A Search for a Fertilizer for Social Enterprises

What barriers are faced by social enterprises in the Netherlands when scaling and how can social enterprises overcome them?

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EXECUTIVE SUMMARY

It is often argued that financial crises such as the one in 2008 are caused by the sole focus on profit, enforced by the self-centered nature of contemporary capitalism. A rising number of people is therefore asking why business is believed to be only about money. Social enterprises might be an alternative, instead of putting profit before other goals they combine it with a social mission. Although the social enterprise sector is growing steadily, the question still remains why the rapid scaling experienced by companies like Facebook and Google is not yet seen in social enterprises. The aims of this thesis is therefore to research the following question: *What ways exist for SEs [in the Netherlands] to overcome scaling barriers?*

The first step to answer this research question will be to clearly define the research field. This entails a description of the Dutch SE sector, a clear definition of scalability, and a discussion of what is considered a SE. In the theoretical framework that follows, the author identifies eight scaling barriers that are expected to be most important to SEs in the Netherlands. After this, three different bodies of literature will be considered – i.e. for-profit, non-profit, as well as SE specific – in an attempt to identify what these academic fields can contribute to overcoming the barriers to scale. With the strong fundament of this theoretical framework, a progressive case study will then be conducted to investigate which barriers are most relevant in the Netherlands and what SEs can do to tackle them.

A model will be constructed to synthesize the broad range of results as a way of answering the research question. The model consists of strategies that Dutch SEs can engage in to tackle the eight scaling barriers. Strategies that are claimed to have the highest impact because they influence multiple barriers are: implementing a theory of change, developing a governance structure and developing business acumen. Furthermore, strategies that prove to be the most interesting addition to the literature and practice are: overcoming the founder's syndrome, choosing loans over equity, and choosing realism over idealism. Furthermore, the results of this study indicate that some scaling barriers are more relevant to Dutch SEs than others. Additionally, the development of business acumen is pointed out to support SEs to tackling four of the eight scaling barriers and important links between scaling barriers are pointed out.

The progressive nature of the study at hand also allows the researcher to include observations that do not directly answer the research question but are considered highly relevant to it. One of the most valuable contributions is provided by the identification of a relation between the quality of human interaction that organizations require and their scaling potential. On top of this, additional scaling barriers are identified that might prove to be of importance next to the eight barriers of the present research. Moreover, the mission of an SE appears to be their reason for existence. Finally, a list of characteristics of the ideally scalable Dutch SE is constructed based on the interviewees' perception of what is essential for SEs to scale successfully.

INDEX

LIST OF TABLES

LIST OF FIGURES

1. INTRODUCTION

"You may think that business is all about profit, business people are unethical and business in general is a black art of guile and greed. Over the years I have found this to be mostly untrue"

R. Edward Freeman (2016)

In contrast to this, Fukuyama (1989) argues that the end of history is near. He claims that human evolution in terms of social, cultural, and economic development is coming to an end. Fukuyama believed that democracy and capitalism would not significantly evolve anymore since the optimum state has been reached. This is partly based on the argument of highly influential economists such as Adam Smith, who claim that capitalism works best because it aligns with human's self-interested and individualistic nature (Klein, 2003). However, this theory has also sparked an immense amount of critique. Social enterprises, for instance, appear to show that people are also caring and compassionate, that a balance between the self-interested goal of profit and compassionate social missions can be found. Is it possible that social enterprises (SEs) are an example of a new evolution of capitalism? Is it possible that the end of history is not near [yet]?

It is often argued that financial crises such as the one in 2008 are caused by the sole focus on profit, enforced by the self-centered nature of contemporary capitalism (Lapavitsas, 2009). Although governments try to make up for the mistakes made by financially driven businesses, for instance by bailing out banks that are 'too big to fail', they are argued to enjoy a declining moral authority from its citizens (van Tulder & van der Zwart, 2006). A rising number of people is therefore asking why business is believed to be only about money. As John Mackey, CEO of Whole Foods Market, puts it "Physicians make money, but their mission is to heal; teachers make money, but their desire is to educate; and architects make money, but they yearn to build. The question then is: Why the myth that business people only want to make money?" (Freeman, 2016, p. 3-4). Questioning this myth is at the core of SEs. Instead of putting profit before all other goals, which has been at the center of capitalism for years (Yunus, 2007), SEs combine it with a social mission. This type of business has experienced a significant growth in numbers as well as in popularity. Research by the G8 estimates that the sector already generated an annual turnover of 270 billion in 2013 (Ismail, 2014). Countries like the USA, the UK and France have already given social enterprises (i.e. SEs) a formal status and recently the European Union also officially accepted the concept. Moreover, highly influential SEs such as Seventh Generation, TOMS Shoes, the Grameen Bank and many other social business initiatives are set up (Delventhal, 2015).

Due to the growing influence SEs are having on people's lives, business, and society at large, the research field is growing as well (Defourny & Nyssens, 2008). An obvious, but nonetheless important finding is that not all contemporary business theories can be directly applied to SEs (Grimes, McMullen, Vogus & Miller, 2013). One of the mismatches is that it remains unclear how SEs can best scale up. Why is the rapid scaling experienced by companies like Facebook and Google not yet seen in social enterprises? As Fitzhugh and Stevenson (2015) stress in their book 'Inside Social Enterprise', only having small enterprises doing great things is not enough. To truly make a difference we need to unravel what inhibits growth of SEs and create SEs that impact on scale. Moreover, scalability is not only relevant for SEs to increase their impact, it is also one of the main characteristics of a startup that investors and incubators look for (Stampfl, Prügl & Osterloh, 2013). Although there did not seem to be enough funding for SEs in the Netherlands until last year (Social Enterprise NL monitor, 2014), investors now argue that there is enough money but that they do not know which SEs have the highest potential (Verloop, 2012). In other words, they do not know what to base their investment decision on, since it is unclear what the indicators for successful and scalable SEs are. Clarifying this can, thus, stimulate the synergy between SEs on the one hand and investors and incubators on the other.

In practice, scaling seems to be a great barrier for SEs in the Netherlands, whereas there is expected to be a great upside potential for these businesses (McKinsey & Company, 2013). McKinsey (2016) even projects a fivefold growth of the Dutch SE sector in the coming five to ten years. Many SEs have been set up over the past years, but reaching a wider customer base and thereby scaling is reported to be the main challenge (Social Enterprise Monitor 2016, 2016). Only 30 percent of the Dutch SEs set up after 2010 managed to grow beyond the startup stage and the first challenge identified for growth of the sector is a lack of focus on scaling (McKinsey & Company, 2016). Is scaling more difficult for SEs or are they simply not utilizing their potential yet? The current research intends to answer this from the perspective of the social enterprise. It will be researched what the SE itself can do to scale. The leading research question will be:

What ways exist for SEs [in the Netherlands] to overcome scaling barriers?

As a first step, a literature research will be conducted in order to provide context to the research findings. This will consist of defining the important concepts this study concerns and the construction of a theoretical framework. In this theoretical framework, barriers faced by SEs when scaling will be identified, after which three research streams will be considered to find ways to overcome them. Thereafter, the progressive case study research methodology will be considered. After this, the results will be illustrated. The results will then be discussed and linked to the literature discussed in the theoretical framework. The paper will be concluded by bringing all the results together into a model that provides an answer to the research question.

2. LITERATURE REVIEW

2.1. DEFINING THE RESEARCH FIELD

In order to have a meaningful discussion, it is important to illustrate the context and define the concepts that are discussed. First, the Dutch SE environment will be considered. Consequently, two concepts central to this study, *scalability* and *social enterprises,* will be defined.

