for future research.

5. Discussion

This chapter presents a conceptual model of mission drift in social entrepreneurship. Theory building is a crucial step in scientific endeavour as it “allows scientists to understand and predict outcomes of interest, even if only probabilistically... prevents scholars from being dazzled by the complexity of the empirical world by providing a linguistic tool for organizing it... [and] acts as an educational device that can raise consciousness about a specific set of concepts” (Colquitt & Zapata-Phelan, 2007: 1281). The strength of case-based research, as conducted in this dissertation, is its capacity to produce interesting, testable, empirically-valid theories. As mentioned by Eisenhardt and Graebner (2007: 25), “papers that build theory from cases are often regarded as the ‘most interesting’ research”. On the other hand, case-based theories often risk being either too narrow and idiosyncratic or overly complex (Eisenhardt, 1989). Bearing this in mind, I have attempted to develop a rich, empirically-valid but also parsimonious, testable and logically coherent conceptual model of mission drift in social entrepreneurship, which will be discussed in details in the sections that follow. After presenting and discussing this conceptual model, I summarise the contributions of this research to the theory and practice of social entrepreneurship.

5.1 Conceptual Model

Empirical research conducted in this dissertation suggests that hybrid ventures with dual normative and utilitarian identities vary in the extent to which their normative identity dominates in their hybrid identity hierarchy. Hybrid ventures with a dominant utilitarian identity (cluster B) were found to have a relatively stable HIH, which means that they retained their dominantly utilitarian identity no matter what the conditions of the external environment were. These ventures interpreted uncertainties presented in hypothetical scenarios mostly as opportunities or threats for profit and preferred organisational growth strategies. This is consistent with predictions of organisational identity theory (as discussed in Section 2.4.1), which suggests that the dominant organisational identity will guide the choice of firm’s strategies by filtering what an organisation will notice and how it will interpret it (Ashforth & Mael, 1996; Tripsas, 2009; Livengood & Reger, 2010; Gioia & Thomas, 1996; Dutton & Dukerich, 1991; Glynn, 2000).

In contrast, hybrid ventures with a dominant normative identity (cluster A) varied in their HIIH stability, consistency of scenario interpretations and strategy choices. The case evidence suggested that HIIH stability might have a moderating role in explaining strategic choices of hybrid ventures with a dominant normative identity. Specifically, hybrid ventures with a dominant normative identity and a relatively high HIIH stability (cluster A1) consistently interpreted uncertainty in hypothetical scenarios as offering opportunities/threats for both impact and profit and considered impact scaling strategies as much as organisational growth strategies. In contrast, hybrid ventures with a dominant normative identity and a relatively low HIIH stability (clusters A2 and A3) were less consistent in their scenario interpretations and choices of growth strategies and in some of the hypothetical scenarios resembled hybrid ventures with a dominant utilitarian identity (cluster B), rather than A1-cluster firms.

In the absence of a commonly agreed definition of social entrepreneurship and given the failure of previous attempts to distinguish between SE ventures and other forms of entrepreneurial activity (Section 2.1), it might be useful to define SE ventures as hybrid ventures with a dominant normative identity (clusters A1, A2 and A3), whereas hybrid ventures with a dominant utilitarian identity (cluster B) can be referred to as “ethical businesses”. If HIIH stability is used as an indicator of the susceptibility of SE ventures to mission drift, it can be speculated that SE ventures in clusters A2 and A3 (with a medium to low HIIH stability) are more likely to experience mission drift than SE ventures in cluster A1 (with a higher HIIH stability), since they are more susceptible to ‘identity drift’, which manifests itself in the switch of attention from impact scaling to organisational growth. Firms in cluster B (“ethical businesses”) might also suffer from “perceived” mission drift (although not experiencing any “real” mission drift since their “real” missions are based on revenue generation).

Figure 5-1 presents a conceptual model of mission drift in social entrepreneurship and schematically illustrates the mediating role of cognition and moderating role of stability of the hybrid identity hierarchy in the choice of growth strategies by SE ventures. Table 5-1 summarises the research questions and theoretical propositions, which were developed on the basis of the conceptual model of mission drift presented in Figure 5-1. The following sections describe the contributions of the proposed conceptual model to the theory and practice of social entrepreneurship, as well as to organisational identity theory.

