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Hybrid Organizing: Social Ventures and Barriers to Growth

Introduction

In recent years there has been an increase in academic attention on the barriers to growth for small and medium sized enterprises (SMEs) (Acs, Audretsch, Braunerhjelm and Carlsson, 2012; Coad and Guenther, 2014; Storey, 1994). This increase in focus has been driven by the universal realisation of the importance of growing SMEs in stabilising economies worldwide (Alvarez & Barney 2014; Bruton et al. 2013; Carter and Jones-Evans, 2006). To date however the dominant view of barriers to growth views growth in purely economic terms: to gain a bigger market share, to improve competitiveness, to increase profit margins, to provide employment etc. However this view has begun to be challenged by the likes of Doern (2009), Parry (2010) and Wiklund, Davidson and Delmar (2003) who find a myriad of motivations for both starting and growing SMEs which are not motivated by economic concerns.

One area of entrepreneurial research where this is especially apparent is in hybrid organisations such as social ventures. As social ventures are explicitly motivated by both economic and social or environmental goals their motivation and therefore barriers to growth will cast needed light on the non-economic concerns for growing SMEs. They raise a fundamental question regarding: what is the motivation for social ventures to grow? On the one hand, social ventures are set up to advance a certain social or environmental goals and, therefore, their motivation for growth can be described as a hope to increase their positive social and environmental impacts. On the other hand, social ventures 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 economic growth. The aim of the paper is to investigate the barriers to growth faced by social ventures in this complex multi-objective state. The literature review considers the barriers to growth encountered by SMEs generally but then investigates the distinctive characteristics of hybrid organizations and what this can tell us about the barriers to growth for non-economic purposes, which have been under-explored in the extant literature.

The study is guided by the questions:

(a) *What motivates growth intentions in hybrid organizations?*

(b) *What are the barriers that hinder the growth of hybrid organizations, and how do founders respond to them?*

The paper thus makes major contributions to both SME barriers to growth literature and hybrid organisation literature. Both of which are explored in the next section.

Barriers to Growth in Small and Medium Sized Enterprises

There has been an increasing interested in the study of barriers to growth in small and medium sized ventures (SMEs) due to the importance of these organisations in sustaining economic and social development (e.g. Lee and Cowling, 2012; Storey 1994; Obeng, Robson and Haugh, 2012). Multiple perspectives have been explored in the search for why some ventures experience rapid growth whereas others languish and remain small for decades. These perspectives range from Storey's (1994) determinants of growth model and Felsenstein and Swartz (1993) life cycle approach which focus on practice based models for identifying impediments to growth, to more theoretically grounded approaches utilising resource based theories such as Penrose (1959) and Davidsson and Wiklund (1999), onto strategic management based approaches investigating opportunity identification and exploitation (Morrison Breen and Ali, 2003; Parker, Storey and van Witteloostuijn, 2010). Through this array of approaches a complex pattern of barriers emerge which constrain potential growth in SMEs. These can be summarised under the broad headings of barriers related to the entrepreneur, the strategic orientation of the venture, access to resources, and the institutional environment.

First and foremost are issue related to the entrepreneur themselves. Simple demographic factors such as age, race, gender and education levels have all been found to influence relative levels of performance in SMEs. The evidence supports the proposition that young, female minorities with low levels of education are less likely to grow their firms (Brown et al., 2005; Mead and Liedholm, 1998; Shelton 2010). This could be boiled down to conscious or unconscious bias inherent in institutional systems which discriminate against each of these characteristics in the pursuit of other resources needed for growth. However beyond these factors issues such as skill deficits (Felsenstein and Schawatz (1993), learned entrepreneurial experience (Jovanovic 1982; Parker, 2004), and personality traits such as opportunity recognition and entrepreneurial mind-set, where leaders promote innovation and creativity (Ireland 2003) are all closely related to SME growth capabilities. In a rare example of an interpretivist study on barriers to growth Parry (2010) explores how the self-identity of the entrepreneur (in that case an artisan identity) forms a dominant barrier to the management style, practices and business administration competence of the venture. The entrepreneurs' identity as an artisan is juxtaposed with the business activities of the venture. Overall therefore we see an increasing realization that above the individual characteristics of the entrepreneur, their motivation for starting a business, decision-making and external environment intertwine with personal characteristics in predicting venture growth capabilities.

The strategic orientation of the venture is the second dominant field of research. The biggest driver of growth potential is obviously whether there was ever even and intention to grow a venture from the outset (Edelman, Brush, Manolova and Greene, 2010; Wiklund, Davisson and Delmar 2003). Entrepreneurs who set up a business because there are few other employment options are far less likely to grow than those with higher aspirations (Autio, 2008; Coad and Tamvada 2012). Similarly those with an intention of internationalising their business (Clerides et al., 1998), or taking advantage of new technology (Coad and Tamvada, 2012) are likely to grow more quickly. These intentions directly link to the types of investments entrepreneurs make in growth strategies. The proportional investment in research and development, innovation and supporting creativity have therefore been identified as key markers of growth potential (Acs, Audretsch, Braunerhjelm and Carlsson, 2012; Coad and Guenther, 2014). However the number of ventures which make these investments in growth may actually be quite limited. As reported by Lee (2014) half of all new UK jobs were created by only 7% of businesses and these business are those which have the greatest intention to grow. Morrison et al. (2003) takes owner-manager intentions in a different direction by exploring how the aforementioned personality and demographic constraints limit growth intentions from the outset – rather than the opportunity to grow in and of itself. The types of organisations different groups in society set up can therefore be substantially different, with predictably different intentions regarding growth. Edelman et al. (2010) for instance find minority entrepreneurs more interested in setting up ventures for self and family employment rather than with large growth intentions. However these intentions and demographics also feed into the intention, ability and opportunity to grow based on their influence on potential access to vital growth related resources.