2.1.1. PROBLEM DEFINITION

A commonly used model to explain the position of SEs in society is the triadic model (Figure 2.1). In line with this model, the Netherlands constitutes a perfect environment for SEs to thrive (Olin Wright, 2011). One could argue that SEs are at the intersection between the market, the state, and the civil society. Applying this model to states, Dutch governance can be placed in approximately the same interface. The Dutch are well known for their culture of consultation and one could argue that this enables them to find a balance between the three spheres. Take for instance the Dutch railway company NS, which is privatized while the Dutch government still holds the majority vote, thereby attuning the market and state sphere (Bos, 2010). Another example is the influential civil society in the Netherlands (Salamon, Sokolowski & List, 2003), which is stipulated by the government's recent effort to implement the 'participation society'.
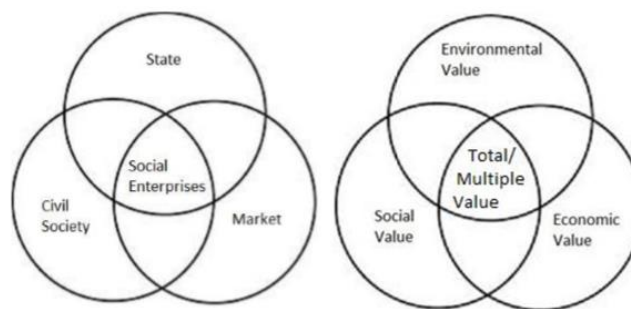
Figure 2.1. Three interfaces where SEs are active (Olin Wright, 2011)

There are indeed positive signs in the Dutch SE sector. According to recent estimates there are around 5000-6000 SEs in the Netherlands that account for 65.000-80.000 jobs, an increase of 70 percent compared to 2010 (McKinsey, 2016). The revenue is increasing at a significantly higher pace than the Dutch average, an increase of 75 percent compared to 2010 (Social Enterprise Monitor 2016, 2016). This means that the sector enjoyed a significantly better survival of the last economic crisis in comparison to other industries (Verloop, 2016). In comparison to the commercial small and medium enterprise sector in the Netherlands, which has a default rate of 38 percent, 80 percent of the Dutch SEs that were set up in 2010 survived the past five years. On top of this, the sector seems to be highly innovative, as much as 54 percent of the SEs in the Netherlands report to have brought a product or service to the market in the past two years that did not exist before (Social Enterprise Monitor 2016, 2016). Additionally, customers seem to care more for social issues, 82 percent of the Dutch SEs claim that this increased over the past two years.

Although there appears to be growth in the SE sector, the potential for SEs in the Netherlands is argued to be considerably bigger than is currently realized (Social Enterprise Monitor 2016, 2016). Part of this untapped potential is that there is a lack of flagship SEs in the Netherlands – i.e. exemplary SEs that are growing fast and generate social impact on a large scale. Tony Chocolonely is one of the few Dutch SEs that can be considered a flagship example, while they can still be seen as small according to the generally used SME categorization – i.e.

they have around 40 employees. McKinsey (2016) indicates that the lack of scaled SEs in the Netherlands might be the result of many social entrepreneurs believing that growth of the organization is difficult to pair off with obtaining social impact (McKinsey, 2016). Moreover, there is currently no separate legal form for SEs in the Netherlands, while 18 of the countries in the European Union already had a legal form in 2014. The United Kingdom, for instance, introduced the 'Community Interest Company' in 2005, a legal form in which an organization has the securities of a regular company but has certain extra benefits aimed at serving the community (Westley, Antadze, Riddell, Robinson & Geobey, 2014). Furthermore, Social Enterprise NL (2016) states that the procurement processes and policies of the Dutch government are hampering the growth of SEs, while many SEs highly depend on them. These, and potentially other, challenges faced by SEs due to these [in]actions of the government could be hampering the development of more Dutch flagship SEs. The author proposes that a better understanding of the development of flagship SEs can prove to be a valuable contribution to the advancement of the Dutch SE sector. Flagship SEs do not only have large social impact, they can also be an example to others to start generating social change as well. To this end, the present study sets out to find what prevents SEs to scale and researches solutions to the scaling barriers that will be identified. The research will specifically focus on what SEs can do to scale, instead of on how other stakeholders in the ecosystem can change. Before doing this, however, it is crucial to clearly define the two central concepts of this study: *scaling* and *social enterprise*.

2.1.2. DEFINING SCALABILITY

The Cambridge dictionary defined 'scale' as "the size or level of something". The article by Westley, Antadze, Riddell, Robinson, and Geobey (2014) perfectly aligns with this by applying it to the business world. They describe scaling of an organization as "an organization's efforts to replicate and disseminate its programs, products, ideas, or innovative approaches" (p. 237). However, when consulting the literature on the issue it becomes apparent that there are diverging interpretations of what scaling entails. There are, for example, different facets of organizations that can be scaled. For SEs this becomes even more complex since they also have to focus on scaling their impact (Waitzer & Paul, 2011). In line with this complexity, Ottoson (2010) identified four approaches to scaling, one can either scale a program, an idea or innovation, a technology or skill, or a policy. For each of these approaches there is a different definition for scaling and different scaling mechanisms. Hence, it is difficult to provide one straightforward definition of scaling that is applicable to different situations.

Due to this difficulty, the current study will take a basic perspective on scaling by defining it as a stage of business growth. As a foundation for this, a heavily cited and widely applied article of Lewis and Churchill (1983) will be used. They define five stages of early business growth: existence, survival, success, take off, and resource maturity. Scaling will be defined as the fourth growth phase, i.e. the take-off phase. The focus on early growth stages of Lewis and Churchill (1983) beautifully aligns with the phase of growth the general Dutch SE sector is in and, thus, to the focus of the study at hand.

2.1.3. DEFINING SOCIAL ENTERPRISES

Interestingly, there are many different views on what SEs are, in the academic field as well as in practice. Before discussing specific definitions of social enterprises, however, the concept is first analyzed on a broader level.

When looking at the meaning of the words used, 'social' is derived from the Latin word 'socius', which means 'friend' (Oxford Dictionary, 2015). Whereas the term 'entrepreneur' can be traced back to the French word 'entreprendre', which means 'to undertake'. Social entrepreneurship can thus be seen as a friend's undertaking, this exactly captures the core difference between traditional business and the 'new' social business. Although specific ideas regarding social business differ, all perspectives have the social, or friendship,

side as a central characteristic (Galaskiewicz & Barringer, 2012). In other words, the individualistic and self-interested nature of business is combined with a compassionate social drive. SEs are therefore described as hybrid organizations, i.e. organizations that are constructed by combining disparate parts (Battilana & Lee, 2014). The most important parts are generally seen as focusing on the creation of societal value and financial value (McKinsey & Company, 2011; De Graef, Stroosnier & Hazenberg, 2015). This is the reason they are often said to be a hybrid between a non-profit and a 'traditional' for-profit business (Galaskiewicz & Barringer, 2012).

This raises the question of the novelty of these types of organizations. Some scholars argue that it might 'just' be a [slightly] different type of traditional business (Dart, 2004). There are many examples of businesses that were not called SEs before, but can be seen as one according to contemporary definitions. Take, for instance, Unilever that was set up by two entrepreneurs with the specific mission to increase hygiene in Europe in order to prevent numerous diseases (Polman, 2011). Hence, one could argue that it is not the concept itself that is new, but simply the definitions and adjoining attention for it.

From a stakeholder perspective, however, one could argue that the SE is an organizational type that is unseen before. The 'Triadic model' (Figure 2.1) proposes that there are three groups of stakeholders: civil society, the market, and the state (Olin Wright, 2011). For-profit business traditionally acts in the market sphere and non-profits in the civil society, whereas SEs can be said to be in the intersection between all three interfaces. This means that they strive for generating environmental, social, as well as economic value – as projected in Figure 2.1 (Van Tulder & van der Zwart, 2005).

An alternative to the triangular perspective is to define the social goal in a broader sense. That is, the social goal includes the human, or societal, side as well as the environmental one. This is done by McKinsey & Company (2011) and widely accepted in the Dutch SE sector. As shown in Figure 2.2, they constructed a continuum with non-profits on the one hand, social business in the middle, and commercial business on the other. In this view, trading in green energy is a social mission as well as employing people with a psychological disorder. This continuum will be used extensively in the current paper and will be referred to as the 'social-business continuum'.
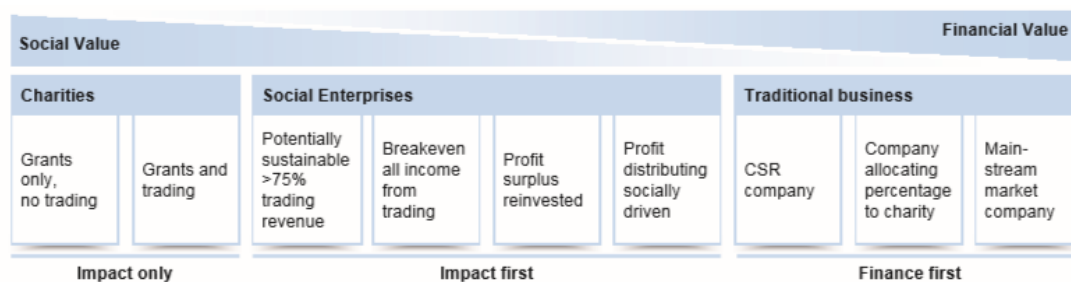
Figure 2.2. The social-business continuum (McKinsey, 2011)

Galaskiewicz and Barringer (2012) also used this broader conception of social but developed a matrix - in which SEs are in the upper right quadrant (Figure 2.3). In their view, SEs should benefit society and/or customers, just as traditional non-profits. However, they should get their resources from sales and not from gifts, as non-profits do.
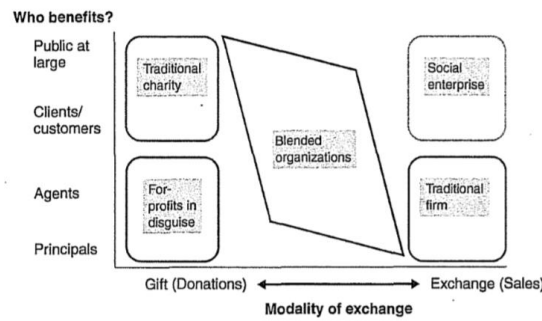
Figure 2.3. The social-business matrix (Galaskiewicz & Barringer, 2012)

Concluding from this, there seems to be a general agreement that SEs are organizations that strive for social as well as economic value creation. It is nevertheless debated where the balance between the social and the business sphere can best be found (Short et al., 2009).

