Beyond green niches? Growth strategies of environmentally-motivated social enterprises

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Abstract

The paper examines the strategies by which environmentally-motivated social enterprises are seeking to scale up their positive impacts, drawing on a theoretical understanding of the role of entrepreneurial agency in transitions to a more sustainable economy and society. Case study evidence is used to explore different forms of enterprise growth, contributions to economic, environmental and social value and the capabilities involved in their realisation. A typology of three distinct approaches or modes is introduced to help explain orientations and strategies that reflect both conventional conceptions of growth and alternative ways of growing social and environmental value: *Small and Beautiful* niches, involving deepening impact through close engagement within specific communities/localities; *Green Knowledge Economy* enterprises, seeking wider impacts through developing, sharing and selling knowledge; and *Green Collar Army* enterprises focused on employment creation. The role of values, capabilities and relational learning in shaping strategies and addressing the tensions and challenges encountered within each category is highlighted.

Keywords

Acknowledgements

Contents

Introduction

Heightening concerns around the challenges posed by climate change, unmet social needs and financial crisis have reinforced calls to realise the potential of alternative business forms and social innovation (Murray, 2009; Scott-Cato and Hillier, 2010). Social enterprises – or values driven 'hybrid' businesses that operate in the ill-defined space between the for-profit and non-profit worlds – are seen by some to have particular strengths in simultaneously addressing economic, social and environmental needs (Amin, 2009; Boyd et al., 2009; Pearce, 2003). This paper examines conceptions of growth found in environmentally-motivated social enterprises (ESEs) and the capabilities involved in their realisation in order to contribute a better understanding of their potential which can also inform policy and support practice.

Given how little is known about the processes involved and the growth aspirations and capabilities of such enterprises, these issues are explored by addressing two research questions:

1. What are the different approaches to growth adopted by ESEs and the missions and values that underpin them?
2. What are the resources and capabilities needed to effectively implement such strategies?

Building on a tradition of research on enterprise growth and the institutional contexts shaping these processes, we adopt an exploratory approach utilising qualitative case studies to draw out different ESE strategies for integrating economic, social and environmental objectives. Our analysis defines three distinct approaches with reference to the motivations and capabilities that underpin them. These approaches need to be understood in relation to wider contextual/institutional factors, which can be both enabling and constraining, including societal norms affecting the demand for the services/products involved, public policies intended to support a nascent low carbon economy (While et al., 2010), and moves to outsource and create quasi-markets for various public services (Walsh, 1995).

Although contested and unclear, the term social enterprise is generally used to refer to a set of organisations with primarily social purposes but which generate a significant amount of their income from trading in goods or services (Bridge et al., 2009; Chell, 2007). The category includes community enterprises, co-operatives, trading arms of charities, employee-owned businesses, development trusts, credit unions, housing associations and social firms. There are significant tensions inherent in the concept of social enterprise within recent policy discourses, particularly given the diversity of organisational forms, motivations and expectations around their role and potential (Teasdale, 2012). The 'social' dimension of the term lends itself to the traditional concerns of not-for-profit civil society organisations to address social needs which the state and private sectors are unwilling or unable to meet, as well as notions of 'alternative economic spaces', egalitarianism, democratic governance and accountability. On the other hand, the 'enterprise' dimension of the term lends itself to 'neoliberal' perspectives, emphasising business opportunities, the efficiency of unfettered markets and a need to restrict the role of the state, including by transferring responsibilities to the private sector and civil society (Sepulveda, 2009).

It is in this fluid and contested policy context that this paper examines some recent experiences of contrasting types of social enterprises which claim to integrate economic, social and environmental objectives. The next section further examines relevant theoretical perspectives. Evidence from a study of ESEs in the English East Midlands is then used to explore: (1) the diverse approaches to growth and the rationales and strategies underpinning them; (2) the role of entrepreneurial resources and capabilities in addressing the challenges involved. The concluding discussion draws out the contribution to understanding by advancing a typology to help explain the varied approaches and some implications for policy and further research.

Conceptions of growth and the sustainability agenda

Central to this paper is how the study of social enterprises can add to the understanding of growth in the light of the sustainability agenda. Conventional business enterprise growth tends to be conceived in terms of indicators such as turnover, profits, sales, employment, market share and physical output. However, even within this context there has been increasing recognition of the complex and heterogeneous nature of growth, the varied underlying causal mechanisms involved, and how such complexity compounds the difficulty of prediction and explanation (Leitch et al., 2010; McKelvie and Wiklund, 2010). Growth is understood to be an uneven and discontinuous process subject to uncertainties relating to the nature of the markets, the external circumstances faced, and the characteristics and competencies of entrepreneurs and businesses. Uncertainty also arises from the fact that business owners and directors exhibit a range of motivations and aspirations, not all of which are monetary (Gimeno et al., 1997).

Considerations of sustainability bring further complexity, as can be seen from the disparate literature relating to the role of entrepreneurial agency in transitions to a more sustainable economy (Vickers, 2010). For instance, Dean and McMullan (2007) view 'market failures', such as anthropogenic climate change, as representing opportunities for the generation of profitability and economic value, insofar as market-based solutions can be extended by entrepreneurs with the support of governmental actors. Others emphasise the tensions involved; De Clercq and Voronov (2011) explore 'sustainability' and 'profitability' as two distinct logics that are constructed and played out as an outcome of the strategic actions of entrepreneurs and their legitimacy seeking behaviour in relation to the institutional logics (or 'field-imposed expectations') involved. There is a need, however, to go beyond such theoretical polarisations to develop a more evidence-based understanding of the range of contributions and motivations involved, and how these may offer varying combinations of economic, environmental and social value (Korsgaard and Anderson, 2011).

Actions on the part of environmentally-motivated entrepreneurs can encompass a diverse range of measures to conserve resources, ecosystems and biodiversity, thus also protecting the life support and other economic functions of the environment (Shepherd and Patzelt, 2011). Economic value in the form of monetary and employment outputs may be contributed by the provision of products or services in environment related sectors (e.g. waste management and 'low carbon' technologies/services) and the growth of local/regional systems of production and consumption (e.g. Marsden, 2010). The actions of entrepreneurs can also contribute to the social dimension of

sustainability, including strengthening the web of relationships and cultures that bind groups of individuals, places and communities of interest (Shepherd and Patzelt, 2011; Maclean et al., 2012). Korsgaard and Anderson (2011) similarly emphasise the potential for multiple forms of social value creation, such as the growth of communities and individuals through self-actualisation and achievement, as well as more directly 'economic' outcomes.