The third group of barriers to growth are related to the relative capability to acquire resources. Penrose (1959) was the first to identify the importance of resources on a firm's growth potential. Resources are often categorised in to physical, financial and human capital, the combination of which has been repeatedly shown to explain differential performance by firms of all sizes (Aldrich & Martinez, 2001; Drakopoulou Dodd et al., 2006; Ireland et al., 2003). The importance of network capital has also come into prominence in recent years in the entrepreneurship field (Jack & Anderson, 2002; Spence & Schmidpeter, 2003) due to the comparative importance entrepreneurs' networks have in providing access to needed resources such as information, finance, labour and technical capabilities (Aldrich et al., 1991; Cooper et al., 1995). However factors ranging from firm size (bigger is better - Almus, 2002; Biesebroek 2005), ownership structure (non-family ownership – Robson and Obeng, 2008; Sirmon and Hitt, 2003), location (urban ventures, Davidsson et al., 2002 and those with more specialist premises Felsenstein and Schawatz 1993; Lee 2014) and better infrastructure (Robson and Obeng 2008) have all been proven to statistically impact upon a venture growth rates. Lee (2014) summarises the six main resource constraints for rapidly growing firms as recruitment problems, skill shortages, obtaining finance, cash flow, management skills and finding premises. Of these, financial capital constraints have been repeatedly described as the hardest to overcome in both post-industrial and developing economies (Moy and Luk, 2003; Orser et al. 2000; Tagoe et al 2005). SMEs are therefore often reliant on self-funding (Leff 1979), informal funding via friends and family (Allen et al 2006) or are reliant on short-term bank funding (Freel, 2000). Ironically it is the most innovative firms that should be the fastest growing that have the greatest problems accessing credit (Freel, 2000). However there is a section of the field which considers a lack of manager competence, or lack of information around financing, may be a more major obstacle rather than the actual availability of credit itself (Doern, 2009; Orser et al., 2000). It is therefore at a macro-institutional level that failures in education and training may be prominent in interpreting cross-national or regional disparity in venture growth rates.

The final group of barriers relate to macro-institutional factors which impede growth at a regional or national level. Aidis (2005) excellently summarises the macro-barriers into four categories of Formal barriers such as laws, regulation and taxes; Informal barriers such as corruption and unfair competition; Environmental barriers such as lack of finance and purchasing power and Skill barriers in human resourcing; the latter two of which we have also seen at a micro-level in the resources section. What is interesting about Aidis study is that entrepreneurs that feel strongly affected by any one of these barriers are often strongly affected by all of them. For our study these factors are of less significance as they operate at a regional or country level of analysis, whereas we are interested in the organisational level of analysis. However we have included them to provide and exhaustive review.

There is however a glaring omission in much of the work on barriers to growth. Wiklund, Davidson and Delmar (2003) raise the issue that there is an automatic assumption in entrepreneurship literature that economic motives are the most prominent in driving entrepreneurs to both set up and grow their ventures. However they posit that economic return is only one amongst many motivations for entrepreneurs and that this is not sufficiently explored in the extant literature. Edelman et al. (2010) similarly found economic concerns were only a partial explanation for their entrepreneurs' growth motivation and Doern (2009) calls for more research into motivations for venture formation and growth. Coad and Guenther (2014) progress this further to show that even high growth businesses can show different outcomes of growth dependent on what measure is being used to attest to growth (profit, revenue, employees etc.) making cross sectional inter-venture barriers to growth comparisons less insightful than longitudinal intra-venture barriers to growth comparisons. McKelvie and Wiklund (2010) therefore suggest we need to move beyond looking at the quantitative study of *how much* firms grow, but qualitatively at *how* they grow to better understand barriers to growth in SMEs.

Doern (2009) in particular provides a robust critique of the barriers to growth literature, citing amongst other issues an over-reliance on functionalist quantitative approaches with dubious assumption such as: that all firms wish to grow; definitional issues around what barriers actually are; and a lack of nuanced interpretation of the inter-relationship between identified barriers. Most prevalent in Doern's (2009) critique however is the lack of exploration of why growth barriers are perceived to exist by entrepreneurs. Current literature is dominated by trying to predict which factors limit economic growth rather than trying to understand how entrepreneurs perceive, experience and overcome barriers to growth. It has long been known across management studies that managers and owners are not purely economic agents. There are sociological and psychological motivations for starting a business which have largely been side-lined in current studies. The Parry (2010) study discussed above is a prime example of the importance of understanding entrepreneurs' motivation in forming a business. In that paper, the artisan has a dual motive for beginning a venture: to be an artist and to provide employment. This motivation drives all future decisions. The fact that there is a myriad of potential motivations for commencing the venture makes understanding the influence of these motivations on perceived barriers to growth a vitally important missing link in the extant literature (Wiklund, Davidson and Delmar 2003).

Growth and Hybrid Organisations

In aiming to explore the interplay of competing motivations for creating and growing business ventures, it is beneficial to ground this in a context of ventures with explicit dual or hybrid motivations. The emergence of hybrid organisations as a field of entrepreneurial study (see Battilana and Lee, 2014; Doherty, Haugh and Lyon, 2014; Moss, Short, Payne, Tyge and Lumpkin, 2011 amongst others) provides an ideal grounding for framing our understanding of the inter-relationship between potentially competing growth motivations.

Hybrid organisations such as social ventures are distinguishable from commercial ventures by their explicit dual or multiple motivations for existence (Costanzo et al., 2014; Dacin et al., 2011, Moss et al., 2011). A social venture is one which combines an economic motive to create business derived income, with an aim of using it to support a social cause or need (Teasdale et al., 2013). Social ventures have therefore emerged through practice, politics and academia as one of the leading approaches for dealing with social change in a range of areas from poverty to environmental degradation (Austin, Stevenson, and Wei-Skillern, 2006; Emerson and Twersky, 1996; Sud, VanSandt and Baugous, 2009). The form, role and behaviours of social ventures are therefore receiving increased attention from a range of social scientists to try and understand more about how they operate and increase their impact on society (Bloom and Dees 2008; Bradach 2003; Dees, Anderson, and Wei-Skillern 2004; Dees, 2007; Wei-Skillern, Austin, Leonard and Stevenson, 2007).