Figure 5-1 Conceptual model of mission drift in social entrepreneurship

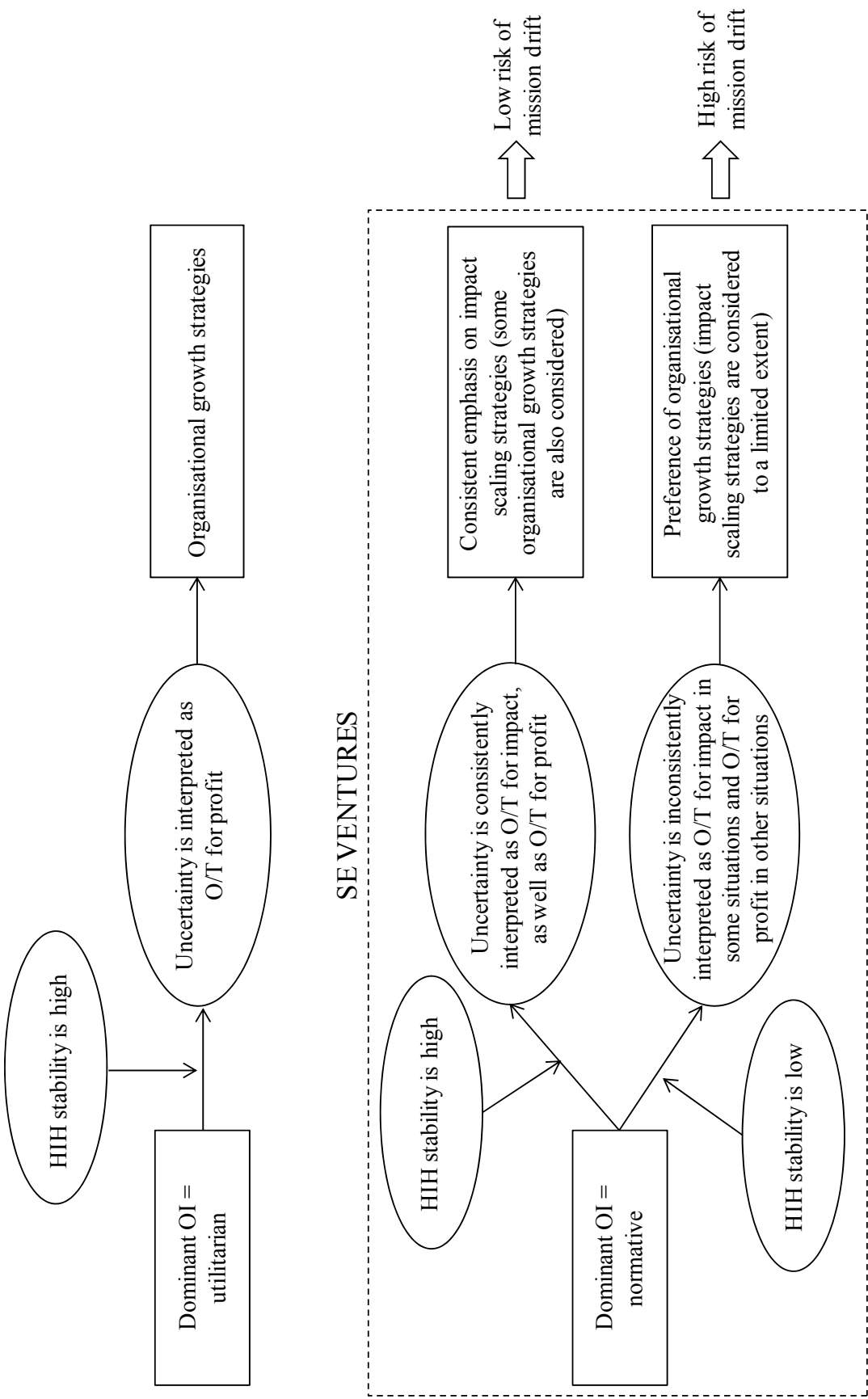


Table 5-1 Theoretical propositions

Research questions	Theoretical propositions
RQ1: How stable is the dominant organisational identity in SE ventures when making decisions about growth?	P1: SE ventures vary in the stability of their hybrid identity hierarchy when making decisions about growth.
RQ2: How does the stability of the hybrid identity hierarchy in SE ventures influence their interpretations of uncertainties in the external environment?	P2a: When the hybrid identity hierarchy of SE ventures is relatively stable, they consistently interpret uncertainties in the external environment as opportunities/threats for both profit and impact. P2b: When the hybrid identity hierarchy of SE ventures is relatively unstable, they inconsistently interpret uncertainties in the external environment as opportunities/threats for profit in some situations and opportunities/threats for impact in other situations.
RQ3: How does the stability of the hybrid identity hierarchy in SE ventures influence their choice of growth strategies?	P3a: When the hybrid identity hierarchy of SE ventures is relatively stable, they consistently give equal consideration to impact scaling strategies and organisational growth strategies. P3b: When the hybrid identity hierarchy of SE ventures is relatively unstable, they prefer organisational growth strategies in some situations and impact scaling strategies in other situations. P3c: When making decisions about growth, SE ventures with a stable hybrid identity hierarchy are less susceptible to mission drift than SE ventures with an unstable hybrid identity hierarchy.

5.2 Contribution to Theory

The proposed conceptual model, although requiring testing and further exploration, aims to contribute to two theoretical research streams: social entrepreneurship literature and organisational identity theory. In the social entrepreneurship literature I aim to make the following contributions: to develop a conceptual model of mission drift and growth strategy choices in social entrepreneurship and to clarify the SE definition by suggesting a method that can help distinguish SE ventures from other forms of entrepreneurial activity. I also advance the

SE research field in general by bringing in an established theoretical perspective from organisation science and extending existing conceptual models of opportunity recognition in social entrepreneurship. With regards to organisational identity theory, I aim to provide further empirical support to the relationship between organisational identity and strategy in the context of hybrid organisations; to suggest an empirically-valid and theoretically-backed moderator of the relationship between organisational identity and strategy; and to offer a new methodology for evaluating the dominance of a particular identity type in hybrid ventures. This methodology and conceptual model of mission drift in social entrepreneurship can also be used to explain the behavioural patterns of other types of hybrid ventures, such as universities, hospitals, theatres, etc. These contributions are described in the sections that follow.

5.2.1 Contribution to the social entrepreneurship literature

The main contribution of this dissertation to the SE literature is a conceptual model of mission drift and growth strategy choices in social entrepreneurship. Despite the importance of impact scaling for SE ventures, to date very little theoretical and empirical research has been conducted on growth and scaling up of SE ventures with most focus on practitioner-relevant frameworks for scaling up. As Bloom and Smith (2010) mentioned, “The limited theoretical and empirical work is regrettable since the scaling of a social innovation offers the potential to greatly expand the social value of the innovation to a greater number of beneficiaries. In this way, it is arguably one of the most, if not the most, important dependent variables in the field of social entrepreneurship” (p. 127). Moreover, although many SE scholars refer to instances of “mission drift” in growing SE ventures (e.g. Austin, Stevenson, & Wei-Skillern, 2006; Battilana et al., 2012; Miller et al., 2012), no prior studies have attempted to explain when and why mission drift occurs.

Furthermore, despite the apparent importance of the growth topic in the entrepreneurship field in general, there has been only limited progress in explaining why conventional entrepreneurial firms grow one way or another. Entrepreneurship scholars have repeatedly called for research on the factors influencing the choice of growth strategies by entrepreneurial firms. McKelvie and Wiklund (2010) suggested that “such efforts will be more successful and of great value, not least because an important reason why predictions of growth rates have been so unsuccessful is

precisely because they have failed to account for the fact that firms can and do choose different modes of growth.” (p. 277). Therefore, existing entrepreneurship literature cannot provide guidance on growth strategies and mission drift in SE ventures.

The conceptual model developed in this dissertation addresses these gaps and offers a theoretically sound and empirically valid explanation for the choice of organisational growth and impact scaling strategies by SE ventures. This conceptual model draws on OI theory, which has proved to be useful in explaining the choice between alternative strategies in general – something that management scholars were not able to do using other organisation science and strategic management theories, such as industrial economics or resource-based theory. As Stimpert, Gustafson and Sarason (1998: 89-90) note, “The question of why a particular firm would choose a particular strategy when many viable options or strategies are available is one such problematical issue in the strategy field. The dominant theoretical frameworks have certainly helped explain firm differences in the aggregate... Still, none of these theoretical perspectives explains how or why firms develop in their own unique ways. A number of recent studies have shown, however, that the concept of identity can provide considerable insight into understanding firm choices and organizational differences.” Drawing on OI theory, the proposed conceptual model suggests that growing SE ventures are particularly susceptible to mission drift if their hybrid identity hierarchy is unstable. In other words, if SE ventures are characterised by a relatively unstable organisational identity hierarchy, which is prone to changes if they face identity-challenging situations, SE ventures are likely to focus their attention on opportunities and threats for profit only and thus pursue organisational growth strategies, missing out on opportunities for scaling their impact.

Secondly, this dissertation aims to contribute to the SE literature by clarifying the SE definition. As was described in Section 2.1, despite the increase in academic attention to the phenomenon of social entrepreneurship, there is still no agreement as to whether SE ventures are any different from commercial entrepreneurial ventures and other forms of entrepreneurial activity, such as institutional entrepreneurship, development entrepreneurship and sustainability-driven entrepreneurship. The absence of a common SE definition limits the progress of the SE research field by limiting the opportunities for empirical research and “polarizing social entrepreneurship scholarship into either empirical work drawing repeatedly on a small set of the same

case examples or theoretical work that lacks empirical support” (Nicholls, 2010b: 613). In this dissertation I suggest that the problem of clearly defining the population of SE ventures can be resolved by applying the lens of OI theory to the phenomenon of SE ventures and conceptualising them as hybrid organisations with a dominant normative identity.