An important question to answer, thus, is what makes this type of enterprise 'social' (Peredo & McLean, 2006). Deciding where the boundaries lie could be substantially challenging. For instance, is a company that employs women with HIV in a developing country a SE when they fire the women when they are too sick to work? This depends on many issues such as whether the wage the women get is higher than the industry standard, or whether they get additional securities such as health care insurances. On top of this, it is complex to decide whether an investment is made for the social mission or not (Peredo & McLean, 2006). Imagine the same company, is it investing in the social mission if they pay the CEO a higher salary so (s)he will work harder to obtain the social mission? This argument could be used by the CEO to 'just' get a higher pay, because measuring the actual effect of the pay increase can be very difficult. Linking to this, even when a social mission is accepted to be 'social', it can be rather difficult to hold a particular organization accountable to it (Galaskiewicz & Barringer, 2012). For instance, when companies know they cannot be held accountable to their social mission, companies can use a social mission as a way to increase their financial results – i.e. greenwashing (Vries, Terwel, Ellemers & Daamen, 2015).

On top of this, the term 'social' raises mostly positive ideas. This explains why the public discourse is predominantly focused on the plus-side of these organizations. There are, however, also negative effects that SEs can invoke. Dacin, Dacin, and Tracey (2011), for example, argue that a potentially negative downside of SEs is that governments feel less responsible to provide social services – e.g. cutting down on subsidies – since they expect SEs to fill the gap. Additionally, from a psychological perspective people tend to feel that they buy a license to act bad when they do something good, this is also one of the reasons people tend to give to non-profits (Chang, 2014). Moreover, Antonella (2009) argues that SEs can indirectly result in commercial for-profit businesses becoming less social. The rationale behind it is that commercial businesses will decide to focus on the customers that do not care whether products are 'fair' or 'social' and can therefore lower their prices by not having to take this into account anymore. Following this logic, a gap between 'social' and 'unsocial' businesses will develop instead of all businesses becoming more social. Finally, Galaskiewicz and Barringer (2012) claim that the combination of a social and financial goal within one company might be confusing for the average customer. They predict that this will result in questioning its legitimacy, or even in ignoring the SE altogether. Linking this to the previous point, it might be that only a small wealthy and educated part of society will engage with social enterprises, which leaves more space for traditional businesses to lower prices and serve the part of the population that 'does not care' how the products are made.

2.1.2.1 POSSIBLE DEFINITIONS

Going into more detail, a number of the most influential definitions for 'social enterprise' that are used in academia and practice will now be discussed. All definitions will be analyzed by illustrating their relative

position on the social-business continuum. After this, one specific definition will be chosen on which the rest of this thesis will be based.

First of all, it is of vital importance to distinguish between material/operational and legal definitions. Legal definitions are constructed from a theoretical perspective and are strict and precise. Operational definitions are formulated from a practical perspective to be workable in a specific situation. For the aim of the current study, an operational definition of SEs is pursued, since this aligns most to the practical approach of the research question at hand.

SE is often defined in a rather broad way in academics, which might be one of the reasons that a common definition is not yet agreed upon by scholars. Young (2009, p. 23), for example, defines SEs as an "activity intended to address social goals through the operation of private organizations in the market-place". In the same vein, Zahra, Gedajlovic, Neubaum, and Shulman (2009, p. 519) argue for SEs encompassing "activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures". In other words, the business side is a means to obtain the social end, putting this view on the social side of the social-business continuum. Galaskiewicz and Barringer (2012) move more to the business side of the continuum, by defining SEs as: private organizations working towards a social welfare goal while participating fully in the marketplace.

A crucial challenge in finding a suitable operational definition for SEs is to find the right balance between finding one that is strict enough to exclude commercial business that engages in greenwashing and coming up with a definition that is broad enough to include the vast diversity of SEs that exist. As previously discussed, SEs deal with three diverse societal spheres: the state, the civil society, and the marketplace. Weerawardena and Mort (2006) believe that this multidimensional identity of SEs must be taken into account when defining SEs. On the other hand, Kerlin (2010) argues that capturing SEs in one uniformly agreed upon definition inevitably limits it to a specific set of social issues.

The EMES framework attempts to capture the myriad of types of SEs and the diverse social issues they address in one definition. It defines SEs as non-profit organizations that deliver value to their customers with goods and/or services (Defourny & Nyssens, 2012). Hence, this definition places SEs at the social side of the social-business continuum. Contrary to the previously discussed definitions, however, they provide a list of economic and social characteristics that distinguish SEs from traditional enterprises. Regarding the economic dimension, SEs should have 1. A continuous activity, producing and selling goods and/or services 2. A high degree of autonomy 3. A significant level of economic risk 4. A minimum amount of paid work. Additionally, concerning the social dimension, they should have 1. An explicit aim to benefit the community 2. An initiative launched by a group of citizens 3. A decision-making power not based on capital 4. A participatory nature, which involves the various parties affected by the activity 5. A limited profit distribution.

In practice, there seems to be [slightly] more consistent agreement on an operational definition for social enterprises. The b-corporation certification that originated in the United States is a way to make sure that for-profit companies meet standards of social and environmental performance, accountability, and transparency. This certificate is often seen as an operationalization of SEs and is growing worldwide, there are already 1600 'b-corps' from 42 countries (Honeyman, 2014). Another example is provided by the European Union, which provides a formally accepted definition for SEs that contains a list of specific characteristics (Westley et al., 2014). According to this definition SEs are organizations where:

- The organization must engage in economic activity: this means that it must engage in a continuous activity of production and/or exchange of goods and/or services;

- It must pursue an explicit and primary social aim: a social aim is one that benefits society;

13

- It must have limits on distribution of profits and/or assets: the purpose of such limits is to prioritize the social aim over profit making;

- It must be independent i.e. organizational autonomy from the State and other traditional for-profit organizations;

- It must have inclusive governance i.e. characterized by participatory and/ or democratic decision-making processes.

Social Enterprise NL altered this definition specifically to the Dutch context. Since the research for this paper is primarily done in the Netherlands (Hillen, Panhuijsen & Verloop, 2014), their definition is most applicable and will therefore be used. That is, SEs are defined as organizations that:

- primarily have a societal mission, i.e. impact first;

- realize the mission by entrepreneurship with a product and/or service;

- is financially sustainable, meaning that it generates value for its customers (it is depended on subsidies for a maximum of 25% of the revenue);

- *is social in organizing the business, meaning that:*
  - *it is transparent;*
  - *making a profit is possible and shareholders can get a part of this, but financial goal is a means to obtain the social mission;*
  - *governance and policy take into account all shareholders evenly;*
  - *it is fair to everyone;*
  - *it is aware of its ecological footprint.*

In conclusion, what characterizes SEs compared to other organizations is the fact that they have a potentially sustainable business model while they hold social impact generation as their main mission. In accordance with the 2016 McKinsey report, the fourth point is considered to be solely prescriptive and not a strict criterion because it is nearly impossible to measure.

2.1.2.2. CATEGORIZING SOCIAL ENTERPRISES

Clearly defining a concept is one way of getting a better understanding of what it entails. However, since SEs have such a multidimensional character, a categorization of the different types of SEs can be a next step in grasping its meaning. This section will therefore illustrate several typologies of SEs taken from different perspectives.

First, McKinsey & Company (2011) constructed a typology of SEs based on the focus they have on the social versus the financial mission, which is now often used by influential stakeholders in the Netherlands such as Social enterprise NL (Hillen, Panhuijsen & Verloop, 2014) and PwC (De Graef, Stroosnier & Hazenberg, 2015). As shown in Figure 2.2, SEs range from organizations that are potentially financially sustainable and put more emphasis on their social goals to the ones that make a profit but are still driven by their social mission. The difference between the four categories is based on how much of their revenue is generated from trading – i.e. delivering value through products and/or services – and what percentage is then reinvested in the social goal(s).