Investigating the barriers to growth in social ventures based on current SME literature sources is difficult due to the lack of consideration of multiple motivations for venture existence. Many of which are explicitly not economic in nature as raised by Doern (2009) and Wiklund, Davidson and Delmar (2003). For instance what are social ventures trying to grow: their social good or their commercial success? Or both? Furthermore there are questions regarding whether growth is a good thing at all for social ventures. Indeed growth strategy decisions are often perceived by external stakeholders as a sell-out of ethical principles and ideals; or "mission drift" from social and/or environmental goals to the focus on commerciality, even if this was not the motivation behind the growth strategy (Battilana et al., 2012; Austin, Stevenson, & Wei-Skillern, 2006). There is also a perception in the literature that hybrid organisations "focus on long-term survival rather than rapid growth" (Lumpkin et al., 2013: 768; see also Hockerts & Wuestenhagen, 2010; Foster & Fine, 2007) although empirical evidence to support this assertion is limited.

The origin of all of these questions though falls on the issue of what is meaningful growth in a hybrid venture? The field of social entrepreneurship demarcates between two types of growth: commercial growth and scaling impact. Typical commercial growth strategies are synonymous with those in commercial entrepreneurs include organic growth (Davidsson, 1989), strategic alliances and partnerships (Gomes-Casseres, 1997), franchising (Combs & Ketchen, 2003), licensing (Fosfuri, 2006), acquisitions (Wiklund and Shepherd, 2009) and sell-outs (Graebner and Eisenhardt, 2004; Katila, Rosenberger, & Eisenhardt, 2008). These strategies manifest in measurable outputs such as increased revenue / profit (Weinezimmer, Nystrom, & Freeman, 1998), employee numbers (Obeng, Robson and Haugh, 2014), new product launches (Coad and Guenther, 2014) etc. synonymous with those used in SME literature. However, the term scaling impact is less well developed and there is significantly less agreement as to what typical impact scaling strategies and KPIs are (Bloom and Smith 2010).

Scaling can be defined as an increase in the social value/impact created by a social venture to "better match the magnitude of the social need or problem it seeks to address" (Dees, 2008, p. 18; see also Bloom and Smith, 2010). Other terms that are sometimes used to refer to this same manifestation of growth are "diffusion" and "spreading social innovations" (Dees, Anderson, & Wei-Skillern, 2004). Scaling impact is theorised to be a critical growth factor for social ventures because “the ultimate goal of social entrepreneurs is social change” (Lumpkin et al., 2013: 769). However strategies for achieving social impact are less well explored in academic literature (Bloom & Smith, 2010). The existing literature suggests that hybrid organizations scale through pursuing one (or a combination) of: dissemination and open-source change-making, branching and replicating, affiliation and smart networks, and lobbying and advocacy (Bloom and Smith, 2010; Dees, Anderson, & Wei-Skillern, 2004). However, attempts to identify manifestly measureable outcomes of these strategies is in its infancy and existing attempts qualitative in nature (Austin, Stevenson, & Wei-Skillern, 2006; Holt and Lawrence 2015; Neck, Brush & Allen, 2009). As a result, social ventures often operate without a clear idea of the extent of created value, making it incompatible with extant commercial barriers to growth literature.

Furthermore, 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 with an increase in commercial value. Practitioner articles by business service providers such as Rottenberg and Morris (2013) suggest that hybrid organisations that put financial goals first tend to grow and scale impacts faster than those that prioritise social mission. Likewise, Hirzel (2013) suggest that “to grow, social ventures must play by business rules”. But robust generalizable evidence to support these propositions is non-existent. What is clear however is that when pushed for growth by resource providers (partner organisations, funders etc.), many hybrid organisations favour commercial growth strategies because they offer comfort to other actors who are stuck in a particular institutionalised perspective on what meaningful growth is, and how it is measured (Waitzer & Paul, 2011). As artfully summed up by 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.”*

Commercial growth might not be the founders view of the best strategy to grow and particularly to scale social impact (Dees, 2010; VanSandt, Sud, & Marmé, 2009; Bradach, 2010; Waitzer & Paul, 2011). It might instead push them toward a mission drift to “focus on profits to the detriment of the social good” (Battilana et al., 2012: 51). However the sociological and psychological impacts of being a hybrid organisation whilst considering growth provides a wealth of knowledge about the implications of multiple motivations on barriers to growth. The aim of this paper is therefore to explore how perceived barriers to growth manifest in social ventures, how they are affected by the multiple motivations for the ventures existence, and how they can be overcome.

Methodology

Following the suggestions of Doern (2009), Parry (2010) and McKelvie and Wiklund (2010) we explore the nuanced and complex nature of how barriers to growth manifest in SMEs by following an in-depth, exploratory, interpretivist research design (Guba and Lincoln, 1998). We do this by following a multiple case study approach to allow for both rich contextualised data, but also theory building potential (Eisenhardt, 1989; Eisenhardt and Graebner, 2007).

The multiple case study research design consisted of four phases: a pilot phase and the main empirical phase with two waves of data collection (literal replications and theoretical replications), and a follow-up phase toward the end of the analysis / theorizing phase.

The pilot phase consists of an extensive review of publications and media reports on the strategic behaviour of social ventures / enterprises / entrepreneurship. This desk review was complemented by several unstructured telephone conversations with founders of social ventures to better understand the context in which hybrid ventures operate and the major challenges they face while making decisions. As per Yin's (2003) suggestion, an initial pilot case study was also conducted with Lambda: A sustainable food restaurant and social venture (business names are changed to conform to organisational data protection policies).

Telephone interviews were conducted with Lambda's founder and face-to-face interviews with three of Lambda representatives (Founder & CEO, Head of Operations, and Strategic Advisor). These were also triangulated with internal documents (such as a business and strategic plans) 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 searches and the LexisNexis database).

The main data collection phase followed immediately after the pilot phase consisting of 10 further case studies. The primary data collection occurred in two phases: the first comprising three case studies to help preliminary theory building and the second, comprising seven case studies, further refining the theory and theory testing (information on the number of interviews and all 10 companies is available in Table 1).

TABLE 1

Sample and case description

Firm	Founded	# of employees (participants)	Product/ service offered	Excerpts from online mission statement
Alpha	2006	9(3)	Organic and healthy cereals and snacks	"With great food inside us, we feel we can do just about anything, change the nation's eating habits [and] revolutionize farming..."
Beta	2003	3(3)	Organic smoothies	"'Happy fruit' are those that are all natural! As we would like to continue using 'happy fruit' in our smoothies, we protect the environment."