The third contribution of this dissertation to the SE research field is the investigation of the SE ventures’ behaviour through the lens of an existing theoretical framework. Prior SE studies have often been criticised for offering “idiosyncratic insights” (Dacin, Dacin, & Matear, 2010: 38) as they failed to draw on existing theoretical perspectives that have been developed and tested for decades in the management, organisation science and entrepreneurship literatures. As Wilson and Post (2013) suggested, “we do not have an adequate theory for social businesses” (p. 730). According to Short, Moss and Lumpkin (2009), a research field can gain legitimacy only when “research questions are principally theory driven, and data gathering and analytical methods are chiefly quantitative. If the social entrepreneurship field is to progress, the next two decades should be characterized by unity in construct definition and by examining the social entrepreneurship construct through a variety of established theoretical lenses with clear boundary conditions” (p. 166).

Addressing this concern, this dissertation draws heavily upon organisational identity theory. Although there have been prior attempts at conceptualising SE ventures as hybrid organisations with dual identities (e.g. Moss et al., 2011), no studies used organisational identity theory to explain strategic behaviour of SE ventures. In this dissertation it has been argued that OI theory is a useful theoretical lens that can help advance the SE field of research. Moreover, the SE research field is still to a large degree based on conceptual work that is not backed up by empirical research (Short, Moss, & Lumpkin, 2009). This dissertation also addresses the paucity of empirical studies in SE by offering a solid research design that combines a case study method (which is common in SE studies) with a VPA method (which is used in entrepreneurship studies but has not yet found its way to SE literature).

The fourth contribution emerged in the process of data analysis. The collected data revealed that all studied SE ventures identified opportunities/threats for profit but differed considerably in their attention to opportunities/threats for impact. This is a

surprising finding since it is assumed in the existing SE literature that the essence of SE ventures (and their differentiator from commercial entrepreneurial ventures) is their ability to discover/create SE opportunities (e.g. Corner & Ho, 2010; Patzelt & Shepherd, 2011). Existing research on opportunity identification in social entrepreneurship has only briefly touched upon the limited ability of SE ventures to continuously identify new opportunities for creating impact but did not provide any explanation to these observations. For instance, Hockerts and Wüstenhagen (2010) note that, “Being involved with one specific innovation, sustainability start-ups have a tendency towards single issue campaigning. They invest all their resources and attention in optimizing one particular environmental or social issue at which they try to excel... [and eventually] become caught up in their own propaganda.” (p. 487) Examples include fair trade companies failing to recognise opportunities for improving environmental performance of their operations and renewable energy firms facing criticism about low wages paid to employees (Hockerts & Wüstenhagen, 2010).

The empirical study conducted in this dissertation revealed that the difference in SE ventures’ ability to continuously identify new opportunities for impact was related to the stability of their hybrid identity hierarchy. It has been proposed that because of the limited ability to continuously identify new opportunities for impact, SE ventures with a relatively unstable HIH are more susceptible to mission drift than SE ventures with a relatively stable HIH. Therefore, this dissertation also indirectly expands our understanding of the continuous process of opportunity identification in social entrepreneurship (e.g. Patzelt & Shepherd, 2011; Corner & Ho, 2010; Cohen & Winn, 2007; Dean & McMullen, 2007). This process does not stop with the founding of the SE venture; in fact it must continue to ensure that SE ventures do not experience mission drift.

To recap, this dissertation has made three main contributions to the SE research field: firstly, it proposed a testable conceptual model of mission drift in social entrepreneurship; secondly, it offered a new conceptualisation of SE ventures as hybrid organisations with a dominant normative identity, which intends to put an end to the ongoing debate about the SE definition; and thirdly, it brought an established OI theory to the SE literature, thus addressing scholarly concerns about the lack of theory in the SE research field. Moreover, this dissertation has indirectly contributed to the literature stream on opportunity identification in social entrepreneurship by providing

empirical support to the earlier observations of the limited ability of some SE ventures to continuously identify new opportunities for impact. I proposed that opportunity recognition is an ongoing process that does not stop with the venture creation and should be proactively encouraged to prevent mission drift in SE ventures. The following section describes contributions to organisational identity theory.

5.2.2 Contribution to the organisational identity literature

In addition to making several major contributions to the social entrepreneurship literature, this dissertation also aims to make contributions to organisational identity theory. Firstly, it provides further empirical support to the relationship between organisational identity and strategy and elaborates this relationship in the context of hybrid organisations with dual identities. Secondly, it contributes to the discussion on mediating and moderating factors influencing the relationship between organisational identity and strategy: I provide further empirical support to the importance of managerial cognition in the identity-strategy link and suggest a new moderator – stability of the hybrid identity hierarchy. Thirdly, I offer a new methodology for evaluating the dominance of a particular identity type in hybrid ventures, thus contributing to the discussion on operationalisation of the OI construct. And fourthly, the conceptual model of mission drift in social entrepreneurship can be also applied to other types of hybrid ventures, such as universities, hospitals and orchestras. These contributions are discussed in further details.

In the organisational identity literature, scholars have called for empirical research investigating the reciprocal relationship between organisational identity and strategy (Tripsas, 2009). Although some empirical research has been done for organisations with single identities, I am aware of only one study (Gioia & Thomas, 1996) that has empirically validated the theorised relationship in the context of hybrid organisations (i.e. universities). This dissertation joins the discussion and offers empirical support to the theoretical relationship between OI and strategy in hybrid organisations. Case study evidence collected for this dissertation demonstrated that dominant identities in hybrid organisations drive the choice of growth strategies and this relationship is mediated by cognition of organisational decision-makers and moderated by the stability of the hybrid identity hierarchy.

The mediating properties of cognition have previously been widely investigated for single-identity organisations (e.g. Tripsas, 2009; Livengood & Reger, 2010; Dutton & Dukerich, 1991); however, again, only one study (Gioia & Thomas, 1996) investigated the role of interpretation in the context of hybrid organisations. This dissertation offers support to the proposition that in hybrid organisations cognition of organisational decision-makers (i.e. their interpretation of uncertainties in the external environment) explains why decision-makers choose certain strategies. In addition to offering support to this relationship, I further advance the conceptualisation of issue interpretation in the context of hybrid organisations: I demonstrate that hybrid organisations with dual normative and utilitarian identities interpret strategic issues not only as opportunities or threats (as was previously discussed in the OI literature, e.g. Dutton & Jackson, 1987; Jackson & Dutton, 1988; Tripsas, 2009) but differentiate what these opportunities and threats are for – whether a strategic issue offers opportunities/threats for profit or opportunities/threats for impact.

In addition to empirical validation and further development of a mediator in the identity-strategy link, this research proposes a new moderator – the stability of the hybrid identity hierarchy, defined as the ability of hybrid organisations to retain their dominant identity no matter what the conditions of the external environment are. It has been shown that HIH stability has an influence on how hybrid ventures interpret strategic issues and which growth strategies they “notice” (i.e. organisational growth or impact scaling strategies).

Furthermore, most prior research on OI tended to be of a qualitative nature and very few studies offered instruments for measuring organisational identity in general, or hybrid identities in multiple-identity organisations (e.g. Gioia & Thomas, 1996; Foreman & Whetten, 2002; Voss, Cable, & Voss, 2006; Brickson, 2005). These instruments were based either on surveys with a limited number of pre-defined sector-specific questions or on content analysis of publicly available documents (Moss et al., 2011), thus offering a measure for “intended image” (Brown et al., 2006) rather than the actual organisational identity (“what we would like others to think about our organisation” rather than “who we are as an organisation”). For instance, Gioia and Thomas (1996) developed an instrument for measuring hybrid identities of universities; Foreman and Whetten (2002) measured hybrid identities of rural cooperatives; Voss, Cable and Voss’ (2006) studied organisational identity of theatres;

and Brickson (2005) investigated the hybrid identity orientation of beverage and law firms. These instruments are, however, sector-specific and only to a limited degree transferable to the SE research domain. Moreover, none of the available instruments is suitable for the study of HII stability.