Much of the literature on sustainability draws attention to the key enabling role of governments in shaping the regulatory environment and the structure of incentives facing businesses and consumers (Vickers, 2010). Critical perspectives have also drawn attention to the contested and paradoxical nature of policy responses that seek to accommodate the capitalistic impetus towards unrestricted growth with ecological considerations (e.g. Baker, 2007; Castree, 2008). Dominant responses to promote sustainable development have centred on the progressive 'ecological modernisation' of existing economic, political and social institutions (e.g. Hajer, 1995; Murphy, 2000). The ecological modernisation paradigm has tended to emphasise the use of market mechanisms to encourage the development of low carbon technologies and some efforts to promote more enlightened consumer choice or 'green consumerism'. Policies and action that appear to create opportunities for sustainability-motivated entrepreneurs include financial incentives for renewable energy, the tightening of environmental regulations (e.g. in relation to waste management) and other policies to support low carbon technologies, products and services (e.g. BERR, 2009 within the UK context). Relatedly, some policy debate has focused on the potential for governments to implement 'green stimulus' packages for economic recovery involving significant investment in a low carbon economy and the creation of 'green-collar' jobs (e.g. GNDG, 2008; Ottmar and Stern, 2009).

Stronger 'deep green' versions of sustainability present an essentially post-capitalist vision involving a radical re-conceptualisation of prosperity/wealth and a more egalitarian, less materialistic society (Scott-Cato, 2009). Such a re-conceptualisation underpinned the alternative technology movement of the 1970s/80s, with its advocacy of community-level initiatives in areas such as renewable energy, organic food, and autonomous eco-housing (Smith, 2005); and was seminally influenced by Schumacher's (1973) case for small scale initiatives and 'appropriate' technology. More contemporaneously, the Transition Town movement (www.transitionnetwork.org) expresses impatience with the limited nature of the actions of governments to address climate change, emphasising a need for community-led innovation and eco-localisation. Scott-Cato and Hillier (2010) represent this as an important example of how climate-related social innovation can spread from community to community, originating as it did in Totnes in south west England to rapidly become a global movement. There is a need, however, for greater understanding of inclusive innovation processes and their potential in developing and disseminating alternative approaches to meeting needs (see also Seyfang and Smith, 2007; von Hippel, 2005).

To summarise the discussion so far, although diverse in nature and originating motivations, the growth (albeit limited) of ESE activity can be understood as a product of the interplay between 'top down' ecologically modernising policy actions and institutional change opening up opportunities (Vickers, 2010), and 'bottom-up' visions and energies informed by critical environmental politics and social movements (Pepper, 1996).

Strategies for growth and capabilities

There has been considerable interest in models and strategies to enable the scaling-up of social enterprises and their beneficial impacts. This can involve the originating entrepreneur/organisation working in or developing 'green niche' markets (Seyfang and Smith, 2007); geographically replicating a successful concept, such as through a franchising operation (Litalien, 2006; Tracey and Jarvis, 2007; Johnson et al., 2007); growth through alliances (Sharir and Lerner, 2006), and joining or forming consortia in order to be able to tender for public sector contracts, such as in the case of waste collection/recycling (Rowan et al., 2009). Replication may also occur less formally, whereby niche activities multiply in numbers, such as in the case of increasing public/consumer interest in ethical food and community supported agriculture (Little et al., 2010), or through concepts being absorbed within established organisations and 'mainstream' practices (Seyfang and Smith, 2007).

Our focus on enterprises that are seeking to break out of niche markets suggests the relevance of insight from mainstream business studies on the role of resources and capabilities, including the ability to find new competences (Hamel and Prahalad, 1994). These include both tangible sources of competitive advantage (e.g. skills/functional knowledge as reflected in formal measures of educational/training attainment) as well as more intangible resources (e.g. relations with customers, partners, brands or organisational culture) (Grant, 2002). Related research has shown how entrepreneurs can enhance their ability to grow and diversify businesses by building entrepreneurial teams with greater diversity of human capital (i.e. knowledge, skills) (Ucbasaran et al., 2003). Work on dynamic capabilities (Teece et al., 1997; Foss, 1997) has focused on understanding how competences are created and updated through organisational learning. Barbero et al. (2011) found that rapid and intensive small and medium enterprise (SME) growth requires high capabilities in specific functional areas, with marketing and financial capabilities being positively associated with market expansion and innovation.

Dynamic and adaptive capabilities and associated learning processes are likely to be of particular importance for ESEs seeking to implement innovative approaches to address emergent 'low carbon' markets and social needs that may be subject to policy debate and contestation in terms of how they are best addressed. Perspectives on democratising innovation and on social innovation suggest that ESEs embedded within specific communities may have particular capabilities related to 'open source' methods of deriving creative ideas and developing 'co-production' through relational learning with user communities and other actors (von Hippel, 2005; also Maclean et al., 2012).

Finally, our understanding of the role of capabilities in the growth of values-led enterprise is informed by research which contextualises entrepreneurial action in relation to institutions, broadly defined to include formal regulations, professional practices and social norms (Tracey, 2011). Important here is insight into the various ways in which entrepreneurial actors behave in the face of prevailing institutional conditions, which can involve both opportunism in response to new incentive structures and also less 'economically rational' behaviour which may be underpinned by values and perspectives which are at variance to those of key actors/institutions and incumbent interests. Nevertheless, in order to maintain any challenge to mainstream 'ways of doing things' ESEs need

sufficient capabilities and resilience to at least ensure the survival of their activities, including by building legitimacy and trust. Initially this is likely to take place within their immediate niches and supportive communities of interest (e.g. including other civil society organisations). However, 'beyond niche' growth is likely to be particularly dependent on building competitive advantage by enrolling support from wider networks and key actors (i.e. policy networks, and sources, quasi-markets for public services and other public and philanthropic support) (Bloom and Smith, 2010).