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

The interviews were organized around three general topics: (1) venture's background (motivation to start the venture and key events); (2) business model (main customers, competitors and contribution to society); and (3) growth challenges and opportunities. Interview question such as "Please tell me more about how you set up this venture..." encouraged respondents to engage in storytelling. Storytelling is an essential component of an entrepreneur's toolkit (Martens, Jennings, & Jennings, 2007; Lounsbury & Glynn, 2001) and entrepreneurial narratives "are primarily designed to create as comprehensible an identity as possible for an entrepreneurial firm" (Martens, Jennings, & Jennings, 2007: 1110).

Case Selection

Since the aim of this study is to explore the impacts of competing motivations for growing a venture, rather than a more general study on all barriers to growth, we aimed in the sample selection to produce a relatively homogenous group of cases in relation to macro-institutional and organisational demographic barriers for growth. To define a sample of comparable social ventures for analysis, it was therefore decided to focus on similarly aged and sized organisations, in similar macro-institutional environments within a specific industry. We chose the Western European LOHAS (lifestyle of health and sustainability) industry due to its proliferation of social ventures with obvious commercial practices (business activities being the major income source rather than government grants or donations). Since commercial market data for the LOHAS industry is not available through academic channels, a database of social ventures was compiled manually. The main criteria for including a venture in our database were: (1) related to health or natural lifestyles; (2) founding date in or after 2000 with 20 or less employees; (3) based in Western Europe for comparable institutionalised macro-environments; and (4) explicitly referencing an over-riding social mission on the venture's website.

Using these criteria we defined 57 ventures and contacted them by email. Two weeks after the first email, a follow-up was sent to those that did not reply. One week after we attempted to establish telephone contact with non-respondents. As a result, we established contact with 33 out of 57 identified ventures: 15 declined to participate; eight expressed interest but could not allocate the necessary resources in the timeframe of data collection; and 10 ventures agreed to take part. These 10 ventures shared similar characteristics but were also sufficiently different to enable the logic of literal and theoretical replication common in case study research (Eisenhardt, 1989; Yin, 2003). Four out of 10 firms were sustainable food brands (i.e. literal replications); three ventures operated in food service sector, and the other three were using European food brands to fund projects in low income economies (i.e. theoretical replications). More information on these ventures is included in Table 1.

Data Analysis

Collected data were analysed using qualitative open and coaxial coding approaches. A unit of data was a statement, defined as a sentence or a group of sentences (in written sources) or a speech utterance (in audio recordings), which is distinguished from other statements by a change of topic/subject matter, a pause, or a change in speakers (e.g. Grégoire, Barr, & Shepherd, 2010; Hall & Hofer, 1993). To facilitate data coding and increase its reliability, interview statements and media reports, were parsed into statements prior to coding. The parsing of interview transcripts was verified by listening to interview audio recordings once again. The coding of data in languages other than English was conducted in the original language to minimize the risk of misinterpreting the data.

The collected data were stored within NVivo 10 but manually coded. The first several transcripts iteratively fleshed out a coding scheme for (1) Growth motivations for social ventures, (2) the barriers to growth faced by social ventures and (3) strategies adopted for overcoming the barriers for growth. We 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 new codes and names of codes were informed by the extant literatures. To enhance the reliability of data coding, we revisited the coded data a week after the initial coding. This procedure resulted in only minor modifications, which signals high reliability of initial data coding. A similar approach was then repeated for internal documents, websites and media reports.

Findings

The findings are separated into two section. Section 1 explores the growth motivations of our social ventures to affirm the many and varied interpretations of growth within social venture space. Section 2 explores the perceived barriers to growth experienced by our respondents, and also explores the means by which social ventures can overcome them, focusing particularly on the relationship between their hybrid orientation and barriers to growth

Motivations for growth

As suggested in the literature there can be varied motivations for growth in SMEs and this is certainly the case for social ventures. Growth is not therefore automatically a matter of increasing material wealth, but driven by a number of different motivations. However to start this section it is important to understand the relative intentions to grow as discussed by our participants.

The first clear issue is that all our cases had ambitions to grow to at least some extent in the short term, but more varied views on long term growth.

> *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.... We've got five fermenters out there. If we can be brewing four times a week and supporting our team of six people, that is our end strategy… In terms of time scale, realistically, we are looking to double /*

triple our current sales. I think we've got to be looking at a year's plan, haven't we? I would say, it's easily achievable within 12 months to double the sales. (Delta)

So this year we are forecast to grow by about 48% and we forecast to make more profit and we anticipate at the moment that we will probably double the size of the business, all being well, in the next 18 months… [for] 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. (Alpha)

I think everybody sees the potential for it to grow… Because if I am in business, my mind is set about making money and investing any money that I have to grow the business… and to try and create a brand that will donate £20 million a year to fund humanitarian projects. (Eta)

As shown in these quotes the likes of Delta, a community brewery, can see its way to doubling in the short term, but has no intentions to grow larger than the full utilization of the existing facilities. Conversely Alpha, an organic health food manufacturer and distributer views long-term sales growth as an essential part of their success. Eta tells the alternative governance story because this venture has legal separation between its business entity and its charitable foundation. In this case the hybrid organisational form allows the business side to pursue unrelenting sales growth, but ultimately profits are redistributed to the foundation side of the venture for the social good. These ambitions would be consistent with the variety of growth ambitions within the traditional SME literature from reaching a critical stable size to unrelenting growth ambition. However interpreting what relevant "growth" actually means in a hybrid environment is far more varied than purely economic growth.