Secondly, McKinsey (2016) makes a distinction between SEs based on the vision they have regarding the scope of their social impact (Table 2.1). On the one hand, there are community enterprises that "aim to create local impact without ambitions beyond their immediate communities" (p. 14). On the other hand, there are society changers, which "aim to change the market by incorporating impact in the value chain, often by innovating, such as

platforms that use IT to create scale by linking customers to small businesses" (p. 14). That is, these two differ in the scale they want to have an impact on – i.e. local versus global.

	Community enterprises	Society changers
Impact focus	Local (communal)	Global
Compete with for-profits	No (or indirectly)	Yes (direct)
Impact	Direct (size of organization)	Direct & indirect (size of organization and effect on society)

Table 2.1. Distinguish SEs based on scope (McKinsey, 2016)

Thirdly, SEs can be categorized based on the impact they aim to make. The McKinsey report (2016) identified seven impact areas in which the SEs in the Netherlands can be classified. Most SEs in the Netherlands can be categorized in one of the seven impact areas as described in Table 2.2, although it is important to note that one SE can also generate impact in different areas.

Impact area
Stimulating the circular economy and renewables
Enlarging labor market participation & equality
Improving health and wellbeing
Promote social cohesion
Improving the food chain
Stimulating international development
Improving education

Table 2.2. Categorization of SEs based on impact area (McKinsey, 2016)

A fourth option to make a typology of SEs is based on the business model they employ. This was done by Alter (2007), who classifies business models based on the balance between the financial and social activities and their mission (Table 2.3). This stipulates again the vast variety of activities that SEs seem to undertake and, thereby, the difficulty of capturing this in one specific definition.

	Embedded BM	Integrated BM	External BM
Mission	Mission centered	Mission related	Non related to mission
Economic and social activities	Social and economic activities are one and the same	Social and economic activities overlap to a certain extend	Economic activities are a way of funding the social activities
Economic VS social activities	Social mission is central	Synergy between economic and social activities	Focus on economic activities as funding mechanism for social ones
Operating models	Entrepreneur support model Market intermediary model Employment model Fee for service model Low income client as market model Cooperative model Market linkage model	Market linkage model Service subsidization model	Organizational support model

Table 2.3. Business models (BM) used in social enterprises (Alter, 2007)

Furthermore, moving from the organizational to the individual level, SEs can be classified based on the type of social entrepreneur that leads the company. An interesting addition to the previous categorizations is that the type of social entrepreneur is argued to influence the scale and scope of a company (Zahra et al., 2009). This is expected to be caused by the different mindsets they have. The social bricoleur typically reacts to issues in its

nearby environment, whereas the social engineer proactively searches for large scale issues to tackle. The former tends to result in locally oriented SEs, like neighborhood initiatives, and the latter generally set up SEs with a wider focus, like Land Life Company. Table 2.4 projects a systematic representation of the research of Zahra et al. (2009).

	Social bricoleur	Social constructionist	Social engineer
Mindset	Reactive	Active	Proactive
Problem definition	Narrow	Medium	Broad
Scale (scope)	Small (local)	Medium (regional/national)	Large (international/global)

Table 2.4. Types of social entrepreneurs (Zahra et al., 2009)

Finally, looking at the social entrepreneur again, there appears to be a difference between social entrepreneurs and social intrapreneurs. The entrepreneurs aim to generate social impact through building a SE, whereas the intrapreneurs want to influence people, systems, and processes within other organizations (Roomi & Harrison, 2011). More specifically, the social entrepreneur sets up a SE him/herself to have social impact, whereas the social intrapreneur enters other organizations to make positive social change.

In conclusion, the disussed categorizations provide a deeper understanding of SEs and their potential scalability. Important to note is that the construction of the theoretical framework that now follows will focus on the full range of SEs as defined above, where the definition of SEs that was described above will be used. The categorization will be leveraged in analyzing and discussing the results of this study.

2.2. CONSTRUCTING THE THEORETICAL FRAMEWORK

The theoretical framework will provide a solid basis for the present study and sketch an academic context to eventually interpret the results later on. The research will rely on the progressive case study methodology, which is a combination of the positivist grounded theory methodology and the interpretivist case study approach (Streenhuis & Bruijn, 2006). Importantly, the literature it used to make the researcher aware of the important concepts and sensitize him/her to issues that need further developing, not to develop testable hypotheses. The aim of the literature research is twofold, 1) to identify the most crucial barriers to scale for Dutch SEs, and 2) to identify a first idea of ways to overcome these barriers. Due to the relative novelty of the research topic, the author does not aim to compose a theoretical framework to validate. Rather, an explorative research perspective is chosen in which the literature provides a context to the research and builds a solid basis for selecting the research cases.

It is important to note that this literature framework is constructed by the author and thereby subject to his judgement. To account for the subjective influence of the author, it is made transparent how the literature research is conducted. The used literature was found by using four different methods that were applied in two academic databases: Google Scholar and EBSCO Host. The first method was to consult thesis reports on this subject of former students of the Rotterdam School of Management, to get an initial literature overview. Secondly, an overview of the current status of the Dutch SE sector is provided by reports of important stakeholders, such as network organizations and consultancy firms. Thirdly, articles were inspected in academic search engines by using keywords that will be indicated in each respective section. Finally, a method commonly referred to as 'snowballing' was practiced, where insights from one article lead the way to other papers.

2.2.1. SCALING BARRIERS FACED BY SOCIAL ENTERPRISES

As illustrated above, scholars have come up with many different theories and perspectives on social enterprises. Opinions can thus vary considerably on what the [most important] scaling barriers are. To identify which scaling barriers are of pivotal importance in the Dutch SE sector, the current study takes a practical

approach and relies on three influential reports: a study of the European Commission, a report of Social Enterprise NL, and a report of McKinsey focused on the Dutch case. This is in line with progressive case study approach of Steenhuis and Bruijn (2006), who argues for the importance of using different forms of literature: "nonprofessional literature, professional literature related to specific area of research, professional literature unrelated to specific area of research" (p. 5). The report 'A map of SEs and their eco-systems in Europe' is part of the Social Business Initiative and set out to increase the understanding of the size, state and scope of the SE sector in 29 European countries, including the Netherlands (Wilkinson et al., 2014). The 2016 monitor of Social Enterprise NL based their results on data gathered from 130 Dutch SEs and provides an overview of the sector in the Netherlands. Finally, the 2016 McKinsey report has a foundation of a survey of 182 SEs and interviews with 25 SE industry experts. All barriers that are identified to be of importance are shown in Table 2.5, This table also contains information regarding the degree of validation – i.e. how many of the three reports claim the particular barrier to be a major issue. It must be noted that the author recognizes that the barriers cannot be seen as strictly separate issues. The research will therefore also focus on the relations between the barriers that exist. A critical discussion of these reports and their methodology can be found in the discussion and limitation chapter.

	Barriers to scale	Nature of validation
1	Absence of common mechanisms for measuring and demonstrating impact	Supported by 2 reports
2	Poor understanding of the concept of social enterprise	Supported by 1 report
3	Lack of business acumen	Supported by 2 reports
4	Poor access to upstream procurement processes	Supported by 3 report
5	Difficult to attract the right management talent for next growth stage	Supported by 3 reports
6	Policy of [local] governments	Supported by 2 reports
7	Finding external funds	Supported by 2 reports
8	Complex conception of ownership and property rights	Supported by 1 report

Table 2.5. Barriers to scale accumulated in literature research

1) *Absence of common mechanisms for measuring and demonstrating impact*

The 'dual bottom line' states that SEs have two types of impact that are of importance: social and financial. A first challenge for SEs is, thus, that they have to measure and report on two types of impact instead of one. On top of this, social impact measurement is considered to be significantly more challenging than measuring financial performance (Dees, Anderson & Wei-Skillern, 2004). Measuring the social impact and communicating it in a clear way is, however, key to the success of a SE (Galaskiewicz & Barringer, 2012). More specifically, impact measurement and reporting is pivotal to get investments, to binding customers, to enhance visibility, and to improve the company image. Interestingly, McKinsey (2016) found that only 50 percent of the SEs in the Netherlands measure and report their impact. For most this is caused by the lack of systematic and standardized measurement systems and the lack of financial resources. The result is that social impact cannot be quantified and compared between SEs or the sector as a whole.

Due to the increased popularity of SEs, many performance measurement systems for SEs have been developed (e.g. Bagnoli & Megali, 2009; Millar & Hall, 2013; Arena, Azzone & Bengo, 2015). Wilkinson et al. (2014) identified seven different impact measurement systems in Europe alone. As Arena et al. (2015) argue, however, these systems are currently too diverging, there is a need for a systematic and common measurement and reporting mechanism for SEs in order to ensure accountability and increase understanding. On top of this, impact areas often differ in the indicators that are relevant, complicating the identification of a single unit like financial impact (McKinsey, 2016).