Methods

Our exploratory approach necessitated the use of qualitative case studies, focusing on eight ESEs that were purposively selected from an initial sampling frame of 87 environment-related organisations in the English East Midlands. The selection criteria were based on sectoral and size differences with a view to providing rich detail on the factors and processes underpinning different growth paths (Yin, 2003). Table 1 shows the eight cases along with their profile characteristics. They ranged from relatively new organisations (three established since 2009) to others that had been trading for a number of years (the oldest founded in 1989).

Table 1: Profile of selected enterprises

Enterprise	No. employed (volunteers in brackets)	Sector/activity	Date of start-up	Legal Structure	Income sources
Change Agents UK [CA] (previously Studentforce for Sustainability)	8 (20)	Placement scheme for graduates and consultancy/knowledge based services for sustainability	1996 Began trading 2004	Charity with trading arm: Company Limited by Guarantee (CLG)	Fees from graduate placements and employment service. Consultancy and some grants
Corner Plot [CP]	1 (8)	Food – organic smallholding and vegetable box scheme	1999	Co-operative partnership	Sales/trading
Future Cycles (Leicester Ltd) [FC]	7 (2)	Transport and re-use/recycling and related services and jobs/skills training	May 2010	CLG	Public sector contracts and servicing/bike sales
Hill Holt Wood [HHW]	32 (10)	Woodland management, education and land based services	2002	Community Co-operative, CLG and Charity	Public sector contracts including education and landscaping services. Income from transfer of business model
Matlock Community Supported Agriculture [CSA] and **Food Hub**	Farmer and family (40)	Food – local/organic lamb and education; Food Hub – virtual local food market	2009	Industrial and Provident Society	CSA: Flock shares sold in advance to ensure farmer income Food Hub: online food market in development

Seagull Recycling [SR]	4ft, 3pt (20)	Recycling/re-use, job skills, training, Management of local nature reserve	1989	Company Limited by Guarantee	Mainly public sector contracts: Local Authority, Schools
Think3e Consortium and Group [T3e]	40 ft 360 pt (approx)	Recycling and training	Oct 2009	*Group:* Companies Limited by Shares; *Consortium:* CLG	Public sector: local authorities, the Department of Work and Pensions, Prison Service; Private sector, including supermarket chains
T4 Sustainability Ltd [T4S]	3 ft, 7 pt	Environmental consultancy, renewable energy installation, education and training	1996 Began trading 2002	Company Limited by Shares	Trading income from consultancy and installation

Note: details confirmed in December 2011

Given that our theoretical perspective problematises prevailing conceptions of business and economic growth, our analysis is sensitive to alternative approaches that prioritise growing social and environmental value. The contrasting cases therefore include ESEs that were experiencing a period of growth in employment and/or turnover, those that were aspiring to such growth without yet achieving it, and others that emphasised contributions to social and environmental value that were not captured by conventionally recognised measures of enterprise growth. We did not seek to include ventures that had failed to 'grow' beyond initial start-up as this is beyond the remit of the paper. Similarly, while we recognise contraction and closure/failure following growth as a key issue, exploration of this is beyond the scope of this paper.

In-depth interviews were conducted with the eight leaders/MDs, who were also founders in six cases; in one case both the MD and financial director were interviewed. The broad topics addressed related to: the organisations' origins, aims/objectives; their activities and impacts; perceptions of opportunities and attitudes towards growth; relationships and partnerships; challenges faced and support needs. Most of the interviews were conducted between January-March 2011, were all recorded and transcribed, and with summaries (in the form of case study write-ups) sent back to be checked for accuracy. Supplementary information was drawn from websites and relevant documents/ reports. Further data was collected after six months with follow up email contacts that were also used to seek permission to use the original material.

An iterative analytical process was used to draw out key themes, commonalities and variations between the cases and factors that appeared to best explain these. The interpretation is based on the identification of (a) similar results from different cases (literal replication) and (b) contrasting results and their explanation (theoretical replication) (Yin, 2003: 47-51).

Growth forms and orientations

The cases all demonstrated elements of scaling-up and growth, although there were differences in how this was conceptualised. In terms of contributions to employment, Think3e provide the most striking instance of rapid growth, having 40 full-time and 360 associates/part-time employees by its second year of operation, followed by Hill Holt Wood (established 2002) with 32 employees (see Table 1). At the other end of the scale were the two food enterprises, with Corner Plot providing income for the individual founder and Matlock CSA supporting a tenant farmer and family.

Think3e was established in October 2009 as a consortium of third sector and private waste recycling enterprises, growing rapidly in terms of its core team and numbers of associates/part-time employees. This growth was achieved by focusing on corporate customers and public sector programmes to support employment and work integration:

> 'So when we went into our very first customer, we weren't going to the local corner shop; we were going to [supermarket chain]. Day one: meet the big corporates and landing the business. There was an element of punching above our weight, in the fact that we had a target 7,000 square foot, but it's amazing what you could do with a good website. […]. Within three months, we'd grown out of that into a 20,000 square foot unit and then by March/April last year [i.e. in 2010] we moved into this site.' (Group head of corporate social responsibility, Think3e)

By the end of the group's second year turnover had increased to £2.5m. While their scale allowed them to build legitimacy and win contracts with local authorities and government agencies, the approach proved to be problematical, with the organisation subsequently fragmenting and parts of the group spinning out in early 2012.

Although not exhibiting employment growth to such a significant degree, other ESEs had ambitions to grow employment while also demonstrating other contributions to social and environmental value within their localities, as can be seen from Table 2. Cautious attitudes to enterprise growth were expressed in both pragmatic terms, such as the need to be confident that the organisation was on a sure financial footing before taking on more employees, as well as alternative philosophies and aspirations:

> 'People often comment that the company is not growing fast enough, but we are growing in other ways that we feel are important – we are fans of prosperity without growth. [...] A business can aspire to become the optimum size and remain so, which is a perfectly credible goal.' (Managing director, T4 Sustainability)

All interviewees saw their commitment to sustainability as fundamental to their missions – with the motivating passions of founders/lead entrepreneurs often linked to their expertise and enthusiasms in areas such as organic horticulture, forestry, cycling, environmental science and green/low carbon technologies – as well as dissatisfactions with current 'ways of doing things' (e.g. as expressed by one co-founder who was "absolutely pissed off at the way government is mismanaging woodlands"). Increasing environmental benefits were linked with aims to scale social impact in all cases, with five making a particular contribution to social inclusion by addressing the needs of disadvantaged groups. All were seeking to educate and influence individuals and communities in ways that promoted environmental sustainability, in some cases (notably: CA, HHW, T3e, T4S) including the policies and practices of corporate and public sector actors.