But we have to, when we build up the business, we have to have another focus that is more than just monetary-based. (Kappa)

The original kind 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)

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

If we planted only 5 % of all flat roofs in Basel, we can ensure 20 to 40% of the city - supply in the range of fresh vegetables and fish… I mean everywhere in the world is the *same situation and the same solutions are going to be needed… [our solution] is easily reproducible by other cities. (Gamma)*

As these few quotes indicate, perceptions of what meaningful growth is in our social ventures varies from increasing the supplier base, to increasing market share, to having other organisations replicate the business model. This suggestion of growth through replication has been proposed previously by Bloom and Smith (2010) but in our data we see explicit suggestions in four of our cases that they view other organisations replicating their model as a meaningful measure of growth for their own venture. This would be almost unimaginable in the economic orientated view of growth currently depicted in the SME literature. Even organisations such as Beta which is very economically orientated, this view of others replicating their business is seen positively. Similarly turning the focus onto suppliers as important beneficiaries of growth has not been explored in SME literature previously.

In total we find 12 different motivations for why two or more of our ventures consider growth to be important to their ventures (see Table 2). Some of these are driven by exclusively economic rationales but many more are driven by the social or environmental purposes of the venture, and yet more driven by different self-identities and motives of the entrepreneur.

This is slow food. This is a slow food revolution. This is what we want to contribute towards. (Gamma)

The purpose of our business is increasing transparency... like, in what is the CO2 value of a certain product. So if we have more customers communicating increased transparency of their CO2 value, it's like the first step, like, what I would say is an impact already, like, just to... to open it, make it transparent. And then the second step, of course, is reducing CO2 emissions or the second impact. (Kappa)

And having worked on cocoa, so I went in cocoa producing countries, it allowed me to really see what life was in developing countries. So it changed my way of seeing things and so gradually I became increasingly organic, eco-friendly, fair trade. So at one point I worked in biotechnology and that are is opposite, it was very hard for me to think that and to continue working in this sector. So I decided I wanted to change. (Epsilon)

Overall what this represents is a highly complex interpretation of growth within the social venture space, however many of these motivations may also be identified if the SME literature investigated more sociological and psychological growth intentions.

TABLE 2: Explanations of why growth is important.

Why growth is required?	Number of cases

Traditional SME rationales	
Financial stability / profit	7
Self-identity reasons (e.g. personal desire to run a successful business, to show others their level of competence, need for a lifestyle change)	5
Exploit a newly identified opportunity	10
Respond to increasing demand	6
Stay ahead of competitors	5
Provide self-employment	5
New hybrid rationales	
For the longevity of venture	2
To demonstrate sustainable business is possible	2
Increase support for beneficiaries (e.g. suppliers, farmers, societally disadvantaged etc.)	7
Respond to increasing social or environmental challenges	5
To change societal norms (e.g. eating or shopping habits)	5
To be replicated by others	4

As can be seen in Table 2, traditional rationales still pay a large part in our sample. However what is also clear is that no venture had only one motivation for growth. Motivations and what constituted perceived growth was highly complex, with multiple self-determined areas of growth, and multiple measures of success.

Barriers to growth

Since the growth envisioned by the ventures could conform to any of the above suggested forms, limiting barriers to growth to purely economic growth appears fruitless. Therefore we depart from existing literature in the sense that we do not preclude non-economic rationales for growth. However we still find the barriers to growth for many of our ventures conform to similar areas to the SMEs, although the relative importance of the hybrid organisation within the cases does throw up some unique manifestations. We simplify this section by investigating the constraints around Financial, Human and Network Capital, but within these terms group both individual and organisational level constraints. We also demonstrate mechanisms used by our ventures to overcome limitations.

Financial Capital

Starting with the most common barrier to growth identified in the literature; access to financing, we explore the variety of barriers endemic in these social ventures.

> *We are making decisions about cash every single day about how to manage our growth because you can be growing very strongly and collapse through the lack of cash. So operationally it's the biggest issue. (Alpha)*

As with other SMEs our social ventures struggle with cashflow and raising finance, but in a very different way to SMEs. In the SME literature it is a blanket lack of access to financial capital which is problematic. However for our social ventures this is not the case. Start-up capital is freely available. Of our 10 cases, five were able to appropriate start-up grants or awards from social enterprise foundations. Eight were able to combine the personal wealth of multiple founding entrepreneurs and three gained capital from friends or community loans (see Table 3). Ultimately what we find is that all 10 had a relatively easy birth with plenty of start-up capital.

TABLE 3: Start-up and growth financing sources (percentages approximated from cash terms suggested in interviews)

Venture	Start-up finance	Growth Finance
Alpha	Founders (80%) Friends / family (20%)	New Partners (50%) Venture Capital (50%)
Beta	Community Loans (100%)	Business Partner investment
Gamma	Founders (50%) SE Foundation Grant (47%) Crowdfunding (3%)	SE Competitions (60%) Founders (40%)
Delta	Founders (50%) SE Foundation Grant (50%)	Community Loans
Epsilon	Founder (90%) Social Innovation Prize (10%)	Small Bank Loan
Zeta	Founders (50%) Silent Partner (50%)	Failed Crowdfunding
Eta	Founders (100%)	Bank Loan
Theta	Founders (100%)	No access to growth finance
Iota	Social Finance (100%)	Co-op finance (50%) SE foundation award (25%) Bank Loan (15%) SE foundation grant (10%)
Kappa	SE Fellowship and Award (100%)	Eco-Business Angel (50%) SE Foundation Grant (35%) Bank Loan (15%)

It is particularly interesting to note that even though Founders self-funding was the major source of start-up capital (as it would be in SMEs) ~35% of funding across the cases originates from either Social Enterprise Foundation grants or awards, which would simply not be available for SMEs.

> *I was aware of this grant, and I did qualify for the European grant, and we got 50% of our capital. Total project cost was about £230,000. We got £115,000 through the grant. (Delta)*

> *In order to build and test a prototype [we] tried a crowdfunding platform to bring in 15,000 Swiss francs to meet within three months … The Christoph Merian Foundation*

and the Canton of Basel City supported the project with an investment grant of 250,000 francs. (Gamma)

We won a fellowship in January, we applied for the grant here at the Hub. We applied for the Prix NATURE, where we made second place. And also we won the Social Entrepreneurship Award…[We gained] about [€]300-400k of initial seed funding and we think we can get more money from eco-friendly business angels, from credits of banks and more from foundations. (Kappa)

These are not insubstantial sums that the ventures can gain. Furthermore for a number of the social ventures they have won fellowships or awards which are fundamentally free money, as they do not need to be repaid in either share capital or as a loan.