2)   *Poor understanding of the concept of social enterprise*

SEs are often misunderstood by people as being non-profits instead of companies. Misunderstandings like this can negatively affect the relationship SEs have with clients and other important stakeholders and, thereby, hamper growth (Wilkinson et al., 2014). Additionally, the same report declares that negative stereotypes can influence perceptions of SEs in the wider public, i.e. potential customers.

Moreover, social entrepreneurs might not even understand what SEs are, as is illustrated by the complex discussion on finding a suitable definition. Due to this ambiguity, SEs might not know what they want to scale. For example, the choice between scaling the social impact or the organization (Waitzer & Paul, 2011). As Bradach (2010) argues, the way forward for SEs might be to focus on scaling impact without scaling the organization. This would mean that they should promote others to copy one's concept, since this could rapidly increase the social impact they strive for. However, in the long run this might mean that their organization is outcompeted by 'copy cats'. Solely focusing on increasing one's social impact will result in a financially unsustainable business, e.g. a non-profit, but only emphasizing scaling of the organization puts the company in the traditional business corner.

3)   *Lack of business acumen*

Some of the barriers SEs face are similar to the ones faced by traditional for-profit business. However, this is solely one dimension of social enterprises, the social side is claimed to be often neglected in business development advise. As exemplified by the fact that SEs are often mistaken for non-profits, there seems to be a general bias towards the social side of these businesses (Wilkinson et al., 2014). Specialized business support for SEs is largely absent in most European countries and where it exists it is limited and fragmented. This is confirmed by the McKinsey report (McKinsey, 2016), which states that there is a shortfall of funds in combination with professional coaching for SEs in the Netherlands.

However, for this thesis the focus is on issues SEs can influence directly. It appears that business capabilities within these organizations are often lacking as well. More specifically, Wilkinson et al. (2014) state that one of the main constraints to scale is the lack of business skills and capabilities of the entrepreneurs. They complement this by claiming that the absence of a viable business model is a central issue preventing European SEs to scale. This goes hand in hand with Smith, Gonin and Besharov (2013), who argue that social entrepreneurs are generally more socially than financially driven. In accordance with this, McKinsey (2016) stipulates that social entrepreneurs often believe that growth of the organization is difficult to pair with obtaining social impact.

4)   *Poor access to upstream procurement processes*

Competing in the market with for-profits is perceived to be challenging for SEs. In the report of the European Union, the authors provide examples for this challenge being an inadequate use of social clauses and not being able to deal with public procurement practices (Wilkinson et al., 2014). The recent Social Enterprise NL monitor (2016) shows that SEs especially struggle to deal with the procurement processes of governments; only 11 percent of the customers of Dutch SEs are governments. Additionally, the McKinsey (2016) study argues that

there is large untapped potential in linking SEs to the procurement of governments and businesses. One of the five challenges for the Dutch SE sector that they identified is: "buying from SEs is not yet widely seen as a priority". They propose that impact criteria should become the norm for [local] governments and corporates in the coming years.

5) Difficult to attract the right management talent for next growth stage

This barrier is rather similar to for-profit startups, after the first growth phase it is often difficult to attract the necessary management talent (McKinsey, 2016). In the initial growth phase founders can still rely on their charisma to attract people, but after a certain organizational size specific capabilities become crucial and finding these people is proven to be difficult and time consuming (McKinsey, 2016). A key issue in attracting these people is that SEs generally pay less compared to similar positions in for-profits. In the report of the European commission, the lack of managerial and professional skills and competencies is also seen as one of the major issues preventing scaling (Wilkinson et al., 2014).

Interestingly, this barrier is not identified in the Social Enterprise NL monitor of 2016. Whereas attaining, retaining and managing talent is considered to be one of the major success factors of all business types (Becker & Huselid, 2006). Specific to social enterprises, Harris and Kor (2013) argue that human assets are crucial in scaling up the organization as well as the social impact.

6) Policy of [local] governments

Working with [local] governments is argued to be the main barrier to growth according to the Dutch SEs (Social Enterprise NL monitor 2016, 2016). This is confirmed by the fact that only 11 percent of the customers of SEs in the Netherlands are governments, whereas solving social issues in an efficient way is crucial to them. Interestingly, previous research by Social Enterprise NL concluded that there lies a great potential in SEs working together with [local] governments in the Netherlands (Hillen, Panhuijsen & Verloop, 2014). It might be, as Wilkinson et al. (2014) argue, that the lack of a common understanding of how SEs should be defined prevents governments from utilizing these fruitful partnerships. As Social Enterprise NL states in the monitor (2016), SEs tend to work in a way that transcends sectors whereas local governments still think in strict categories and sectors. When two parties perceive issues from diverging perspectives it can complicate collaborations.

The recent Social Enterprise NL monitor (2016) proposes that a better cooperation between [local] governments and SEs can increase the societal impact for the SEs as well as save costs for governments. France and the United Kingdom already showed that SEs can indeed be a win-win deal for both sides. An illustrative example is the company 'specialisterren', which leverages the high potential of people with autism in the IT sector. By doing this, the government doesn't have to financially support these people and these people do not have to solely rely on the social security system anymore.

7) Finding external funds

In previous years, finding enough funds was the main challenge for scaling in the Netherlands, although not the main barrier to growth anymore, it is still highly influential according to the respondents (Social Enterprise NL monitor 2016, 2016). Social entrepreneurs have to constantly find their way in the social-business continuum, they might be considered too commercial for non-profit investors and too social to for-profit investors. Currently, traditional investors do not understand the duality of SEs and there are not enough specialized investment organizations yet (Wilkinson et al., 2014). Moreover, there appears to be a general tendency towards investing in SEs active on environmental themes, therefore other initiatives are underrepresented (McKinsey, 2016).

Still, it has to be noted that there is three times as much money invested in SEs in 2015 compared to 2011 (McKinsey, 2016). Interestingly, there is no shortage of available capital but the capital cannot find its way to the relevant social enterprises. This can be explained by the lack of knowledge of SEs regarding how to get to the right funds, but also by the shortage of knowledge about what the right SEs are on the investor's side. McKinsey (2016) argues that the first growth phases are often fueled by 'friendly money', yet to scale the enterprise requires professional funding: "few funders in this range have the capacity, expertise, investment models or knowledge to provide the intensive business support or coaching that social entrepreneurs need to scale up their business" (p. 22). This is confirmed by Wilkinson et al. (2014), who identified the high reliance on public sector financing of SEs as one of the key barriers to scale for SEs in Europe.

8)   Complex conception of ownership and property rights

The problem of finding a suitable and generally accepted definition for SEs has contributed to the lack of a legal framework for these types of organizations in the Netherlands [and many more countries] (Hillen, Panhuijsen & Verloop, 2014). There are many examples of legal frameworks that could be seen as suitable to social enterprises. For example, in the United States there is the 'Benefit Corporation' and in the United Kingdom they have the 'Community Interest Company'. Since SEs position themselves somewhere in the middle of the social-business continuum, legal frameworks designed for non-profits and for-profits are not fully applicable. Developing a separate legal entity for SEs could boost their legitimacy and success (Huybrechts, Mertens, & Rijpens, 2014). As Wilkinson et al. (2014) argue, the lack of a legal framework makes it difficult for governments to support SEs and to install incentive initiatives.

Strongly related to the legal framework is the complex conception of ownership that SEs deal with. Whereas the goal of traditional businesses is to make a profit for the shareholders, one of the missions of SEs is to serve others, or a whole community, as well. Should SEs be able to protect its ownership of their business idea by enforcing property rights? To the author's knowledge, this issue is highly underrepresented in the literature to date. Imagine restaurant A that created a well-working concept to provide jobs to blind people, similar examples are described by Cnaan and Vinokur-Kaplan (2014). When restaurant B starts to copy this idea in another city, it means that the social impact of restaurant A's mission increases, but business opportunities decrease leading to less growth of the organization. Whether restaurant A can get property rights obviously depends on the specifics of a product or service, the more interesting question for this discussion is, however, whether they should want to enforce these rights. Enforcing property rights can also decrease the impact of a social mission. This once more illustrates the dilemma of being 'stuck in the middle', since the company has to decide whether it choses for protecting its financial profits or increasing the social impact.