Table 2: Missions and growth orientations

	Enterprise	Stated mission/objectives (summarised)	Growth orientation and spatial focus
Niche	**Corner Plot**	Organic smallholding producing eggs, vegetables and fruit for box scheme and willows for basket making as well as increasing wildlife habitat; contribute to social inclusion through educational volunteering opportunities.	Not high financial growth – but aim to increase income from trading within locality, also contributing to biodiversity and social inclusion.
	Future Cycles (Leicester Ltd)	Bike related maintenance training, cycle repairs, pedicab services and sales of their own range of Zombikes™: donated bikes renovated and given a new lease of life; training and confidence building for excluded youth, vulnerable adults.	Growth in context of local (city) economy conceptualised in terms of turnover, as well as social and environmental value.
	Matlock CSA and Food Hub	To support traditional upland farming, environmental conservation and healthy eating by supplying local organic meat; to create and develop a local Food Hub, and to re-engage people with their local food system through newsletters, cookery events and farm visits.	Aim to grow local food economy while increasing employment opportunities within other local food enterprises in Matlock and the surrounding area.
Moving beyond niche	**Change Agents UK**	An ethical and environmental graduate placement agency, working in partnership to help green universities and colleges; to produce innovative projects that can be used as best practice, further developed and rolled out on a wider basis.	Strong local/regional origins but have expanded to provide nationwide service, focused on promoting environmental sustainability through placements and knowledge services.
	Hill Holt Wood	To maintain ancient woodland for use by the public; teach and develop young people; create products and services valuable to the community; promote the cause of environmentalism and sustainability.	Growth in context of local woodland asset and commitment to local community; sharing of business model and systems with enterprises in other localities.
	T4 Sustainability	To bring about positive environmental change by: encouraging people to think about issues in a quantitative way; to set practical examples; to support community projects.	Not high growth – but seeking wider impact through delivery of environmental knowledge based services.
	Seagull Recycling	To provide services and training to businesses, individuals and the community and voluntary sector related to recycling/reuse activities; manage a coastal Eco Centre.	Growth within local (seaside town) context by providing recycling services and training, combined with educational activity at Eco Centre; surplus put into environmental activities.
High growth	**Think3e Consortium and Group**	Employment: innovative services to tackle worklessness; education: a range of training and apprenticeships; environment: a wide range of recycling and reuse options.	High economic/financial growth beyond regional base to multiple sites across the UK; claims of environmental and social value used to win public sector contracts.

Most cases can be described as originating from small/green niche entrepreneurial activity, although with Think3e involving a consortium of civil society organisations and a private sector entrepreneur. Most had sought to grow their impact through close ties to particular localities, often involving the ownership and/or management of specific biophysical assets (land, ecosystems, property, local infrastructure), as well as being embedded in a more cultural sense, i.e. through their close engagement with local communities, staff/members' involvement with activist groups (e.g. the local Transitions Network in several cases) and other communities of interest, including other supportive social economy organisations. Having influence beyond the niche/locality was also evident to varying degrees, although with only two cases (CA, T3e) having significantly extended their trading activity to other parts of the country (Table 2).

Diversification to support growth, scaling of impact and increasing organisations' resilience and financial sustainability was evident in all cases, usually entailing the introduction of new services which were related to core activities or which took fuller advantage of resources and assets, such as their skills/competency sets, property or environmental assets. For Future Cycles, competitive advantage was achieved through being able to demonstrate multiple benefits to public sector funders:

> '...it's a case of hitting the right kind of things [...] you want to do something that's a bit innovative and catches people's eye [...] The good thing about cycling is that it ticks a lot of agendas. [...] because it's recycling and re-use, it's health, it's job creation and training and it's sustainable transport.' (Director, Future Cycles)

The case of Matlock CSA and Food Hub demonstrates how efforts to scale-up can take more strategic forms of diversification, with more recent efforts involving greater inclusivity and engagement with other small enterprises and local policy actors/agencies. The initial aim was to grow the local market for grass-reared lamb from an upland organic farm while also promoting environmental conservation and healthy eating. However, the CSA had shown limited employment creation potential, while also remaining highly dependent for its continuation on the voluntary efforts of a core group. Debate amongst its members led to the creation of a Food Hub with the more ambitious aims of linking with and supporting a greater number of food businesses and job creation within an expanded local food economy. At the time of interview, however, this vision still appeared some way from being fully realised.

Finally, scaling impact was also evident through the provision of consultancy services and knowledge sharing (i.e. energy services, low carbon business models, housing retrofit and waste minimisation strategies) (CA, HHW, T4S). Change Agents UK particularly exemplified this approach to widening impact, having built and extended their services beyond a local/regional focus to providing a nationally renowned graduate placement programme and consultancy services to local government in different parts of the country.

Strategies and markets

Strategies for growth need to be understood in relation to the markets/customers targeted and the shaping influence of formal institutions and regulations, such as those relating to waste management, nature conservation and organic standards for food production, as well as state welfare to work policies. Five organisations were delivering public services, in some cases with established/high trust

relationships with local authorities and other public sector agencies. Some emphasised their competitive advantage in these quasi-markets in terms of their ability to provide services more cheaply than other organisations, while also addressing social needs for education and training in innovative ways. At the same time, some interviewees expressed critical attitudes and distance from government actions, including with respect to the conditions for funding on which they had been dependent and changes (actual and impending) that were seen as undermining their ability to meet the needs of their client groups, including young people and the 'hard-to-help' long-term unemployed. Most autonomous of both the public and corporate sectors were the two food enterprises, these being particularly rooted in local consumer markets and voluntary action support.