Where capital becomes a bigger issue is in growth phases. All of our cases found that start-up capital was easier to accrue, but growth capital came with considerably more burden related directly to the hybrid nature of the ventures. This hybridity related barrier to finance can be split into two areas. (1) Problems with gaining growth capital is hampered in eight cases by entrepreneurs' personal ethics regarding traditional financing:

I am anti- bank. I cannot stand what the banks do, it's not fair what they do. This is not correct. I've stopped all my loans. I said, no, no , it's over , I do not want to have money in the bank. So I have everything, everything closed … The only debt I have here remains 8,000 euro to be paid. So it's really nothing (Epsilon)

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

If there is investment that comes in, the investors would want a share of the business. And... 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 [their] return in three years – probably they are not the right people for us. If they are high-net worth philanthropist who are interested in accelerating charitable giving through a different kind of model? Then they are probably the right people for us. (Eta)

In fact only five of our cases attempted to gain traditional finance because of this which speaks volumes. However (2) those that did chase traditional finance found the funders unable to appreciate the less economic views founders had regarding growth ambition and intentions.

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

If we go to ask for [money] from a venture capitalist, then they will not take us seriously, they will laugh at us. So that's the problem. (Beta)

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

Overall traditional finance becomes a problem in growth phases because of either personal ethics, or the very nature of the dual missions of a social venture excludes them from the financiers' traditional means of risk assessing finance. However, social ventures have solutions to these problem. If we refer back to table 3, the growth column shows the wide array of funding mechanisms available in the social venture space. Other than Theta and Zeta who appear to have failed to gain growth finance, the other eight have successfully raised finance (even if less then they required in some cases). We find Social Enterprise Foundations again stepping in with grants and awards, Eco or Social Business Angels stepping in with capital investment and new business partners providing valuable capital. Community loans and crowdfunding also are options available to social ventures as members of the public buy-in to the values of the venture to help fund it.

Local people have also supported this vision with around 30 private investors providing £80,000 in community investment for the expansion… We did our business pitch. We did that on a Thursday evening with nibbles and beer. By Tuesday the following week I had offers of £60,000. And those offers went on and we raised about £80,000 in a community loan scheme that was purely an agreement between ourselves and those individuals. (Delta)

So in total for the last ten months now we've raised about 180 thousand... half of the money came through sources like competitions, WWF, then Venture Kick I and II, and then sponsorships, etc. (Gamma)

Next, we went to a network... with whom we put in place an equity loan - it is a loan system with a grace period, paid at 2% to Euro 25,000 and a guarantee for a bank loan. With this guarantee, we also lifted 75,000 Euro at a financial company - a cooperative society, which is very sensitive to our values, fair trade etc.. And after that we also succeeded in mobilizing a grant from the European social fund for 20,000 Euros, the Departmental Integration Fund for 10,000 Euro, and corporate support for almost 60,000 Euro. (Iota)

As can be seen here the nature of being an explicitly socially or environmentally orientated organisation can open doors to finance which would be unobtainable by SMEs. So although traditional finance is both ethically and practically difficult, options are available for funding with a conscience. This hybrid benefit also is reflected in human capital barriers to growth as well.

Human capital

Within the SME barriers to growth literature human capital is viewed from both an individual entrepreneurial perspective as well as an organisational one in terms of recruitment and skills availability. Our data talks to both of these areas in surprisingly different ways to the SME literature.

The first issue to address is the idea of the entrepreneur. Within our social ventures only one was the result of a single entrepreneur (Epsilon). The other nine (and even the pilot) were all set up by groups of founders. Even Epsilon had two non-employees who provided skill based assistance. This has a number of benefits, which when added to the other measures for overcoming barriers can prove substantial. More founders provides more self-financing, more skills, more social capital and more workflow hours. Another consistent finding is that these teams formed the ventures gradually in their spare time and slowly transitioned from (usually) employment to self-employment. This gave personal financial security to founders until the venture was through its nascent stage. A final universal was that all 10 ventures were founded by people who had graduated from university. Obviously from this small sample we cannot draw too many generalizable conclusions from these trends, but all of these commonalities were outside the sampling frame. They also do conform to the author's interaction with other European social ventures in the past, i.e. most are set up by teams of graduates with employment experience.

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

> *My background is in advertising and marketing. And for around the first part of my life I was working with a lot of brands, such as... beer brands, car brands, finance brands and things like that. (Eta)*

> *I have a business background. Related to consumer-side of food, marketing, branding of food but also food equipment, food retail, food service industry – so all this coming back again to food in a way, you know, industrial and commercial food and equipment. Then this is Ernie, he is chef in Geneva, he has his own cooking school. He is an architect by training… so he likes to see, you know, new green architectural stuff, so he is just on board for all kinds of, you know, help, brainstorm and stuff. But he has his own business. And so has Alexandra: she is also a business person. She is a business consultant in a major bank. And she would like to get into this area of sustainability*

and that's why she was helping us out in a lot of questions of the business plan... on business planning mostly... strategy development. She came on-board with that. And this is Andreas. This was maybe a bit of a turning event for us. Initially Andreas joined the group as a co-founder. And he has a 20-years business experience, career with Swiss Re and other multinationals. He was their Chief Sustainability Officer at Swiss Re. He did all major internal sustainability programmes for Swiss Re. (Gamma)

Many of these Social Entrepreneurs are carrying substantial educational and experiential capital. Ages vary from founders in their late 20's to mid-60's but all are well educated, are relatively wealthy and have already had success in previous careers. Indeed they fail to conform to the Jovanovic (1982) view of serial entrepreneurs learning from their mistakes. They are more likely to be idealists who have grown tired of their previous corporate lives and are in search of greater meaning in their lives. They may lack the experiential learnings from past-failures, but they can impose their vast business experience, social capital and intellectual capabilities on to the problems they face.

This level of experience is also reflected in the employees the 5 ventures who had non-partner employees could attract.