2.2.2. WAYS FOR SOCIAL ENTERPRISES TO OVERCOME BARRIERS TO SCALE

As described above, SEs are argued to be in the middle of the social-business continuum. In line with this, it is proposed that valuable lessons can be taken from academic fields along the whole range of this continuum. That is: for-profit, non-profit, as well as SE specific literature. The second part of the theoretical framework will, therefore, cover literature from the whole range of the social-business continuum. As mentioned in the previous section, the aim is not to build a theoretical framework with problems and solutions that will be validated in the case studies. The present aim is to provide a theoretical foundation for the explorative progressive case study at hand. As indicated before, the literature it not used to develop strict hypotheses and theories, it is rather used to make the researcher aware of the important concepts and sensitize him/her to issues that need further developing (Steenhuis & Bruijn, 2006). However, the strategies to tackle scaling barriers identified in the different literature fields differ in the degree of academic validation, some are heavily researched while others are relatively novel ideas. A column that shows how much literature is used as a basis for this particular strategy to get a general understanding of the academic value of the identified strategies.

The rationale being that the ones that are grounded in multiple academic studies are validated to a larger degree than the ones that are based on one research. Finally, it is important to note that the three bodies of literature are not strictly separate, it will become apparent that there are multiple topics that are researched from different perspectives.

Due to the vast amount of research done in all three fields on scaling, the author used two specific selection criteria in identifying strategies to overcome scaling barriers. The first is based on the fact that the present study focusses on actions that SEs can take themselves. Hence, the author selected strategies that can directly be influenced by social enterprises. The second criterion aims to abstract the most important theories from the three respective bodies of literature. To this end, literature is explored based on the amount of citations and the degree of correspondence with the search terms, i.e. only highly relevant and often cited articles were explored. Literature research was done in the Google Scholar and EPSCO Host database and the keywords that were used are specified in each respective section.

   1) *For-profit literature*

To get a broad idea of the literature in this field, the following theses were first consulted: Van der Drift (2012), Rispens (2009), and Herselman (2009). With this basis knowledge, relevant and popular articles were examined in the two databases using the following keywords: scaling/upscaling/growing business, success factors scaling business, strategy scaling business, critical success factors business success, critical success factors scaling up. Most of the literature on this topic was industry specific or focused on one type of business, the author aimed to abstract the central and relevant success factors from this knowledge pool. The ways to scale that were considered important and influential in this body of literature are presented in Table 2.6 and will be further discussed in the following.

	Indicators of successful scaling	Specification	Degree of validation
1	Lean startup method	Experimentation	3 papers
		Flexibility	
		Product-market fit	
2	Dynamic capabilities		2 papers
3	Ambidextrous Organizations		1 papers
4	Diversification		2 papers
5	Leverage technologies		2 papers
6	People	Network of company	5 papers
		Team characteristics	
		Purpose influences motivation	
7	Finding sufficient funds	e.g. VCs & crowdsourcing	2 papers

Table 2.6. Strategies for scaling from for-profit literature

A highly popular stream of research on scaling businesses can be captured under the 'lean startup method' (Ries, 2011). This methodology originated in the technology startup scene and is increasingly used by companies to scale fast. Edison, Wang and Abrahansson (2015) argue, for instance, that large organizations should start adjusting to the lean startup methodology to stay competitive. The essence of this method is to 'just do' by quickly bringing to market a Minimum Viable Product that should be tested and tweaked until it

perfectly fits the target customer segment(s). One of the most important indicators for successful scaling is to *experiment* with a product as soon as possible while staying agile – i.e. eliminating all waste and redundancies. This aligns with another crucial success factor, the idea that fast growth requires *high flexibility*, e.g. staff on demand results in less long term commitment. One of the core reasons why flexibility is considered important is the fact that a company should be able to quickly adjust to customer feedback. In the lean startup methodology, it is claimed that a pivot in a company's strategy is nearly always needed in scaling. The goal of the flexibility and experimentation is to find the ultimate *product-market fit*, i.e. the knowledge that the company found the best solution to the problem they are addressing (Nobel, 2013).

Perfectly aligning with this is the conception of *dynamic capabilities*, which has gained immense popularity in academia as well as in business during the past decades, and which is still highly relevant today[1] (Teece, Pisano & Shuen, 1997). The essence is that companies should develop the capacity to sense opportunities, seize them, and maintain their competitiveness. Central to this theory is the idea that businesses should leverage capabilities that are difficult to replicate in order to stay ahead in an ever changing competitive environment. Companies that fail to do this, like Nokia that missed the smartphone revolution, typically fall behind and are outcompeted by rivals. Teece et al. (1997) argue, however, that dynamic capabilities are especially important to multinational enterprises that place high emphasis on technology. Nevertheless, the theory can be valuable to companies in their scaling process since it could help to sense and seize the right opportunities.

Another area that is crucial in successful scaling concerns the structure of the organization. One organizational form that seems to lead to successful growth of enterprises and is increasingly popular in the literature is the idea of *ambidextrous* organizations (O Reilly, & Tushman, 2004). These types of organizations or teams, are self-organized, independent from the rest of the organization, and often multi-disciplinary. The rationale behind its contribution to successful growth of organizations is that it enables a company to explore innovative ideas without being held back by powerful conservative influences coming from within the 'traditional' part of the organization. This results in higher flexibility and faster adaptability to developments in the market, which in turn make the company more scalable.

Slightly in opposition to the lean startup methodology, scholars argue that solely finding one good product-market fit is not enough. They claim that *diversification* is crucial to scale in a sustainable way, i.e. with the goal to keep on growing in the long-term. The underlying logic is that risk is spread by dividing the dependence of the company over different areas, in other words diversification of risk (Terwiesch & Ulrich, 2008). A startup that is scaling fast due to a big contract with a corporate – and focusses on this deal instead of investing in different opportunities – can, for instance, collapse when the client decides to make another deal. However, diversifying the client base is only one dimension, is can also be beneficial to diversify the products, the markets, and the customers (Berry, 2015). Interestingly, this literature predominantly concerns bigger sized organizations (Berry, 2015). In line with the lean startup methodology, startups might benefit from focusing their attention on one product/service and diversification could become relevant when these enterprises want to scale [sustainably].

Additionally, the role of technology on our lives is immense and growing. Although technologies are not central to all enterprises, the influence of technology is quickly increasing on many different levels. Business scholars argue that it is crucial to a company's success to leverage technologies in their organization. Bharadwaj, Sawy, Pavlou, and Venkatraman (2013) argue, for instance, that digital technologies are fundamentally transforming business strategy, processes, capabilities, and their products and services. In line with this Luftman and Kempaiah (2007) propose that business and IT should be more aligned. Technology should not be an additional

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[1] The original paper of Teece is now cited more than 20.000 times.

thing that needs to be considered, but to stay competitive businesses should incorporate it into the core of their strategy and thereby company DNA.

Moreover, the vast majority of the research on scaling businesses identifies the *network* of a firm to be one of the key success factors to scale (e.g. Clarysse, Wright, Bruneel, & Mahajan, 2014; Yin & Luo, 2015). Adding to this, Elfring and Hulsink (2007) researched the literature on the influence of strong and weak ties on emerging organizations, concluding that both are of pivotal importance in scaling a company. From the perspective of venture capitalists, teams play a key role in a company's success (Franke, Gruber, Harhoff & Henkel, 2008). Abstracting knowledge from 13 academic studies done on hundreds of venture capitalists, they conclude that team characteristics are among the top three selection criteria of VCs. This epitomizes the importance of the people in a company. In order to utilize the full potential of people, it is key that these people are motivated to work hard in order to become [or stay] a successful company (Pinder, 2014). In one of the recent New York Times bestselling business books, Sinek (2011) argues that their key is having a *purpose*. He claims that this is the reason why some entrepreneurs are able to repeat their success over and over again where others continue to fail. An often used example is Elon Musk, who founded PayPal, SpaceX, and Tesla (Vance, 2016). This insight links perfectly to the growing body of psychological literature, which argues that people are generally more motivated to work when they feel it serves a purpose (Pinder, 2014).

Finally, the ability to find sufficient funds is also key in scaling. Many scholars researching startups focus on how they can overcome the 'valley of death' – i.e. the moment between technology creation and early commercialization often is accompanied by a lack of funds (Murphy & Edwards, 2003). In other words, this is the moment where startups scale. In the for-profit sector, startups often turn to VCs for help (Savaneviciene, Venckuviene & Girdauskiene, 2015). VCs help companies to overcome the valley of death by providing funds as well as business advise and contact. Another strategy to obtain funds is to use crowdsourcing (Girdauskiene, Venckuviene & Savaneviciene, 2015).

