

Growth in social and commercial enterprises – a comparative mixed method study

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Our aim: to explore differences between social and commercial enterprise growth

We got interested, for the social enterprise growth research is still work in progress. Could theories and concepts from firm growth literature be applied to advance it?

First step is to identify the differences and similarities:

- The distinctiveness of social enterprise growth is strongly related with **their social mission as driver of growth** and social value creation as its output (Austin et al., 2006; Dees et al., 2004; Santos, 2012; Zahra et al., 2008).
- Firm growth research **has not dealt with growth motivations** that much, but seems to assume that an idea of optimal volume and aim of profit-maximation pushes firms to grow (Davidsson et al., 2009; Delmar and Wiklund, 2008; O'Farrell & Hitchens, 1988; Wright & Stigliani, 2012).

=> RESEARCH QUESTIONS

RQ 1: Are there differences in commercial and social enterprises' growth aspirations and growth trajectories?

RQ 2: What drives and motivates growth in social enterprises?

Theoretical starting points

Variation in small firms' growth paths can be traced back to **differences in individual owner / manager's growth aspirations, entrepreneurial and managerial capabilities** or operational environment (Davidsson et al., 2010; Gilbert et al., 2006; Penrose, 1959; Wiklund et al., 2009).

Therefore, when investigating those differences, the focus should be placed on **growth motivation and goals of growth**. Analyzed with help of value creation and capture, which are reflected on evaluating growth opportunities. (Austin et al., 2006; Haynie et al., 2009; Santos, 2012, Zahra et al., 2008.)

Two things got us thinking the (hidden) assumptions of the research streams:

- All types of entrepreneurs are known to have other than purely financial motivation (Delmar et al., 2003; Douglas and Shepherd, 2000; Zahra and Wright, 2016).
- Growth can run counter to entrepreneurs' original motivation and cause to refrain. Tensions recognized both in small enterprise and social enterprise literature. (Austin et al., 2006; Battilana and Lee, 2014; Wiklund et al., 2009; Wiklund and Shepherd, 2003.)

Quantitative research design

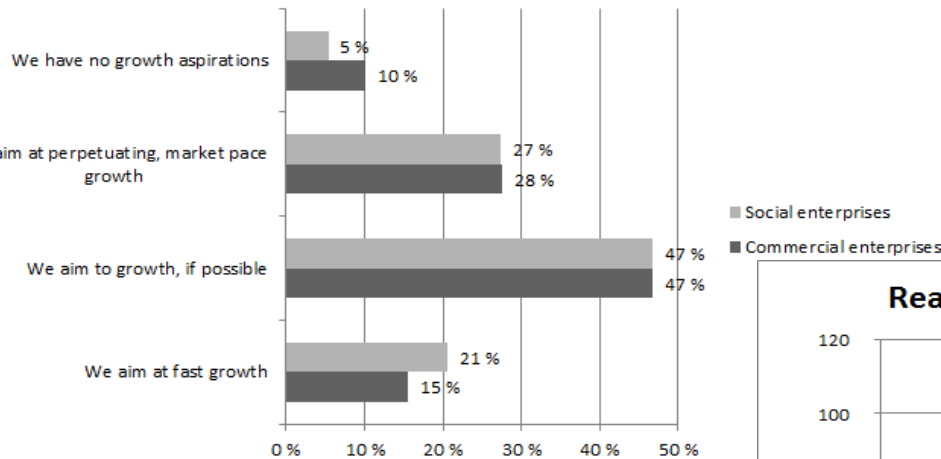
- Data from altogether 4 500 Finnish enterprises was collected by Internet survey in 2015 (ETLA, The Research Institute of Finnish Economy)
- Circa 8,5% (more than 400) identified themselves as social enterprises by answering to a question "Does your company use most of its profits to enhance some social mission?"
- The results of survey were combined with a balanced panel of more than 200 social enterprises. Their financial information was gathered and analyzed within years 2003-2014 to trace back their past growth and to compare it with that of commercial enterprises.