In this dissertation I have argued that quantitative content analysis of in-depth interviews/focus groups, combined with verbal protocol analysis, helps address the shortcomings of other identity measurement instruments: in-depth interviews/focus groups and VPA sessions enable the collection of rich qualitative data and, therefore, do not constrain respondents to conform to the researcher's preconceived expectations or survey questions. Additionally, the use of VPA allows measuring changes in HII by manipulating decision-making conditions.

As Ravasi and Canato (2013) noted, prior research on OI disagreed as to how OI construct should be operationalised and, therefore, "more focused treatment of this concept... may help further the academic debate, facilitate the exchange between different strands of research on OI, and eventually produce more nuanced and sophisticated theories" (p. 197). By developing a measure for organisational identity in hybrid organisations, which can be reproduced by other scholars, this dissertation makes a contribution to the operationalisation of this construct and unification of different OI research streams.

Finally, a theory of mission drift in social entrepreneurship can also be used to explain the strategic behaviour of other types of hybrid organisations, such as universities, cooperatives, hospitals, theatres and symphony orchestras. The labels given to the hybrid identities of these organisations may be different (e.g. artistic and market identities of theatres, rather than normative and utilitarian identities of SE ventures) but the essence of the conceptual model applies. Universities, cooperatives, hospitals, theatres, symphony orchestras and other types of hybrid organisations will be more susceptible to mission drift when their hybrid identity hierarchy is unstable.

To recap, this dissertation attempts to contribute to OI theory by offering further empirical support to the relationship between OI and strategy in hybrid organisations and investigating the mediating role of cognition and moderating role of HII stability. I also offer an extension of the mission drift theory in social entrepreneurship to other types of hybrid organisations and suggest a new instrument for evaluating the dominance of a particular identity type in multiple-identity

organisations, thus contributing to the operationalisation of OI construct. The following section discusses the contributions that this research makes to the practice of social entrepreneurship.

5.3 Contribution to Practice

How can SE ventures prevent mission drift while making decisions about growth? As suggested by Moss et al. (2011: 822), “[o]rganizations that identify themselves as social must then walk the line between being legitimate in terms of their social outcomes and still manage to be entrepreneurial in how they achieve those outcomes”. Previous studies suggested that one way to avoid mission drift is to structurally separate the hybrid identities of SE ventures into sub-divisions (Kistruck & Beamish, 2010). This way SE ventures “may not necessarily lose their social mission over time – perhaps it can be separated rather than lost” (Kistruck & Beamish, 2010: 749). However, some practitioners disagreed with this idea suggesting that such divided structures can only increase tension between divisions, rather than prevent mission drift²⁴. The data in this dissertation also suggests that divided organisational structures (as in the case of firms in cluster A3 – see Figure 4-9 and Section 4.4) make hybrid ventures more susceptible to mission drift since the predominantly utilitarian identity of their for-profit division might be pushing them toward profit maximisation and away from social impact goals.

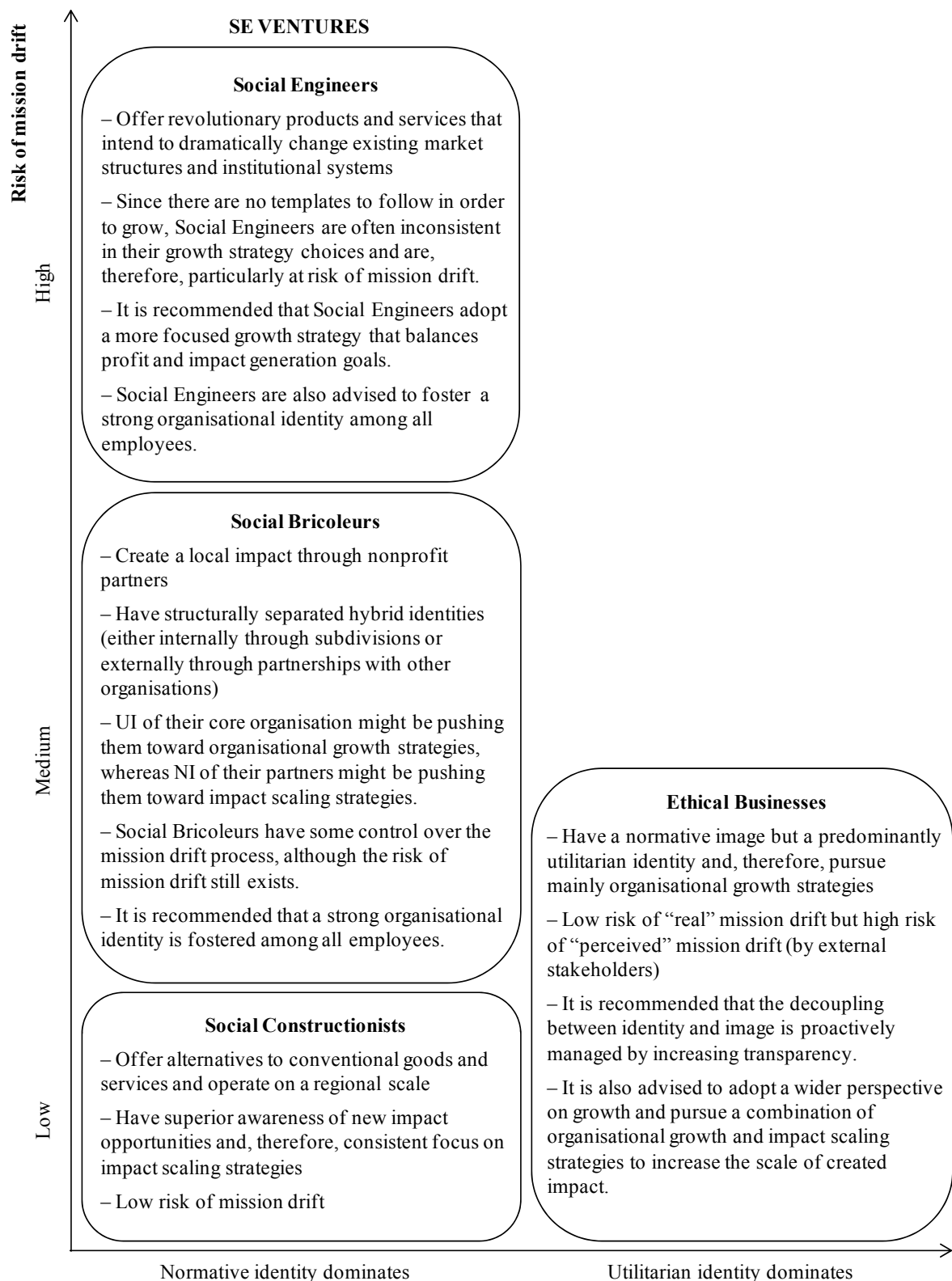
It was also suggested in earlier studies that “to keep the mission on course... the leaders of hybrids must... identify and communicate organizational values that strike a healthy balance between commitment to both social mission and effective operations” (Battilana et al., 2012: 54). Therefore, to prevent mission drift, hybrid ventures should pay particular attention to developing a widely shared organisational culture and select employees who are capable of simultaneously pursuing social and economic value (Battilana et al., 2012). If the hiring approach of a hybrid venture is based on employing people with excellent commercial skills but no experience in the social sector, this reduces the likelihood of organisational conflict but increases the chances of mission drift as “employees are likely to slip into the habits and skills they learned in their previous work” (Battilana et al., 2012: 54). On the other hand, hiring people

²⁴ For instance, see: <http://thealternative.in/social-business/the-shapeshifting-of-social-enterprise-is-our-moral-compass-due-north/> (Accessed on 15 November 2013)

from different sectors might reduce the risk of mission drift but increase the chances of organisational conflict. A radically different hiring and socialisation approach is to hire graduates with essentially no work experience and then train them into professionals who are committed to both social and commercial goals. According to Battilana et al. (2012) this approach is optimal to develop a widely shared organisational culture and prevent mission drift in SE ventures.