2) *Non-profit literature*

As for the previous literature, the following theses were consulted to get a general understanding of what is most important: Taal (2012), Celik (2010). With this basis knowledge, relevant and popular articles were examined in the two databases using the following keywords: scaling/upscaling/growing non-profits, success factors scaling non-profits, strategy scaling non-profits, critical success factors non-profits success, critical success factors scaling up non-profits. The success factors that were considered important and influential in this body of literature are presented in Table 2.7 and will now be further discussed.

	Indicators of successful scaling	Degree of validation
1	Mission first	2 papers
2	Stakeholder management	1 papers
3	Partnerships	1 papers
4	Ability to raise money	1 papers
5	Learning and innovation	1 papers
6	Obtained impact	1 papers
7	Chose the right strategy to scale	1 papers

Table 2.7. Strategies for successful scaling from non-profit literature

A first indicator of success for non-profits is to focus on the *mission first*, which can be found in a highly cited book by Drucker (2004) who is one of the most popular authors in this field. He proposes that every good mission possesses opportunities, competences, and commitments. This mission can, consequently, serve as a tool to prioritize the actions of the organization. As Drucker (1989) argues "nonprofits are more money conscious than business enterprises are. They talk and worry about money much of the time because it is so hard to raise and because they always have so much less of it than they need. But nonprofits do not base their strategy on money, nor do they make it the center of their plans, as so many corporate executives do" (p. 89). This can also be a valuable lesson for social enterprises, to solely see the money as a means to obtain the mission.

In the Stanford Social Innovation Review, Grant and Crutchfield (2007) argue that the secret of high-impact non-profits lies in good *stakeholder management*. Based on thorough research of 12 non-profits that have a high-impact, they claim that "greatness has more to do with how nonprofits work outside the boundaries of their organizations than with how they manage their own internal operations" (p. 3). By leveraging motivated stakeholders, these successful non-profits are able to mobilize people and catalyze change on a much larger scale than their organizational size would suggest.

Moreover, Andreasen (1996) stipulates the importance of *partnerships* in scaling non-profits in a popular Harvard Business Review article. He argues that there is great potential to create synergies between for-profits and non-profits. That is, for-profits can provide funds to non-profits in order to scale and non-profit can be a positive addition to the image of the company. It can, however, be challenging to find for-profit partners who's actions do not stand in stark contrast to the non-profit's mission.

Additionally, in their bestselling book 'getting to scale: how to bring development solutions to millions of poor people', Chandy, Hosono, Kharas, and Linn (2013) argue that there are three main indicators for successful scaling for non-profits: *the ability to raise money, the degree of learning and innovation, and the actual obtained impact*.

Finally, Moore, Riddell, and Vocisano (2015) conducted interviews with 15 winners of the Canadian Applied Dissemination award and identified *three scaling strategies*, scaling out, scaling up, and scaling deep. Scaling out concentrates on increasing the number of people they impact, scaling up focusses on having social impact through influencing laws and policies, and scaling deep puts the focus on the quality of the social impact. It might be valuable for SEs to know how they want to scale, so they can focus their resources efficiently on the most suitable scaling strategy and maximize their social impact.

3) SE literature

The combination of a social and financial goal is epitomized in social enterprises. As a start, the three reports that were used to identify the barriers were consulted for ways to overcome the identified challenges. After this, the following theses were examined to get an overview of the most important theories regarding scaling of SEs: Middelkamp (2015), Kiers (2014), Scholdan (2015). Consequently, relevant and popular articles were examined in the two databases to add to the three reports using the following keywords: scaling/upscaling/growing social business, success factors scaling social business, strategy scaling social business, critical success factors social business success, critical success factors scaling up social enterprises. The success factors that were considered important and influential in this body of literature are shown in Table 2.8 and will be elaborated on below.

	Indicators of successful scaling	Related success factors	Degree of validation
1	Viable operating model	Social business model canvas Sustainable business model	4 papers
2	Commitment and readiness	PCDO framework & SCALERS model	3 papers
3	Replicability	-	1 papers
4	Mobilizing necessary resources	Network of entrepreneur(s)	2 papers
5	Control and dependency	Partnerships	5 papers
6	Transaction costs	Stakeholder engagement	3 papers
7	Legitimacy and reputation	-	2 papers

Table 2.8. Strategies for successful scaling from SE literature

Pioneers in the research on scaling SEs are Dees, Anderson, and Wei-Skillern (2004), who defined a path to successful scaling for SEs called the five R's. SEs should: be Ready to scale, have Reciprocity towards the target community, have enough Resources, not have too much Risk, have reasonable Returns. These success factors are nevertheless rather broadly defined and since then many attempts have been made to generate a valuable set of success factors for SEs to follow (e.g. Sharir & Lerner, 2006; Pautasso, Castagno, & Osella, 2015). A study standing out – which encompasses the success factors of many other studies – is conducted by the Bertelsmann Stiftung (Weber, Leibniz & Demitras, 2015), which researched 358 SEs in six European countries. They identified two prerequisites and five success factors for scaling social enterprises, these will be used as a guiding framework to provide focus for the research in this literature field. Note that the success factor 'management competences' was discussed above, so there will not be a further elaboration to avoid repetition.

The first prerequisite for scaling is to have a *viable operating model*, which is another name for business model. The business model canvas of the lean startup methodology can be of great help in finding a suitable business model for startups (Osterwalder & Pigneur, 2010). However, it neglects the social perspective, making it less applicable to social enterprises. Chatterjee (2013) made an attempt to prescribe business models for social enterprises, arguing for the importance of the following characteristics: engagement with customers, expanding the value proposition with complementary offerings, and giving the suppliers a central place. Additionally, Casadesus-Masanell and Ricart (2011) claim that the alignment of the business model with the company goals and a self-reinforced economic value creation system are of pivotal importance in business models of social enterprises. Adding characteristics like these to the popular business model canvas might be a basis for balancing social and economic goals within one organization and, thus, better scalable social enterprises. Another perspective is provided by Bocken et al. (2014), who constructed eight archetypes of sustainable business models, three of which were socially focused: delivering functionality rather than ownership, adopt a stewardship role, encourage sufficiency. These archetypes can be a starting point for SEs to construct a viable operating model.

The second prerequisite is that the social entrepreneurs have the *commitment* to scale and are actually ready for the challenges it brings along. In essence, the question is whether the SE knows what scaling means and what influence it can have on their enterprise. One of the main pain points here is that SEs continuously have to find the right balance between the social and the financial goals when the organization is growing fast and many ad hoc issues engulf the social entrepreneur's attention. There are two frameworks designed by scholars that can help social entrepreneurs to keep an overview of the areas that require attention. First, Austin, Stevenson and Wei-Skillern (2006) apply the PCDO framework to social entrepreneurship. This framework proposes four key areas on which SEs can focus their scaling efforts: People and resources, Context, Deals, and

Opportunities. The framework proposes that entrepreneurs have to constantly manage a dynamic fit among these elements. Secondly, Bloom and Chatterji (2009) developed the SCALERS model, which is validated in the American context and is one of the most influential in the existing literature (Bloom & Smith, 2010). The model exists of seven areas between which the social entrepreneur should divide its attention: Staffing, Communicating, Alliance building, Lobbying, Earnings generation, Replication, and Stimulating market forces. Making explicit what is important in a SE can help the social entrepreneur to structure and prioritize what needs to happen without losing oneself in last minute activities.

The first success factor is *replicability*, which entails that products and services as well as processes and organizations should be replicable in order to scale. It is crucial to reduce the operating model to core characteristics and make the organization as prone to standardization as possible. This way, scaling can be facilitated by enabling fast expansion of activities and implementing IT solutions (van Krogh & Cusumano, 2001).

The next success factor is whether the social entrepreneur is able to *generate sufficient resources* required to scale, i.e. financial capital, human resources, and knowledge. Crucial in obtaining these resources is the network of the whole organization (Weber, Leibniz & Demitras, 2015). This is confirmed by Sharir and Lerner (2006) who researched 33 successful social ventures in Israel and identified the network of the SE to be the most valuable contribution to scaling.

Another success factor they identified is finding the right *balance between control and dependency* in partnerships. Weber, Leibniz, and Demitras (2015) argue that there is no 'perfect' partnership, the boundaries need to be identified on a case-to-case basis. Partnerships have great potential for social enterprises. Yunus (2010) and Amit and Zott (2010), for instance, argue that partners can help alleviate resource constraints and bring complementary capabilities. Huybrechts and Nicholls (2013), additionally, claim that SEs increase their legitimacy by partnering with corporate businesses. Although it has to be taken into account that certain corporates might stand in stark contrast one's social mission. Furthermore, Markham, Ward, Aiman-Smith, and Kingon (2010) argue that partnerships can also be valuable in providing the roles of champion, sponsor, or gatekeeper to a social entrepreneur.