In terms of organisational/legal form, these ranged from those which are more commonly associated with the civil society sector (i.e. enabling social objectives and ownership) to some cases with private sector legal forms but where commitments to social and environmental objectives were claimed as central to their missions (Tables 1 and 2). An alternative to growth within a single enterprise (i.e. 'organic growth' in terms of increasing turnover year on year) involves the development of consortia and alliances. Think3e's growth strategy was built on a hybrid/flexible organisational form incorporating private sector and social enterprise elements, although with the private sector form becoming predominant. The group consisted of a number of companies limited by shares which were separate to the consortium but which could be invested in to be replicated. The consortium and group were established as private limited companies but utilising forms recognised as 'social enterprise compliant' for smaller business units. The self-employment approach, with individuals being paid according to the work they completed, was favoured for its perceived advantage in terms of minimising oversight/management costs and risks involved in employing 'socially excluded' individuals – most notably ex-offenders. While being a target for assistance, ex-offenders in particular were experienced as tending to value their independence above the attitudes and discipline expected in the modern workplace. This hybrid organisational form was therefore conceived as offering both the flexibility and control needed to take advantage of existing opportunity structures. Corporate (but regulation driven) customers had responded positively to Think3e's waste management 'offer', while public sector actors were attracted to the initiative's early demonstration of work integration potential. As well as controlling the risks involved in engaging 'excluded' individuals, Think3e's form and strategy was also presented as conducive to the enrolment of actors with local expertise and knowledge, while also maintaining managerial control.

Other forms of scaling-up involve the more informal replication of ideas, as represented by the numerical growth of small-scale local food and CSA initiatives in some UK localities in recent years (Little et al., 2010). Matlock Food Hub had evolved from its original CSA conception by seeking to extend its customer base to a wider local community of interest, with the MD representing this as a necessary cultural shift away from a 'deep green' motivational philosophy towards a more commercial and inclusive orientation:

> 'We are working in town with other groups – the Matlock partnership, town centre partnerships, council, business, voluntary sector etc. […] it's not just the Transition Group

now, to increase the scope and mainstream element of it. Get some more traditional backing. To encourage other people into the mix, so it's not just a green thing, trying to get away from hippyism...' (Director/co-ordinator, Matlock CSA and Food Hub).

Although the locally-specific nature of Hill Holt Wood as a community co-operative was seen as limiting its transferability, this initiative has gained considerable attention and exerted some wider national influence as a model 'environmental social enterprise' (Frith et al., 2009). Building on this reputation had involved the transfer of certain aspects of their business model (operational policies and procedures) to two farm enterprises in other parts of the country that were seeking to diversify.

Growth strategies need to be understood in the context of institutional changes and the constraining and/or enabling nature of markets, publicly enabled quasi-markets and other related institutional/regulatory structures. For instance, growth ambitions were found to be constrained by the restricted availability of external finance and support in a period of public sector austerity, with some interviewees also perceiving a systemic bias in public sector commissioning towards corporate prime contractors in the delivery of welfare to work services. Food ESEs, although relatively autonomous from the public sector, were constrained by difficulties related to building alternative systems of provision that can compete with the supply and distribution chains of large incumbent players. Consumer perceptions of the 'premium' nature of organic food, in reflecting more fully the economic cost of production, also diminish the appeal of such products to lower income groups in particular.

Resources, capabilities and strategic relationships

Table 3 shows organisations' capabilities in parallel with their markets and strategic relationships. In organisations where employment growth was more evident, the driving entrepreneur(s) had been able to draw on diverse competences, specialisms and general management skills (often acquired in previous employment), the latter including human resource management and logistics. The early success and rapid growth of Think3E was underpinned by entrepreneurial and business competencies resulting from the coming together of an individual with prior experience in a successful social enterprise start-up and a 'mainstream' entrepreneur – a relationship brokered by a shared accountant. This organisation was able to draw on leadership experience and an ability to enrol other crucial specialists: an environmental consultant with expertise in waste streams, a logistics manager (headhunted from a large retail chain) and a head of administration. The leadership and team building role of the group MD was referred to as "the glue, in that he brought a specialist from all the fields". Other cases had been more dependent on accessing external support and advice to help address skills/competency deficits, although an issue for some was the declining availability of low or no cost support in a context of public sectors cuts and the dismantling of the existing regional architecture for economic development and business support (HM Government, 2010). Strengths that were particularly specific to social enterprise included the management of volunteers, engaging with communities (of interest and place) and other stakeholders/policy actors and the application of techniques for social/environmental impact reporting (notably HHW and T3e in relation to the latter).

Table 3: Capabilities and strategic relationships of ESEs

	Enterprise	Capabilities of founders and core management team	Linkages and strategic relationships
Niche	**Corner Plot**	Founder's expertise in organic horticulture and managing volunteers.	Good local reputation through word of mouth (supply 35 families); local Voluntary Action: source of volunteers and supportive link to larger community SE.
	Future Cycles (Leicester Ltd)	Founder an experienced industrial engineer with extensive experience from previous employment with environmental regeneration charity; he and partner established Bikes 4 All – previously the largest bike recycler in the UK; founder had much previous success with bid writing, sometimes for complex projects.	Work closely with City and County Councils, some Borough Councils, National Health Service.
	Matlock CSA and Food Hub	Tenant farmer interested in CSA model Core of dedicated volunteers, also involved in local Transition Town group; founder/co-ordinator was an arts and media lecturer in a London university but motivated to seek alternative to this.	Arose out of Transition Town Matlock; working with other groups – Matlock Partnership involving local authority, businesses and voluntary sector; links to local tourist trade and related media; informed/supported by Soil Association, Making Local Food Work programme, School for Social Entrepreneurs.
Moving beyond niche	**Change Agents UK**	Founder was head of education for English Nature/Natural England; 'a good Trustee Board that we can draw on, with a wide variety of skills'; 'open sourcing' of ideas from university sector; adopt similar business model internally as externally – promoting throughput of staff.	Work with 20 UK universities: place c.80 graduates per year; climate adaptation work for local authorities in the East Midlands and South West regions; strong links to local community; staff involved in Transition Town network; create volunteer opportunities; give talks on climate change in local schools; co-ordinate environmental young professional network ('green drinks').
	Hill Holt Wood	Jointly founded by skilled/experienced husband and wife team, combining land management and HRM/people skills and networking; national reputation – highly regarded as a model 'environmental social enterprise' and strong track record with 'hard to help' unemployed.	Priority given to community ownership and strong partnerships: local authorities, Mind mental health charity (Ecominds project); two Knowledge Transfer Partnerships (with Lincoln University); some replication through transfer of principles, policies, procedures.
	Seagull Recycling	Current MD (not founder) was RAF pilot, but has worked in conservation for 25 years; degree in Environmental and Earth Science.	Networking meetings: Third Sector Learning Alliance, Coastal Learning Consortium.
	T4 Sustainability	All staff have technical specialisms and qualifications: MD has MSc in Environmental decision-making and expertise in renewable energy systems.	Clients include the Carbon Trust, Rolls Royce, Local Authorities, a regulatory body (Ofgem), consultancies, manufacturing companies and householders.
High growth	**Think3e Consortium and Group**	Combination of socially entrepreneurial and business competencies and motivations; use of social impact measurement; organisational model intended to allow rapid growth while minimising risk – including through use of self-employment/sub-contracting.	Numerous in public sector, including: Department of Work and Pensions, Ministry of Justice/Prisons Industries, Cabinet Office for Civil Society; strong relationships with large private sector organisations.