The focus on a widely shared organisational culture in a study by Battilana et al. (2012) is reminiscent of another concept used in OI theory – the concept of “organisational identity strength” (e.g. Gioia & Thomas, 1996; Cole & Bruch, 2006). OI strength refers to “the extent to which individual member’s identity perceptions are widely held and deeply shared” (Cole & Bruch, 2006: 587), irrespective of the dominant organisational identity. For instance, an organisation may view itself as predominantly normative; however, this view might not be universally shared by all individuals within the organisation. The concept of OI strength is slightly different from HIH stability: OI strength refers to the degree the beliefs about the organisation are shared by all its members, whereas HIH stability, as defined in this dissertation, refers to the degree the dominant identity remains dominant no matter what the conditions of the external environment are. However, the two concepts can be theoretically related: organisations with stronger identities are less likely to change their identities even in identity-challenging situations and vice versa. Therefore, although OI strength was not measured in this dissertation, one could speculate that SE ventures with a higher HIH stability also have a higher OI strength. And, therefore, SE ventures with a stronger organisational identity might be less susceptible to mission drift than SE ventures with a weaker organisational identity. This conjecture forms the basis for recommendations for the leaders of SE ventures and ethical businesses as to how the risks of mission drift can be minimised. These recommendations are summarised in Figure 5-2.

Figure 5-2 Recommendations for minimising the risk of mission drift



Drawing on the SE typology developed by Zahra et al. (2009) (see Section 2.1.3 and Figure 2-3), firms in cluster A3 can be referred to as “Social Bricoleurs” (since they create a local impact mainly through their nonprofit partners), firms in cluster A2 as “Social Engineers” (since their products and services are truly revolutionary and intend to dramatically change existing market structures and institutional systems) and firms in cluster A1 as “Social Constructionists” (since they offer alternatives to conventional goods and services and operate on a regional scale). As suggested in conceptual model of mission drift in Section 5.1, out of the three types of SE ventures, Social Engineers and Social Bricoleurs are more likely to experience mission drift than Social Constructionists. In contrast, Ethical Businesses are least likely to experience a “real” mission drift (since their missions are focused on generating profits) but are nevertheless likely to experience a “perceived” mission drift (or in other words accusations of mission drift from external stakeholders who do not clearly understand the dominant identity of Ethical Businesses).

Starting with the SE venture type with the highest risk of mission drift – Social Engineers – their leaders might not fully realise that mission drift is occurring (or has already occurred) until irreversible changes take place (e.g. see Noble, 2012 for a discussion on how mission drift is often unnoticed). Social Engineers have very high levels of normative identity but also high levels of HIIH instability. Since their products and services are truly revolutionary and intend to dramatically change existing market structures and institutional systems, there are no templates to follow in order to grow their firms and scale their impacts. This makes Social Engineers vulnerable to changes in the external environment, reduces their attention to new impact opportunities and decreases consistency in growth strategy choices.

Although financial performance data has not been collected from the hybrid ventures that took part in this research and making definite conclusions about the financial success of hybrid ventures with different dominant identities and HIIH stability values is not possible, prior academic research (e.g. Lamberg, Tikkanen, Nokelainen, & Suur-Inkeroinen, 2009) suggests that strategic consistency leads to higher chances of survival. Therefore, Social Engineers are particularly at risk of compromising their chances of financial success and longevity with a highly unfocused approach to growth. It is recommended that Social Engineers adopt a more focused growth strategy that balances profit and impact generation goals. Social

Engineers are also advised to foster a strong organisational identity among all their members by creating a better alignment between their normative goals and utilitarian means. This should improve their capabilities for identifying new opportunities for creating impact and increase their attention to impact scaling strategies. One way of achieving this is through a hiring approach that favours adherence to common values (Battilana & Dorado, 2010; Battilana et al., 2012). By enhancing their organisational identity strength, Social Engineers can improve their capabilities for identifying new impact opportunities and reduce the risk of mission drift.

Social Bricoleurs have more control over the mission drift process, although their risk of mission drift is still relatively high. They are characterised by medium levels of HIIH stability and mixed growth strategies (i.e. they give preference to organisational growth strategies in some situations and to impact scaling strategies in other situations). Their hybrid identities are often structurally separated internally through subdivisions or externally through partnerships with other organisations. The utilitarian identity of their core organisations might be, therefore, pushing them toward organisational growth strategies, whereas the normative identity of their partners might be pushing them toward impact scaling strategies. Similar to Social Engineers, Social Bricoleurs are advised to foster a strong organisational identity to minimise the risk of mission drift.

Finally, Social Constructionists, although also having high HIIH levels, have a much higher HIIH stability than both Social Engineers and Social Bricoleurs. Their products and impacts have a regional scale and are, perhaps, less revolutionary than that of Social Engineers, but through a superior awareness of new impact opportunities, Social Constructionists are able to focus on impact scaling strategies rather than shifting between organisational growth and impact scaling like Social Engineers and Social Bricoleurs. Therefore, Social Constructionists, similar to Ethical Businesses, are least susceptible to mission drift.

Ethical Businesses might, nevertheless, be accused of “perceived” mission drift by external stakeholders if their leaders do not proactively manage the decoupling between their image (i.e. predominantly normative) and the actual organisational identity (i.e. predominantly utilitarian). As outlined in Section 2.3.3, such a decoupling might damage the firm’s reputation and jeopardise future funding. Davis (2001) and Fritsch, Rossi and Hebb (2013), however, suggest that the main reputational risks stem

from the lack of communication about the firm's actual mission, rather than from the mission drift itself. The leaders of Ethical Businesses are, therefore, advised to proactively manage decoupling between their "intended image" (Brown et al., 2006) and actual OI by increasing transparency (see an example of Lambda in Section 4.1). Moreover, being solely focused on organisational growth strategies, the leaders of Ethical Businesses might be missing valuable opportunities for creating impact. It is, therefore, also recommended that Ethical Businesses adopt a wider perspective on growth, which can include both organisational growth and impact scaling strategies.