Finding: Growth aspiration is not realized into actual growth in SEs

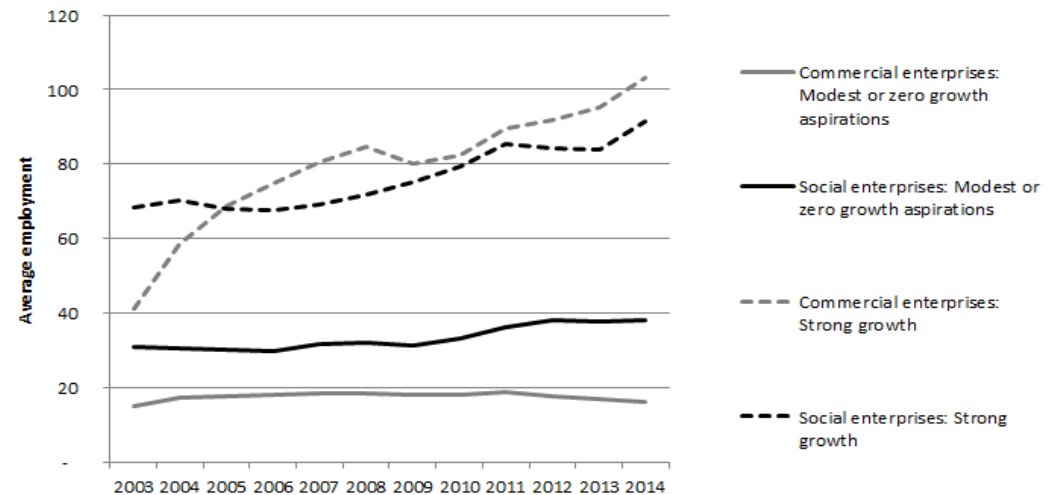
Social enterprises are more growth oriented: 11% from the CEs and 17% of the SEs expected their turnover to rise 50% or more in the following three years.

However, their past growth path was more gradual.

Which of the following describes your company's situation the most?



Realized growth (employment) and growth aspirations



=> RQ 3: Which factors hinder social enterprise growth?

Qualitative research design

Multiple case study of seven growth oriented. Criteria used for sampling:

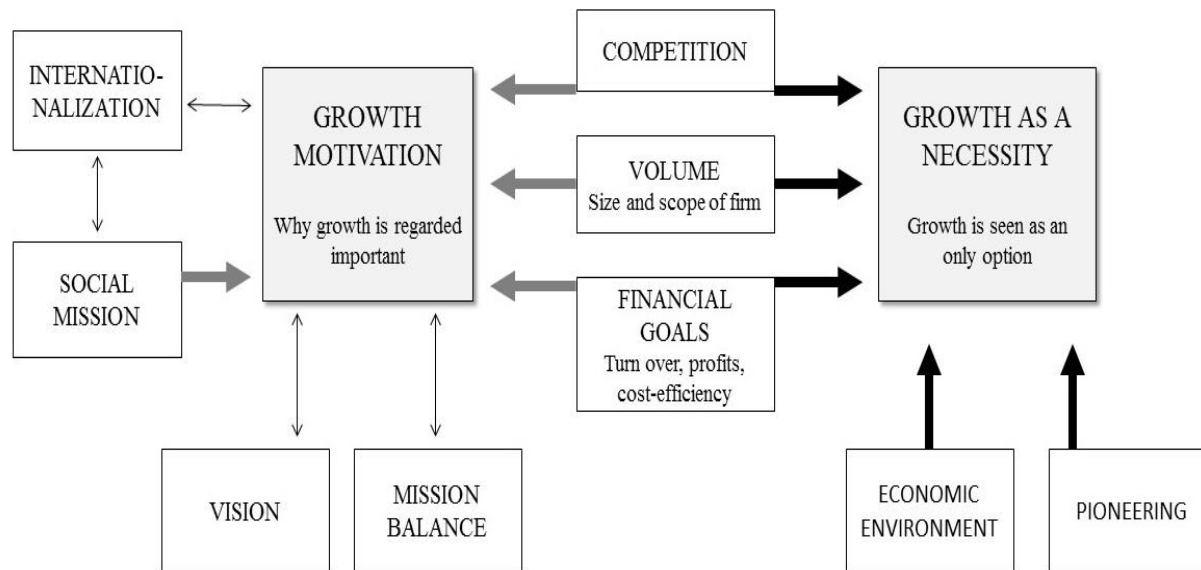
1) Recognized social enterprise by the Finnish SEM, 2) growth oriented, 3) heterogeneity