Yeah, we have a team… He was with Richard Branson, his guy for 19 years, so he'd worked on the Virgin brands all over the world. And he left Virgin to come here about 18 months ago. So his expertise is in, you know, positioning the brand to consumers… We now have a private equity person who is actually our Finance Director. (Eta)

I was at Price Waterhouse Coopers for four years where I trained as a chartered accountant there and then I decided that I didn't want to do auditing anymore … I went and did a ski season in the mountains. And then I was basically on a career break, sort of sabbatical from PWC, I was going to go back there and go to a different division. And once I was out there, Nick who is his godson used to work for me at PWC and Nick called me and it was all quite random really… and a Swiss lady came to work for us who was, an agronomist, a trained agronomist and wanted to work in an ethical business, so she came to work for us, in effect our first employee, apart from the founders who were not taking anything out of the business at that time. (Alpha)

Experienced, professional and highly educated appears to be a universal trend in founders and employees. However human capital is not a complete bed of roses for the entrepreneurs either. Problems with employee turnover and low wages were a recurring theme in many of the cases:

I came from an organisation which had like 3% staff turnover which was very low. I mean in that industry it was 50% per annum. And we are probably... we are probably in like, I don't know, 30% staff turnover per annum which I hate because as soon as *you get somebody in a small team – you know, we are about 18 people – you know, you really feel that, when somebody goes. (Eta)*

So all of these people have been doing this work without asking for shares, you know, or without a significant finance. I mean, Christian, he gets his stipend, but really what he likes is the association with us and, you know, being part of something very exciting.(Gamma)

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

So although these social ventures were able to attract a healthy volume of experienced and well educated employees; which their SME counterparts struggle with, they do have substantial problems with retaining people. This is a problem exacerbated in social ventures because profits are often reinvested into helping beneficiaries (producers, the impoverished, and the disenfranchised) rather than paying bonuses and high wages. One thing these groups of well-educated and experienced people bring however is good network capital.

Network Capital

Social capital is the potential value embedded within relationships and networks and has previously been shown to be highly important in commercial growth in SMEs (Jack & Anderson, 2002), the development of CSR in SMEs (Spence & Schmidpeter, 2003), and in fair trade social ventures (Davies and Ryals, 2010). As such we don't intend on a full exploration of its importance in social ventures. However we will explore the interplay between the hybrid nature of the ventures and the affect this has on network management and development.

In answering questions on the barriers to growth for their social ventures every case mentioned business networks in the top three, usually above human capital and sometimes even above financial capital. Their issues related primarily around the three main groups of organisations they work with: suppliers, retail and distribution, and customers. We will therefore deal with each group in turn. Note to Helen: there was also plenty of data on working with NGOs and other "competing" social ventures – but neither said much interesting and the paper was getting very long – I have sections written but cut them out.

Suppliers

Social ventures growth ambitions were often blocked by problems gaining consistent supply. With social ventures aiming to assist disenfranchised, poverty stricken or economically excluded communities, there was often an issue with gaining consistent supply of quality products.

We use a general contract with a farmers union but we have no exclusivity… We would

> *like to have this possibility but it's not possible. So every year we are in a challenge with other competitors to purchasing coffee, because the farmers are not obliged to deliver to our cooperative. They can also sell their coffee to other people. And we have to convince the cooperative, then the farmers union to give us the coffee from the certified farmers… We can only operate this way: farmers – cooperative – farmers union – then to us. (Theta)*

> *In six years in the sector with which we work in Venezuela, it has a turnover of 40 tons of cocoa, which is peanuts, which is a sip of water. So yes, the mechanisms in place are virtuous, they are good, but that was the debates when Max Havelaar went to supermarkets, it means well, that's great stuff, but without volume there is no impact. (Iota)*

This affects their ability to fulfil distribution commitments, thus destroying their relationship with distributers and retailers. Theta in particular went into a long and extensive discussion of the problems in their supply chain. There was a substantial critique of the Bill Gates Foundation allegedly enforcing a moratorium on washed coffee to be shipped only to the USA as part of the provision of coffee washing stations. There was critiques of predatory buying practices by major brands and retailers and a further critique of governments and farmer unions manipulating available supply. The major issue for social ventures here is that they build their brand recognition for particular purchasing practices – organic certified, fair trade, providential (e.g. point of origin). Unlike a conventional business they cannot simply look for a new supplier if supply is low because they are linking their brand identity to that of a certain group of suppliers. Supplier switching is a major upheaval and not something any small venture can take lightly.

The social ventures more interested in changing social norms or demonstrating alternative modes of business had different supplier problems. Fundamentally, because these organisations are trying to change societal norms, the supply chain simply does not exist in sufficient quality or quantity to provide suitable supply.

> *There is hardly anything in Europe that caters for this type of production. I mean most of it is America when it comes to systems. We have to source everything and design everything from scratch. So in order for this to become more widespread, you have to actually look smaller and think of this as a concept for growing and being accepted by other industries within our sector. So whether the manufacturers, the people who design different growth systems, these are all businesses that are going to have to come up before others. I think there is a supply chain that needs to be created. Yes, I think that it's true but it is already almost there. You need a system that is kind of integrated. (Gamma)*

> *This is one of the hardest things that we do is to continue to maintain or to find and then to nurture and work with producers, co-packers who understand our ethos and can meet our requirements, either from the certification point of view or from the quality and provenance and recipe point of view. (Alpha)*

As social ventures can often be dealing in radical or disruptive innovation, structures and systems for operating are often in flux. This certainly would also be the case for high tech SMEs but for the vast majority of SMEs this is far less likely to be a problem. As suggested above the means of dealing with this fall on the enterprise to either in house develop, or work with competitors to develop the structures needed in the sector for it to succeed.

Retail and Distribution

Since most of our cases ultimately deal in the sale of consumer products in Europe to fund their impact activities, a major issue becomes reaching the end customer.

> *Strategically the biggest issue is distribution, goals and achievements and plans and within that, given that the world is dominated by supermarkets, (Alpha)*

As Alpha suggest distribution can be a major barrier to growth for most of our cases. Distribution can be a closed shop when a social ventures message doesn't resonate with the buyer's performance indicators.