To summarise, this dissertation aims to contribute to the practice of social entrepreneurship by providing recommendations to the leaders of SE ventures as to how mission drift can be avoided. It is suggested that it is crucial for the leaders of SE ventures to foster a strong organisational identity and to adopt a more focused growth strategy that balances profit and impact generation goals. The use of an existing SE typology by Zahra et al. (2009) is intended to simplify the conceptual model presented in Section 5.1 (and visualised in Figure 4-9) by describing the three SE clusters (Social Bricoleurs, Social Constructionists and Social Engineers) in the form of 'organisational personas'. The leaders of SE ventures are, therefore, advised to identify their firm with one of the organisational personas and consider recommendations for this particular type of hybrid ventures.

6. Conclusion

This dissertation investigates susceptibility of SE ventures to mission drift when making decisions about growth. I have presented an overview of prior research on social entrepreneurship and concluded that, despite increasing academic and industry attention to the phenomenon of social entrepreneurship, there is still no common understanding what SE ventures are. Scholars have tried to distinguish them from commercial entrepreneurial ventures and other forms of entrepreneurial activity by looking at an organisational form, stated goals, access to resources and the nature of opportunities pursued by these ventures and have failed to offer a clear-cut distinction. This has resulted in scepticism on the part of other scholars that social entrepreneurship is a distinct phenomenon that deserves its own research field. Addressing these concerns, I have conceptualised SE ventures as hybrid organisations with dual normative and utilitarian identities by employing the perspective of organisational identity theory. This proved to be useful to not only distinguish SE ventures from other entrepreneurial venture types, but also to explain the strategic behaviour of SE ventures and instances of mission drift.

Specifically, I have proposed that SE ventures should be conceptualised as hybrid ventures with a dominant normative identity. Consistent with predictions of OI theory I have demonstrated that hybrid ventures with a dominant utilitarian identity (so called “ethical businesses” rather than SE ventures) tend to choose mostly organisational growth strategies and often fail to notice opportunities for creating impact. In contrast, SE ventures vary in the importance that they attribute to impact scaling strategies and their capabilities to uncover new impact opportunities. This variation is attributed to the difference in the stability of the hybrid identity hierarchy of SE ventures, which has been proposed as a moderator in the relationship between OI and strategy. SE ventures with a more stable HIIH are better at aligning their growth strategies with their missions than SE ventures with a less stable HIIH. It is, therefore, proposed that SE ventures with a more stable HIIH are less susceptible to mission drift than SE ventures with a less stable HIIH.

Overall, the conceptual model of mission drift in social entrepreneurship aims to contribute to the social entrepreneurship literature stream by offering a clear definition of SE ventures and explaining the instances of mission drift. This dissertation also aims to make several contributions to organisational identity theory.

Specifically I provide further empirical support to the relationship between organisational identity and strategy in the context of hybrid organisations and explore the role of stability of the hybrid identity hierarchy as a moderating factor in this relationship. However, this dissertation also has some limitations. These will be discussed in the next section.

6.1 Limitations

The main limitations of this dissertation stem from its empirical methods. Firstly, although a case study method is well-suited for theory building, the findings from the case study research cannot be statistically generalised to a wider population of hybrid ventures. This is a limitation that is widely acknowledged in case study research and is usually overcome by the development of a robust conceptual theory, which is backed by existing theoretical and empirical findings. This is exactly what was achieved in this dissertation; however, the conceptual model presented here still requires testing on a large population of SE ventures to increase its validity.

Secondly, although I have argued that quantitative content analysis of in-depth interviews and VPA sessions is well-suited for evaluating the dominance and stability of a particular identity type in hybrid ventures, this method also has some limitations. The code density indicator used for measuring HIIH and its stability is not a perfect indicator of attention to certain normative or utilitarian aspects of operations. As Mason and Stark (2004) note, “the topics mentioned most frequently are not necessarily those that have the ultimate influence on the decision... In other words, people may repeat something several times if they are unsure but say it only once if they are absolutely sure” (p. 235). Moreover, although results of quantitative content analysis are often presented as quantitative indices, there is subjectivity involved in coding, analysing and interpreting the interview and focus group transcripts. It is also “impossible to entirely remove the effect of the artificiality of the situation” (Mason & Stark, 2004: 235) in scenario-based VPA sessions, even if the scenarios offered to decision-makers are based on real-life trends. And, therefore, one could argue that the strategies that decision-makers will choose and the decision-making processes that they will go through when they face a similar situation in real life might be different from those described in the VPA session. Despite these limitations, Ericsson and Simon (1993) argued that VPA is a valuable method for analysing decision-making as

long as several conditions are met: instructions are clear; respondents are free from distraction and encouraged to keep on talking; the tasks required of respondents are not highly routinised by habit; and the information reported is the focus of respondents' attention. These conditions were met in this study.

Another limitation of the data collection and analysis method used in this dissertation is its labour-intensive nature. It is, therefore, not suited for evaluating hybrid identities when data needs to be collected from hundreds of SE ventures. Although alternative survey-based methods have been criticised, this might be a trade-off that future researchers will have to make when testing the proposed conceptual model on a large population of SE ventures. Moreover, although it has been argued that VPA method is well-suited for measuring HIH stability (as it allows tracking changes in HIH values when experimental conditions of the external environment are changing), it might also be too labour-intensive for large-scale surveys. Therefore, a close proxy of "organisational identity strength" (Gioia & Thomas, 1996; Cole & Bruch, 2006) (see Section 5.3) can be used instead of HIH stability. This discussion of dissertation limitations points to promising avenues for future research, which are summarised in the following section.

6.2 Directions for Future Research

The limitations of the empirical methods used in this dissertation and described in the previous section can also be seen as promising avenues for future research. As discussed, the conceptual model proposed here should be tested on a large population of SE ventures. HIH and HIH stability constructs should be measured with a survey-based instrument, which will be less labour-intensive than the quantitative content analysis of interviews/focus groups and VPA sessions. Moreover, there are opportunities for discovering predictors of HIH stability and thus enriching the proposed conceptual model. Existing literature suggests that hiring and socialising practices (Battilana et al., 2012) might explain some of the variance in OI strength (a proxy for HIH stability as discussed in Section 5.3). This and other predictors should be included in the empirical test of the proposed conceptual model.

There are also further opportunities to study mission drift in SE ventures. Scholars can try to look deeper into the process of mission drift: how it starts and whether certain controls can be put in place to minimise the risk of mission drift. It

might also be interesting to study the cases when mission drift was reversed, as in the example of howies discussed in Section 2.3.3. These questions can be addressed by conducting longitudinal case studies of SE ventures. Finally, there are intriguing questions about the role of finance providers in pushing SE ventures toward, or safeguarding them from, mission drift. It will be particularly interesting to investigate the role of risk finance, and specifically venture capital, in the mission drift of SE ventures. As Battilana et al. (2012: 55) suggested, “The promise of hybrids is very real, but much work lies ahead.” It is my hope that this dissertation will inspire other scholars to conduct research on hybrid organisations that aim to make the world a better place.