Growth (whatever the form) entails an ability to learn and adapt in response to fluctuating market/institutional contexts and perceptions of need and opportunity – as suggested by the management literature on dynamic capabilities. Similar learning and adaptive capabilities were demonstrated by our ESE cases, notably with respect to ongoing efforts to diversify their income streams and to balance multiple objectives, as previously described, but also including in some cases an ability to respond to emerging challenges and opportunities. Think3e's strategic capability to scan, evaluate and respond to emerging opportunities was presented as a particular strength:

> 'We have a strategic team, which is tentatively me out on point and I'll try and plan stuff a year / eighteen months ahead, and I'll do some stuff that'll be crazy, but [Group MD] reels me in every now and then and lets me out every now and then depending on just how crazy I get. [...]. Then you've got the environmental consultant who strategically will look at different products and changes in the law.' (Group head of corporate social responsibility, Think3e)

By early 2012, however, the group had run into difficulties, with questions being raised about its approach and core mission, leading to some of its sites/member companies breaking away from the parent group with the assistance of the co-founding social entrepreneur (who had also left the group) to operate as separate entities. Despite this fragmentation, the 'project' continues to demonstrate spin-off activity based on the learning and 'best practice' model developed under the Think3e group since 2009.

A crucial capability is that of developing strategic linkages and networks in order to help build support and legitimacy. This is particularly important for ESEs where they have a range of stakeholders seeking to exert influence on how environmental and social value is realised. In all eight cases achievements have been dependent on building legitimacy and partnerships within their immediate communities, including with customers/beneficiaries, volunteers, other social economy organisations, universities and – to a much lesser extent in most cases – the corporate sector. Other formal and informal networks are important mechanisms for brokering co-operative relationships to meet shared ideals.

The experience of Matlock CSA and Food Hub shows how the development of local food provisioning, with the need to plug gaps in the local supply chain by establishing new businesses and facilities (e.g. a mobile slaughterhouse was identified as a particular priority) has been dependent on broadening the appeal of the initiative and building relationships with a wider range of local stakeholders, including small businesses. This initiative appeared to particularly exemplify a process of reflexive learning and change in response to debate amongst its members about some perceived limitations of its initial focus. Health and environmental concerns arising from the emphasis on meat (primarily organic lamb) were initially voiced by vegetarian members of the local Transition Group. Subscribing CSA members also found that they were consuming more meat than initially intended; as well as raising diet-related health concerns, the need for members to drive to a remote farm to collect the meat was seen as undermining of the initiative's environmental/low carbon aims. At the same time, the CSA had been poor at creating employment and highly dependent on the unpaid input of a small group of volunteers. Through collective debate a broader approach to local food emerged, embracing vegetarian concerns, local growers and other local food businesses, with the main

energies of the initiative redirected to the creation of a Food Hub – a more centralised online shop, offering a more accessible outlet for the local area, with the CSA tenant farm remaining as a component of this wider project.

In cases involving knowledge based services and consultancy, links to universities have been important, with Hill Holt Wood in particular having benefited from two publicly supported Knowledge Transfer Partnerships with the regional university. The graduate projects enabled and overseen by Change Agents UK were important in developing their climate change adaptation work, extending this beyond the East Midlands:

> 'By the end of it we had over 40 graduates doing these projects over the country, so if ever anyone wanted some adaptation work doing we had a huge knowledge bank of case studies of what had worked, so we could simply plug it in and take the same project service to another locality.' (Leader, Change Agents UK)

There were few instances of strong partnerships with the corporate sector, with Think3e being the notable exception, having sought engagement with corporate customers and partners from its inception. Matlock CSA was seeking to connect with local small businesses and other agencies but had experienced tensions in its early stages, with some of its members rejecting such engagement and the 'language of business.' A woodland collective, originally part of this initiative, had "split because [they] didn't like the business side, didn't want to talk about business plans." (Director/co-ordinator, Matlock CSA and Food Hub) Other interviewees were overtly critical of certain 'unethical' practices which they perceived as being prevalent amongst their private sector competitors and intended to benefit 'insiders' and incumbent businesses. Such attitudes reflect the reluctance of some ESEs to engage with the private sector. On the other hand, those most engaged with the corporate sector emphasised the importance of the different language and approaches needed when building relationships.

Discussion

This paper has explored the conceptions of growth held by ESEs and the strategies and capabilities deployed to realise them. The cases show that 'growth' can take multiple forms and is often contested, indicating the need to explore its meaning in specific contexts and in terms of various indicators, whether directly economic (e.g. turnover, profit/surplus, employment) or in relation to socio-environmental objectives underpinned by distinctive philosophical challenges to existing practices, behaviours and policies. Our analysis draws out the various strategies by which ESEs were seeking to increase their impacts, suggesting a typology of three broad but distinct approaches or modes, as summarised in Table 4.