> *Distribution is the big thing. So it is how do you convince Tescos to put our water on their shelves without paying a lot of money to do it? And that's really becomes quite a complicated matrix to pull together. So on the one hand, what retailers want - it's very simple what they want – they want a product that gives them a really high margin and they want a product that sells a lot. So they are only really interested in two metrics which is rate of sale and margin. And they will take a decision based on: here are 100 water brands that come to talk to me, can I either make more money out of one that has a low margin but very high rate of sale or one that has very high margin but low rate of sale. And we are in between those two metrics. (Eta)*

> *And we see, [retailers] do not introduce our products. According taste testing it is a better drinks. They tasted it but they do not introduce them. For us it is difficult to understand. You have to fight, you have to fight, but above all keep the cost financially. So is the difficulty we have. We know we have a very good product but you cannot entered the market that easily...Companies , multinationals , they have an unbelievable strategy because they put themselves in a monopoly position. For example, if we want takeaway customers we cannot, because they have maybe 200 or 300 restaurants that all receive a fridge from Coca –Cola, and there you have the right to drink Coca-Cola drinks or 10% -15% of other beverages. So it is impossible to enter certain sales channels ... it 's really, it's really hard. (Zeta)*

Eta discussed retailers at great length and in particular retold a story in which they were asked to pay £1.5million ($2.4m/€2.1m) as a listing fee for one UK supermarket. That would be £1.5million they could not use to provide water aid in Africa. Even going to smaller retailers is also a problem for them:

> *As a rule, no, we don't [sell through independent retailers]. We are starting to look more closely at it. The reason for that is: if you are working with a big retailer like Tesco or Waitrose or Morrisons the product pretty much goes from a point of manufacture straight into a distribution centre, so it's one-stop-drop effectively. If you are working with smaller independents, you sell to a distributor or you sell to a wholesaler; wholesaler will sell to a distributor; distributor will sell to another local distributor who will then sell to a store. So you've got three or four layers of margin to be built into product costs before it comes to a little grocery store near you. And that's really difficult for a brand to try and do. It's also very complicated because if I have a conversation with a buyer at Tesco and I agree on a promotion that will happen in 1000 or 2000 stores with one conversation. If I am interested in trying to get a message out that tomorrow is World Water Day, and you are an independent store, it's almost impossible to try and configure that on a direct relationship basis, so it's (Eta)*

These problems are all ones an SME selling to retailers would experience, but the emotional challenge when the purpose of the business is to redistribute profit or source products more ethically (often at higher costs) makes conforming to retailers expectations harder. There is then the double whammy of retailers invading the social ventures ethical market niche.

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

> *Everyone seeks to communicate about sustainability, even if it is not true. And besides, we realize that the largest companies have more ways to communicate the most about it. So we will stop communicating on that… " Green " goes completely unnoticed now that everyone talks about it. (Iota)*

In fact, Theta, Delta and Kappa all agree with Iota, suggesting they take a light touch approach to discussing their organisational ethics; letting quality do the talking and leaving consumers to discover their ethics if they chose to investigate it. This transfers us directly to the relationship between retail and consumer understanding of social ventures hybridity.

Consumers

Even if social ventures manage to hurdle the distribution barrier, consumers then become the major problem. For both societal innovation companies and those supporting disadvantaged communities, what to communicate and how to communicate become significant barriers.

> *The challenge for us is how do you get the brand out there? How do you communicate with people? (Eta)*

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

> *Yes, but our problem is that we are not successful enough in telling everybody the story that we are independent, that we are local, that we are organic because we are too small compared to the Innocent marketing machinery to make really everybody understand the difference. So we have to find out how we can explain it to everybody. It's easier with our [retail] clients but with the consumer; it's not that easy if you don't have marketing budget at all. So they have to find out by themselves by checking out the web-site or whatever. (Beta)*

The problem really has three parts as shown above. Firstly, are you communicating a message people will listen to: do people care about scientific research or poor farmers? Secondly, is it a message people can understand: too complex and it is lost, but too simple and the venture looks just like any other business? Thirdly, can you afford the marketing spend if you have small budgets, tight margins or distribute your profits to the disadvantaged?

> *I think the challenge for us – again it goes back to the investment question – which is, how do you market a brand when you don't have the money to do it. And when you've got the distribution, it's about having the money to spend, to communicate to consumers. And you have to do all those things together, at the same time. It's kind of hard. So it's all these things that don't necessarily cost a lot of money to do, but actually it's about getting the brand visible in peoples' minds. And there's a balancing act between sort of brand visibility and making money. You can't do one without the other, and you can't do too much of one without having revenue from the other one, so it's a challenge. (Eta)*

> *On the European side: consumer marketing is to speak about the product. The product convinces everybody, but only if they have a chance to taste it, or to hear about it. But we have no money for marketing. We cannot afford advertising and publicity. We cannot use 100,000 Euros or 200,000 Euros for publicity and campaigns. (Theta)*

> *Our company needs to find the funding that allows us to continue to evolve because we really need to invest in marketing, in communication. (Zeta)*

Social ventures can however have a slight edge here over commercial SMEs because in the age of social media you can always find people that agree with your ethics.

> *Engage community members and media, that's what we've done fairly well, so really, you know, playing the card of the community engagement (Gamma)*

> *When you don't have any money to engage in above the line spend, you know, in advertising and promotion, you've got to use your imagination which is free, and the channel to use that imagination is digital, so whether it is Twitter or Facebook or web-based in that sense. (Alpha)*

> *We use social media, so we've got 240,000 people on Facebook. That's more than what Innocent Drinks have got. (Eta)*

We therefore find all but three of our cases are major users of social media platforms. The majority of above the line marketing spend (limited as it is) goes on social media. Of the seven social media users they have between 2,000 – 240,000 likes on Facebook (average 43,000, Eta being the biggest) and between 1,200-14,000 followers on Twitter (average 4,300, Alpha being biggest here). To put this in perspective: US brand icon Twinkies have only 8,496 likes on Facebook and no dedicated Twitter account. As this is a relational medium for communication, it is viewed very positively by most of our respondents because it helps them to either connect consumers to disadvantaged communities or helps them shape alternative social norms.

Discussion

Link back to literature review and extend literature by (1) identifying barriers encountered by hybrid organizations and (2) strategies adopted by hybrid organizations to deal with them. (3) value for extending SME literature….