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Appendices

Appendix I Interview Guide

- I. Background:
 - Participants' role in the company
 - What was the motivation to start the company?
 - Key events in the history of the company
 - Which major decisions have been made? (e.g. location, product, packaging, suppliers, production, distribution, financing, marketing)
- II. Positioning / business model:
 - What is unique about the company's business model?
 - Main competitors
 - Main customers
 - Contribution to society
 - Collaboration with other organisations
- III. Growth strategies:
 - Main challenges in the past and ahead
 - How was the growth financed in the past?
 - Potential growth strategies in the future

Appendix 2 VPA Session Scenarios

Scenario 1: Widespread introduction of GM crops and livestock

Industry trends

Global food and oil prices are rising every year, fuelling discussion on the appropriateness of the use of GM crops and livestock on a large scale. Proponents of the use of GM crops accuse their opponents of holding the world back from tackling the food security problem. “Bio-bashing” in the media has become particularly fashionable for some products such as organic milk. The price premium and food quality benefits of sustainable products are also questioned by industry experts and media. Large high-tech manufacturers are riding on the wave of these debates and filling the rising “hunger gap” with cheaper GM-modified products. Sustainably-grown fruit, vegetables and meat are produced in Europe only in small quantities and demand a significant price premium. This makes sustainable produce accessible to only a relatively well-off segment of the population.

Consumer price sensitivity

Moreover, with the worsening economic environment, consumers are becoming more focused on the price rather than on the environmental and social values that a product embodies. This trend can be seen in the consumer attitude toward both retail and catering. The popularity of discount stores is on the rise, while farmers markets for locally grown and sustainable produce are a rare occasion for gourmets only. When eating out, consumers prefer cheaper options thus fuelling the development of convenience food chains offering cheap pizzas and burgers.

Market concentration

The R&D intensive nature of biotechnologies developed by large food businesses precludes small manufacturers from having any strong position in the market. They occupy a narrow niche targeting a very small group of consumers who claim that natural, organic, sustainably-grown, non-GM produce tastes better, is healthier and is a crucial link with the natural world. These consumers are mostly concentrated in large cities and can be broadly characterised as white-collar professionals with a more than average income.

Access to finance

As the economy is slowing down, more and more small businesses find it challenging to service their debt and ensure adequate working capital. Banks are reducing business loans and borrowing limits and increasing fees. Not being able to finance continued operation and growth, small businesses are disappearing with an alarming rate. Some of them, the most successful, are getting acquired by dominant industry players, while the majority of small businesses are closing down.

Scenario 2: Market transition toward functional foods

Industry trends

The aging population of “baby-boomers”, as well as the fast pace of life and the increase in the health-consciousness of consumers, drive demand for so called functional foods, whereas the demand for sustainable food is very limited. Functional foods include supplements (often called nutraceuticals) that impart specific health benefits, such as increasing energy levels, weight management, enhanced cognitive health, improvement of infant health, mood enhancement, as well as promotion of healthy, beautiful skin. The most popular product categories are soft drinks (including enhanced water that is perceived to have health advantages over traditional sugar-rich carbonated drinks), dairy products (such as probiotic yogurts) and energy drinks. Products that are rich with omega-3 fatty acids are also gaining in popularity. The fast pace of life also means that fast food restaurant chains with a youthful image are doing really well, as people like to grab stuff on the go.

Consumer price sensitivity

Although consumers are prepared to pay extra for health-boosting food, there is nevertheless a lot of scepticism as to the health benefits of organic and sustainably-grown food. Only those sustainable products that have reached parity with the price of conventional produce are popular among consumers. Moreover, consumers demand food that is fun, quick and easy, while boring “save the planet” messages are not reaching the target. Consumers are increasingly using web technologies for food ordering instead of shopping in supermarkets. Some of them even fully trust their “intelligent kitchens” to execute the food ordering. The requests for food are driven by fridge sensors and adapted following recommendations from online social networks.

Market concentration

Although large multinationals “own” some of the product categories by controlling distribution channels and premium client lists, smaller businesses are nonetheless succeeding in maintaining presence on the market by creating their own market niches, for example, milk drinks containing probiotic fiber from chicory.

Access to finance

A significant market growth potential of the functional foods segment attracts a lot of investment from venture capital firms and other players in the financial capital market. New financial schemes promoted by governments, such as tax relief for people who invest in start-up businesses, also channel finance to small and medium sized firms with high growth potential.

Scenario 3: Increased speed of globalisation and fair capitalism

Industry trends

The last five years have seen a “foodie revolution” as people have grown up watching celebrity chefs. Consumers seem to have a limitless choice of organic, fairly-traded, sustainably-grown, heritage-variety products from all over the world. It has become a particular badge of status to buy products directly from artisanal producers, both in Europe and in the most remote places on our planet. Immersive videocasting allows consumers to build relationships with small-scale farmers, choose their own olive trees or lamb and even to check their growth via web-cams. Increased disposable income has allowed eating-out at a restaurant to become an everyday affaire. Consumers can have a pain au chocolat for breakfast, a Mexican tortilla wrap for lunch and a Thai curry for dinner. Supermarkets open muesli and olive oil tasting bars, not to mention treatment rooms where exhausted shoppers can have a massage.

Consumer price sensitivity

Consumers express their identity through their shopping choices: they want to feel a personal connection to the people who produce the food and strongly support fair trade. Increased disposable income means that consumers are prepared to experiment with food at home, in particular under-35s who often travel abroad and use recipes from around the world. However, this group is also more aware than ever about the

challenges facing the global climate and, while shopping, they always keep an eye on the environmental and social aspects of food production, being particularly supportive of sustainably-grown food and produce that guarantees animal welfare.

Market concentration

The “foodie revolution” creates a favourable environment for small independent businesses that happily co-exist with industrial giants, which have adjusted their product lines and manufacturing processes to fit the fairly-traded, organic and artisanal world. Moreover, a new generation of efficient social entrepreneurs are rolling out a wide range of new solutions – starting from the production of nutritional foods to systems that improve milk yields from cows – thus contributing to the reduction of poverty levels in developing countries.

Access to finance

The change in the attitude toward sustainable produce can be also observed in the financial sector, particularly with the rise of venture capital firms specialised in investing in food-related businesses, which are seen as benefiting the farmers’ livelihoods, water, soil, wildlife habitat and scenery. An increasing number of “green banks” offer business accounts, as well as loans and other financial services to sustainable businesses. Moreover, further development of carbon markets in promoting win-win solutions for carbon sequestration and agricultural sustainability results in the increase of investment in agricultural projects that “avoid” carbon emissions, improve soil quality and enhance the efficiency of water use.

Scenario 4: Transition toward de-growth economies

Industry trends

The worsening economic environment and the pronounced consequences of climate change have dramatically shifted the way the business is run. Global companies have downsized: there are only a few large companies left on the market and their operations are normally limited to country boundaries with very short supply chains. On the other hand, organic agriculture has become mainstream and is the only acceptable production model from the point of view of consumers. Sustainable agriculture has also penetrated into cities in innovative forms such as urban farming on

the roof tops of buildings. Moreover, it is becoming more popular to grow your own food on private allotments as this saves money and guarantees the quality and the provenance of the produce.

Consumer price sensitivity

An enthusiasm for growing food has contributed to the restoration of a connection between food production and consumption. Consumers are no longer interested in shopping in supermarkets; on the contrary, much socialisation happens in farmers markets and on private allotments. The overall focus is on having enough food of good quality but which is socially and environmentally friendly. Squeezed disposable incomes also result in reduced spending on “unnecessary stuff”; however, consumers are prepared to pay extra for goods that last longer and have great social and environmental credentials.

Market concentration

The “enough food” principle practiced by the majority of consumers means that companies find it difficult to grow by increasing their sales. Instead large businesses re-focus on producing higher quality and more expensive products. Such re-positioning has made global supply and distribution chains unnecessary and instead large companies are now operating within country boundaries. The “enough food” principle is also not favourable for entrepreneurial start-ups. Only those that create products or services with a very clear added value for consumers, the environment and the society succeed in establishing on the market.