Firstly, *Small and Beautiful* niche ventures are characterised by their focus on addressing needs and deepening impact within the specific communities and locales within which they are embedded, often taking their inspiration from 'bottom up' alternative visions of community development and eco-localisation. Such initiatives exhibit some intrinsic advantages of 'smallness' (Schumacher, 1973), and their increase in number and geographical spread has potential in terms of developing local/regional

economies that are more sustainable and diversified. Examples include the local food initiatives and other ventures involving community ownership and management of specific biophysical assets. Some ESEs in this category may appear to have potential to grow their trading activity but opt to remain small for reasons that include a preference to avoid the demands and compromises they associate with 'business growth' and, relatedly, a reluctance to engage with larger/influential actors whose support would be needed for beyond niche development. In other cases, attempts to grow can take the form of joint actions and building economic linkages with other, primarily local, actors (e.g. other food-related enterprises, as in the case of Matlock Food Hub). Challenges relating to sectoral characteristics and market contexts include the difficulty of building sufficiently integrated alternative systems that can compete with established supply and distribution chains and their ongoing high dependence on support and voluntary energies which may be variable over time, as well as being location-specific.

A second category, *Green Knowledge Economy* ventures, seek to achieve a wider impact through the provision of knowledge-intensive services and advice to others. They have particularly strong links to a wider knowledge base, such as universities and other sympathetic sources of expertise, and specific skills and innovative ideas which are applied to influence the practices and strategies of public and private sector organisations. ESEs in this category are keen to widen the impact of their know-how and services in ways that challenge mainstream approaches to intellectual property, insofar as they prioritise sustainability above private/for profit motivations. The desire to share is therefore underpinned by the social and environmental aims of the organisation. Some cases demonstrate the potential of the 'open sourcing' of ideas and expertise from within their communities of interest (e.g. Change Agents UK). Knowledge sharing through replication of business models and processes is also a way of growing and extending impact; thus one case was able to gain income from such a transfer to other small private farm enterprises that were seeking to diversify.

A final category, *Green Collar Army,* denotes enterprises that prioritise employment and/or training position creation in labour intensive sectors/activities. In our main example of this type (Think3e), an entrepreneurial team that encompassed diverse capabilities gained from prior involvement in both social enterprise and private sector contexts, was able to link opportunities for recovering economic value from industrial/consumer waste with opportunities created by public sector programmes for work integration, where ESEs have an established track-record (e.g. Rowan et al., 2009). This category has particular resonance in the context of 'Green New Deal' type arguments for government-led stimulus packages to support significant employment creation while also addressing sustainability challenges (e.g. GNDG, 2008).

Typologies inevitably involve simplifications of a complex reality; given ongoing diversification efforts, the activities of some ESEs span categories rather than fitting neatly into one. For instance, two cases that in many respects exemplified the Small and Beautiful category were also developing Green Knowledge Economy activities, with potential to exert wider influence beyond their immediate locales. Other Small and Beautiful cases were aspiring to contribute to employment growth (Green Collar Army) through accessing public sector contracts/service agreements and, in one case, by growing the local food economy.

Table 4: Typology of Environmentally-Motivated Social Enterprises

	Small and Beautiful	Green Knowledge Economy	Green Collar Army
Markets	Local/regional ethical consumer markets (e.g. food, management of biophysical assets, local transport and renewable energy).	Knowledge intensive services for local government, universities, businesses, individual consumers/households, and social enterprises in their region and beyond.	Labour intensive services to address regulation-driven needs of corporates (e.g. waste/resource recovery) and public sector (e.g. work integration services).
Forms and strategies	Emphasising local ownership/control, often focused on a biophysical asset; focus on healthy/sustainable consumption and related behavioural/social change; deepening impact through education and collaboration within community; informal replication of initiatives and local system building with other ESEs, small businesses and social economy actors.	Increasing impact through consultancy services and sharing knowledge with a focus on social/environmental sustainability, rather than employment/turnover growth.	Strongest potential for business growth under current conditions, while addressing human recovery as well as waste of material resources; organisational expansion through hybrid forms and new sites; growth and contraction linked to specific contracts for services.
Capabilities: *Human capital*	Green activists with specific skills; abilities to engage with and manage volunteers.	Highly qualified experts/enthusiasts in partnership/co-operative structures.	Dependent on diversified teams with strong business skills and capabilities; empathy and ability to manage beneficiaries who are often low skilled/'hard to help'.
Social/relational capital	Close to customers/members; supportive activists and volunteers and other social economy organisations and networks.	Close to customers/clients; strong relationships with wider knowledge base (e.g. universities) .	Building trust/legitimacy with corporate and public sector; winning contracts through having an 'ethical product', using claims of social and environmental impact, backed up by evaluations.
Issues and challenges	Generally restricted to niche/premium markets (e.g. ethical/organic food); high dependence on voluntary input; deepening impact dependent on building alternative supply chains through engagement with other actors; often lack specific business skills – need for low or no cost/sympathetic support; oppositional/countercultural values – limiting willingness to engage/compromise with large/powerful actors.	Income strongly reliant on niche markets driven by regulation/incentive structures and sustainability policies of public sector; growth and competitive market pressures may increase tension between value-based sharing and need to capitalise on know-how/ intellectual property.	Dependence on public quasi-markets in which ESEs often subordinate to corporate prime contractors (e.g. welfare to work programmes); limited empowerment of trainees/ employees in positions which may be temporary and on minimum wage; limited policy support for green/sustainable job creation.

Organisational and legal forms ranged from those commonly associated with civil society organisations to some with private sector forms being predominant, although representing themselves as social enterprises. It is notable that there were no cases (including within our larger sample) utilising or considering franchising as an option, although there has been much attention to the potential of social franchising within the academic and policy literatures (e.g. Litalien, 2006). Think3e, our main 'high growth' example, combined both private and social enterprise elements, but with the private sector legal form dominating. This hybrid organisational form was designed to combine control with flexibility, tapping into the knowledge/expertise of local actors and available pools of labour. However growing tension and conflict within Think3e's management team around aims/strategy appears to have been an important factor in the subsequent fragmentation of the consortium/group.