Company and industry	Age	Size	Owners	Social mission	Data
Case A (Ltd.) Transcriptions, DFA consulting	5-9 yrs	Small	NGO	WISE, employ visually impaired people	2 interviews of the CEO (the other secondary int.)
Case B (Ltd.) Business model for care homes	5-9 yrs	Small	Private	Promote local entrepreneurship, high quality care services	1 interview of the CEO /owner and growth plan in text format
Case C (Ltd.) ICT provider and consultant	0-4 yrs	Micro	Private	Effective re-use	1 interview of the CEO/owner and 1 secondary int. w/ 2 owners
Case D (Co-op) Domiciliary services	10-14 yrs	Small	Private	Care services, personal assistance for disabled	1 interview of the CEO/owner
Case E (Ltd.) ICT solution	0-4 yrs	Micro	Private	Rapid access to mental health services	1 interview of the CEO/owner
Case F (Found) Multi-industrial	10-14 yrs	Middle-sized	NGOs and municip.	WISE, employ disabled and long term unemployed	1 interview of the CEO
Case G (Ltd.) Construction contracting	15- yrs	Middle-sized	NGOs	Social housing for vulnerable groups	1 interview of the CEO

Finding: social mission is not as strongly reflected into first stages of growth as suggested

- For 5/7 case companies, **social mission is not the sole nor even the most pressing driver of growth**. Growth is seen as a necessity for survival and having an intrinsic value - as in small firm context, in general (Delmar and Wiklund, 2008; Carsrud and Brännback, 2011; Davidsson et al., 2010).