Access to finance

Economic slowdown means that it is becoming more difficult to obtain loans from banks. An increasing number of business owners have to rely on personal finance or those of family and friends to finance their operations. Ironically, the limited access to finance for smaller businesses has resulted in the rapid development of new financial schemes such as “community finance” and “crowd-funding”.

Appendix 3 Coding Scheme for Normative Identity

Level 1	Level 2	Level 3
N-Mission	NM-Reason for existence	<ul style="list-style-type: none"> – NMR-To address a social or environmental problem – NMR-To create a business that reflects personal values and commitment to sustainability – NMR-To disrupt the market with a socially/environmentally innovative product
	NM-Self-image	<ul style="list-style-type: none"> – NMS-Business with strong ethos – NMS-Social enterprise – NMS-Business with a role in the community
N-Business model	NB-Competitors	<ul style="list-style-type: none"> – NBCo-Competitors share similar values and are not a threat – NBCo-Competitors as potential partners – NBCo-Greater numbers of competitors is a positive market development
	NB-Customers	<ul style="list-style-type: none"> – NBCu-Our customers share similar values – NBCu-We often work with other organisations on charitable basis
	NB-Employees	<ul style="list-style-type: none"> – NBE-Our employees are prepared to sacrifice salary for good cause – NBE-Our employees share similar values – NBE-We employ people from marginalised communities
	NB-Financials	<ul style="list-style-type: none"> – NBF-We raise funds only from sources with similar values – NBF-Profit distribution to community or environmental projects – NBF-Profit distribution to employees
	NB-Product	<ul style="list-style-type: none"> – NBP-Price decisions reflect our commitment to sustainability – NBP-Sustainability aspects are integrated into product design despite cost implications
N-Growth	NG-Reasons	<ul style="list-style-type: none"> – NGR-Growth is required to respond to increasing social or environmental challenges – NGR-Growth is required to increase the number of beneficiaries – NGR-Growth is required to demonstrate that sustainable business is possible – NGR-Growth for longevity rather than for the sake of growth
	NG-Attitude	<ul style="list-style-type: none"> – NGA-Our growth should not compromise our values – NGA-Supporting other organisations on a nonprofit basis is part of our growth

Level 1	Level 2	Level 3
	NG-Challenges	<ul style="list-style-type: none"> – NGC-To attract employees with similar values – NGC-To attract investment from sources that share similar values – NGC-To balance profitability and social impact – NGC-To contrast real efforts with green-washing tactics of market leaders – NGC-To find partners with similar values – NGC-To break through system barriers – NGC-To reach sufficient turnover to enable large-scale impact

Appendix 4 Coding Scheme for Utilitarian Identity

Level 1	Level 2	Level 3
U-Mission	UM-Reason for existence	<ul style="list-style-type: none"> – UMR-To fill a market gap – UMR-To address personal curiosity in running a business – UMR-To create revenue and self-employment
	UM-Self-image	<ul style="list-style-type: none"> – UMS-Business that is distinct and standing apart – UMS-Commercial business – UMS-Marketing company – UMS-Start-up
U-Business model	UB-Competitors	<ul style="list-style-type: none"> – UBCo-Organisations that share similar values are competitors – UBCo-Competitors do not share our values and are not a threat – UBCo-Direct competition with market leaders is required to become mainstream – UBCo-Focus on niche to avoid direct competition with market leaders – UBCo-Increasing competition is a threat – UBCo-Mainstream competitors are a serious threat – UBCo-First-mover position is our competitive advantage
		<ul style="list-style-type: none"> – UBCu-Our customers are commercial organisations – UBCu-Our customers are mainstream consumers – UBCu-Our customers buy our products because of the brand – UBCu-Our customers buy our products because of their quality – UBCu-We cannot afford working with other organisations on a charitable basis
		<ul style="list-style-type: none"> – UBE-Our employees choose us because of good career prospects
		<ul style="list-style-type: none"> – UBF-We focus on cost of borrowing when choosing funding – UBF-Profit re-investment in business growth
		<ul style="list-style-type: none"> – UBP-Product quality criteria are key in product design – UBP-Product quality, rather than sustainability credentials, offers competitive advantage – UBP-Integrating sustainability aspects in product design is not always possible because of costs or market trends – UBP-Sustainable product credentials offer competitive advantage

Level 1	Level 2	Level 3
		<ul style="list-style-type: none"> – UBP-Ease-of-use and convenience criteria are key in product design – UBP-Price decisions reflect the need to thrive in competitive market – UBP-Focus on product development to improve customer experience
	UG-Reasons	<ul style="list-style-type: none"> – UGR-Growth is required for financial stability or profitability – UGR-Growth is required to exploit new commercial opportunities – UGR-Growth is required to respond to increasing product demand – UGR-Growth is required to stay ahead of competitors – UGR-All key stakeholders expect fast growth – UGR-Being small is a competitive disadvantage – UGR-Growth decisions reflect personal choices and development needs
U-Growth	UG-Attitude	<ul style="list-style-type: none"> – UGA-Growth (or survival) is possible for as long as there is a niche – UGA-Growth should be pursued in the main market, rather than a niche – UGA-Small size offers competitive advantages because of increased flexibility – UGA-Commercial viability is a pre-requisite for growth – UGA-Our goal is to achieve fast growth – UGA-Our goal is to increase the size of business – UGA-We are well set up and ready for fast growth
	UG-Challenges	<ul style="list-style-type: none"> – UGC-To attract investment from mainstream funding sources – UGC-To communicate with customers having limited marketing budgets – UGC-To have sufficient cash-flow – UGC-To have sufficient profitability – UGC-To increase distribution in mainstream retailers – UGC-To overcome supply chain limitations – UGC-To retain competitive or technological advantage – UGC-To thrive in unfavourable economic climate – UGC-To achieve commercial viability and high value – UGC-To have skills to develop the business strategically

Appendix 5 Coding Scheme for Growth Strategies

Level 1	Level 2	Level 3
Organisational growth strategies	OG-Organic growth	– OGS-Growth through NPD
		– OGS-Growth through increase of distribution in existing or new channels
		– OGS-Growth through increase of marketing & PR
		– OGS-Growth through export or geographical expansion
		– OGS-Growth through increase of customer base
		– OGS-Growth through consulting or other new business activities
		– OGS-Growth through production of private labels
		– OGS-Growth through increase of production
		– OGS-Growth through improvement of product quality and other characteristics
		– OGS-Growth through cost reduction
		– OGS-Growth through attracting large investments
Impact scaling strategies	OG-Strategic alliances and partnerships	
	OG-Franchising	
	OG-Licensing	
	OG-Acquisitions and sell-outs	– OGS-Growth through acquisition
		– OGS-Growth through merger or sale
		– OGS-Closing or reconfiguring the business by selling off some of its parts
	IS-Dissemination and open-source change-making	
	IS-Branching and replication	
	IS-Affiliation and smart networks	– ISS-Scaling up through partnerships with NGOs
		– ISS-Scaling up through partnerships with like-minded organisations
		– ISS-Scaling up through close relationship with community
	IS-Lobbying and advocacy	

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