The second main objective of the paper has been to explore the capabilities needed to realise the different conceptions of growth – as summarised in Table 4 in terms of 'human' and 'social/relational' capital. Most of our cases demonstrate particular competencies and strengths in areas where they are also strongly motivated by their core interests and value commitments, including also an ability to enlist support from their immediate interest groups and communities and also social/environmental impact reporting. Also needed are business skills and capabilities similar to those required by more purely commercial activities (Barbero et al., 2011), with an ongoing need for support in many small ESEs to address specific gaps (e.g. access to finance, marketing, HR). Building legitimacy with, and enlisting support from, public sector and corporate customers and sources of support was particularly important for Green Collar Army and, to a lesser extent, Green Knowledge Economy activities, with growth also underpinned by capabilities in key functional areas. Dynamic and adaptive capabilities, often built through relational learning processes, are of particular importance where the markets (or quasi-markets) are ill-defined and emergent in character.

The state and its agencies were clearly playing a key role in most of our cases in terms of creating and shaping ESE institutional contexts and (quasi-)markets through regulation, commissioning and policy towards enterprise support. Contracting with the state was found to be important in six of the eight cases, particularly in relation to services targeted at the disadvantaged and unemployed. While some cases emphasised the opportunities created by the increasing trend to outsource public services, most also expressed concerns about the nature of the commissioning processes involved and also public sector austerity measures more generally having an adverse affect on their sector, support infrastructure and their client groups. Some of the problems reported in relation to government welfare to work programmes accord with an emerging body of evidence on their limitations as vehicles for addressing the needs of the unemployed (e.g. Newman, 2011).

While the ability to develop strategic linkages and legitimacy with key actors has been important in each of our ESE cases, who they choose to partner with is also influenced by their value commitments and preparedness to engage with the agendas and requirements of other influential actors. This accords with the insight from neo-institutional theory that successful entrepreneurs have the ability to tailor their interactions (or develop different 'narratives') in order to achieve 'buy in' and commitment of resources (broadly defined) from different stakeholders, i.e. employees, customers, suppliers and investors (Tracey, 2011). At the same time, growth can present new dilemmas, with scaling-up to

encompass a wider geographic area and partnering with larger organisations potentially resulting in a loss of local focus and autonomy, giving rise to concerns around the extent to which ethical aims and alternative 'visions' of sustainability are being compromised. Our research indicates a particular reluctance on the part of many ESEs to engage with the corporate private sector, with Small and Beautiful initiatives showing particular resistance to accommodating the ethos and language involved.

Conclusions

We have sought to contribute to an understanding of the nature and potential of ESEs and the extent to which their activities offer alternative approaches for addressing social, economic and environmental needs. We argue that their contributions and the questions raised, challenging crudely defined notions of 'success' and 'failure', make ESEs of key theoretical and policy interest, not least in relation to ongoing debates around the ethical dimensions of capitalism and the nature of growth,.

Our analysis identifies three main categories or modes of ESE growth, according to the nature of the markets/needs addressed and sources of resilience and competitive advantage. Growth modes are shown to range from a highly localised niche focus (Small and Beautiful) involving deepening engagement with other local producers and communities; movement beyond niche through sharing and selling knowledge (Green Knowledge Economy); and employment creation through combining labour intensive activities in environmental sectors with work integration services for the public sector (Green Collar Army). Within these modes, ESEs can be found with different legal and organisational forms some of which are more associated with the private sector than with the social economy.

Strategies for growth are shaped by complex relational processes involving the values of founders, the core team and key stakeholders, their skills and capabilities, the influence of communities in which they are embedded and wider institutional/policy influences. While some ESEs seek growth and competitive advantage in similar ways to mainstream businesses, others are more overtly informed by alternative visions of growth, demonstrating sustainable practices and deepening impacts within specific niches/communities. The approaches adopted are shaped by the interplay of different values and priorities within relational processes, with some ESEs heavily influenced by perspectives that can be described as 'deep green', and remaining antipathetic towards the language of business, opportunity and economic growth, and with a related reluctance to risk co-option within the agendas of more powerful actors. Despite remaining small under current institutional/societal conditions, enterprise in this category can be viewed as experiments that retain the potential for growth under more conducive circumstances (Seyfang and Smith, 2007; Davies and Mullin, 2011).

ESEs that are seeking to grow in business/organisational terms and/or that are dependent on support from larger actors for their survival often experience contestation and adaptation of strategies as they confront various 'dilemmas of growth', as when seeking to expand beyond a local focus and when there is a need to ensure ongoing financial viability in ways perceived by some stakeholders as being at the expense of their founding ethical aims. Growth focused ESEs with more conventionally 'entrepreneurial' characteristics and managerial capabilities are more pragmatic in seeking accommodation to isomorphic pressures and the priorities and language of larger customers and partners.

This paper therefore contributes to an understanding of the varied orientations and capabilities of ESEs and how these develop and are shaped by their contexts and institutions, just as institutions shape how opportunities are perceived and exploited. The hybrid nature of ESEs, marrying social, environmental and financial objectives, requires specific capabilities to balance these different objectives. This demonstrates the relevance of an institutionalist view that explores the different meanings and logics that shape growth-related behaviour.

This paper also adds to previous analyses which highlight the contested and evolving nature of state interventions in the realms of sustainability, socio-economic regulation and enterprise support. Regarding the latter, we argue that there is a need for greater recognition of the contribution of ESEs and of the limitations of conventional indicators of growth. Attitudes towards growth and scaling-up need to be understood in relation to organisational aims and ESE experiences of, and ability to engage with, institutional barriers and the key actors and agencies involved. As with social enterprises in general (e.g. Hynes, 2009), support for ESEs therefore needs to be tailored to their specific needs, helping them to articulate strategies for growth that are congruent with their missions and values.

Finally, the cases reflect a moment in time captured by the research, indicating a need for further longitudinal work in order to investigate change over a longer period within specific contexts, notably with respect to the interplay of the perspectives of the various actors involved, both at the micro level (within ESEs and their communities of interest) and in relation to the evolution of the wider policy/institutional context.

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Social Enterprise

What role can social enterprise play within the third sector? This work stream cuts across all other research programmes, aiming to identify the particular characteristics and contribution of social enterprise. Our research includes theoretical and policy analysis which problematises the concept of social enterprise, examining the extent to which it can be identified as a distinct sub-sector. Quantitative analysis will map and measure the social enterprise sub-sector, and our qualitative case studies will contain a distinct sub-sample of social enterprises.

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