Factors driving or forcing growth



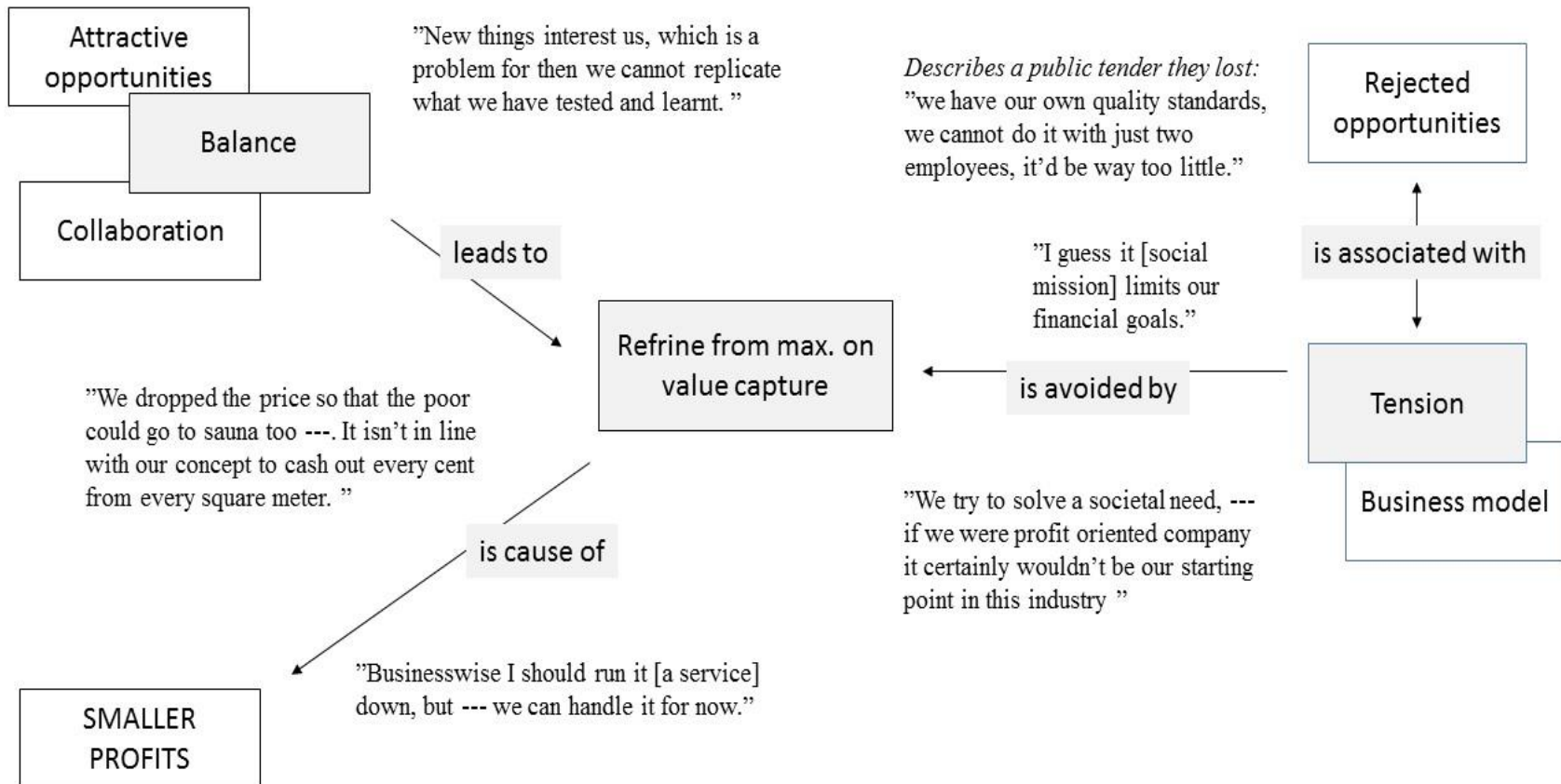
Goals of growth

The social enterprises are poor at setting concrete social goals for their growth. Should we be worried about it?

Case	Size and scope of the firm	Financial goals	Development goals	Social goals
Case A	Doubling the staff		One of the leading experts on design for all -services	Increasing the number of staff supposedly equals with increasing beneficiaries
Case B	Internationalization, number of new units	Turnover, profit level	New service model	Number of beneficiaries, developing more cost efficient service models
Case C	Number of recycling centers as customers			
Case D	Growth of existing units	Turn over	Service development	Service development in cooperation with partners
Case E	Number of clients and coverage of the service, internationalization	Timeline for reaching break-even point	International pilots, more comprehensive service	Broader service coverage means more beneficiaries reached
Case F	Founding of a new company, expanding the franchising chain		Taking over certain currently outsourced functions	
Case G	Number of houses and staff, volume of service business	Turnover		

Finding: Most have refrained from an opportunity to maximize on value capture within firm.

Reasons for and causes of refusing to maximize on value capture



Synthesis

In terms of drivers and goals of growth, the differences between social and commercial enterprise growth does not appear as big as suggested.

Social enterprise owners and/or managers are more ambitious in their growth aspirations in comparison to commercial entrepreneurs. Yet social ventures' growth path is more gradual. The reasons include:

- social mission sets limits on attractive and plausible growth opportunities and leads the entrepreneurs to refuse financially lucrative opportunities, and
- social enterprises experience more difficulties in getting finance.

Remaining questions:

- Does social entrepreneurs inability to define social goals for their growth jeopardize the balance of their dual mission while facing the requirements of growth?
- Are their entrepreneurial and managerial capabilities weaker?



**THANK YOU!
KIITOS!**

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