Limiting the *transaction costs* of the SE is another success factor to scaling. Transaction costs can be divided under internal, resulting from adopting the operational model, and external, resulting from whether there is a need to operate in different contexts in order to scale. In other words, these costs have to do with the interaction between the company and its stakeholders. Proper stakeholder management can, thus, be key in limiting transaction costs. Balancing the diverse range of stakeholder can be done through open, inclusive, participatory and responsible decision making processes, which requires a high level of stakeholder engagement (Lambooy, Argyrou, Colenbrander, & Blomme, 2016). A possible way of doing this is to engage in a multiple-stakeholder approach, which constitutes an organizational governance structure that aims to bring stakeholders together in finding and implementing solutions (Nyssens, 2007). Additionally, transaction costs can also be reduced by leveraging technologies, for instance though optimizing processes (Nooteboom, 1992).

Finally, the *perceived legitimacy and reputation* of the SE are key in its scaling journey. The legitimacy and reputation are not only key in scaling the SE itself, but also in providing more legitimacy to social entrepreneurship in the public discourse (Sharir & Lerner, 2006). One way of increasing the reputation and legitimacy of an organization is by getting prices, awards, and honors (Weber, Leibniz & Demitras, 2015).

2.3. CONCLUSION

This chapter started with providing a context to the research question, by illustrating the current state of the Dutch SE sector. After that, the concepts scaling and social enterprise were defined. Consequently, the author

constructed an extensive theoretical framework. The first step was to identify eight scaling barriers that SEs face in the Netherlands, which was done by researching three recent reports that investigated barriers to scale. This helped to narrow down the focus of the research question to eight specific barriers, instead of all scaling barriers that exist. Thereafter, three different academic literature fields were consulted – i.e. for-profit, non-profit, SE specific – in an attempt to provide a theoretical understanding of how the eight scaling barriers might be overcome. A vast array of academic literature was discussed and the author indicated the degree of validation of the discussed theories by showing the number of articles it was based on.

3. RESEARCH METHODS

Due to the relative early phase the research on SEs is in and the wide focus of the scaling barriers, the author considered an explorative study to be most suitable. The progressive case study method is chosen with the aim to provide new insights while simultaneously providing a solid basis in the relevant literature. This chapter will elaborate on the progressive case study methodology and discuss how it is applied in the current study. The full research process is illustrated in Figure 3.1.

Defining the research field (H1&H2)
- Define scaling
- Define social enterprises
- Define the problem

Theoretical framework (H2)
- Identify barriers to scale specific to the Dutch sector
- Identify strategies to overcome these barriers based on three bodies of literature

Progressive case study (H3)
- Conduct interviews in three different case groups
- Analyze all collected data through thematic analysis

Answer research question (H4&H5)
- Identify reasons for scaling barriers from results
- Identify ways to overcome scaling barriers from results
- Identify important additional results
- Converge all results into roadmap for Dutch social enterprises to scale successful

Figure 3.1. Research process

3.1. RESEARCH DESIGN

The progressive case study approach is a combination of Grounded Theory (Strauss & Corbin, 1967) and the case study approach of Yin (1994), as summarized in Table 3.1. Both methods will now be shortly introduced in order to get a better understanding of what the progressive case study entails.

Grounded theory is an inductive research method in which a theoretical framework is constructed based on empirical data. Literature is solely used to make the researcher sensitive to relevant issues before the actual research is started, it is not used to construct a theoretical framework. This approach uses the learnings from one case for the next case, it is a continues learning process where cases are not used for replication purposes. Contrary to this approach, which has empirical data at its core, Yin's deductive case study approach puts more emphasis on literature. For Yin's methodology, literature is used to construct a theoretical framework that is then tested and validated with case research. Importantly, Yin proposes to solely use cases to validate expectations in one domain, whereas in Grounded Theory cases are used to generate additional insights to what has been found already.

Case study	Grounded theory
Theory as driving force	Data as driving force (no construction of theoretical framework
Deductive (theory testing approach)	Inductive (theory developing approach)
Outcome : validated results (validated hypotheses)	Outcome: ever developing theory (hypotheses)
Positivist/post positivist	Interpretivist

Table 3.1. Comparison of case study and grounded theory

The progressive case study method proposed by Steenhuis and Bruijn (2006) aims to capture the 'best of both worlds', through which they claim it can capture more and richer data compared to for instance survey research. On the one hand, a certain degree of certainty about the theoretical framework is provided through using verification and replication techniques from Yin's case study methodology. On the other hand, Grounded Theory techniques ensure openness to new insights and prevent the theoretical framework from being too limiting. This makes it perfectly suitable to a research field that is still at its infancy, like that of SEs. The progressive case study goes beyond solely identifying new insights, as grounded theory does, but does not take it as far as academically validating theories like in Yin's case study method. Rather, through the use of a multiple-case study approach concepts and possible relations that create new insights are identified, further developed, and then replicated in subsequent cases[2]. This methodology is called 'progressive' because there is a continuous reflective process throughout the research in which the researcher can interpret results and decide which cases and data are most important.

Credibility is crucial for this research approach, according to Steenhuis and Bruijn (2006). Credibility can be enhanced by using verification and validation methods, as used in Yin's case study approach. Furthermore, it can be increased by the use of triangulation techniques, i.e. the use of multiple measurements to increase the accuracy of the interpretations. For example, multiple cases were researched and interviews were supplemented by desk research and a strong theoretical framework. Literature research prior to the case study is considered important since scientific contributions are ultimately meant to strengthen the existing body of knowledge. Literature, therefore, plays a central role in identifying cases and to make the one aware of important concepts and issues that require further development.

Although it sounds promising to capture 'the best of both approaches', there are potential shortcoming as well (Steenhuis & Bruijn, 2006). First of all, the interpretivist focused case studies used are typically of lower empirical quality compared to validation oriented research designs. Therefore, the author stresses that the present study must be considered as one of the first steps in researching ways to overcome scaling barriers. It must be supplemented with additional research to validate the results proposed here. Moreover, this type of research generally produces a large amount of data, which is challenging to condense into an article format. In line with this, the applied techniques are less well known among scientists.

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[2] It has to be noted that Yin (1994) showed that a multiple-case study approach is not necessary, however it is preferred in the current study (Steenhuis & Bruijn, 2006)

3.2. DATA COLLECTION

The collection and analysis of the data was done in three phases, each consisting of different steps (Figure 3.2). The current sub-chapter will elaborate on phase one, the process of collecting the data. The second and third phase concern the analysis of obtained data and will therefore be discussed in the next section.

Each interview Steps conducted at the end of each interview
- Initial desk research (i.e. websites, annual reports, new reports)
- Semi-structured interviews
- Secondary desk research (i.e. advised research papers and practical tools)

Each case group Steps conducted at the end of each case group
- Familiarization with data, generating codes, identifying themes
- Linking relevant insights from desk research to interviews
- Superficial analysis of case group data in order to determine the focus for the next case group

Final analysis Steps conducted at the end of the data gathering phase
- Combining themes and identifying hierarchies
- Analyzing content of themes
- Identifying deeper level structures

Figure 3.2. Research process illustration

3.2.1. RESEARCH PROCESS

The research consisted of three consecutive cases, each containing between 3 and 9 interviews (Table 3.2). The first two cases were made up of industry experts, which helped to get a general idea of the research question at hand. The third case consisted of SEs, this is undoubtedly the largest case since the focus was on what SEs themselves can do to overcome the barriers to scale. Due to the progressive nature of the research design, the research subjects and cases were selected during the research. The snowball sampling method was applied to do this (Miles & Huberman, 1994). This technique leveraged the knowledge and network of previous interviewees by asking who could be a good candidate for next interviews. To choose the next interview, the following was taken into account: what was already known, which data had potential for promising insights, what kind of data was practically available, and where most theoretical saturation already occurred (Steenhuis & Bruijn, 2006). Throughout the research phase, changes made in the design and in the focus of the study were noted down. The concept of theoretical saturation was adopted in order to decide when a case contained enough interviews. As Steenhuis and Bruijn (2006) advise, one should stop, or move to the next case, when no additional data is being found that strengthen the category, i.e. if one sees similar data over and over one can be empirically confident that the category is saturated. When a case was closed, the combined results of the three research steps were analyzed and it was decided whether a new case was necessary to answer the research question, this phase was called the preliminary analysis. If an additional case was needed, the gathered results served as a basis to identified the focus and participants of the next interviews.

To account for the limitation of the progressive case study that 'more inductive and interpretism oriented case studies are generally considered of less quality than testing oriented designs' (Steenhuis & Bruijn, 2006, p. 12), triangulation techniques were applied. As shown in Figure 3.2, each interview was supplemented with initial and secondary desk research as an attempt to validate the data gathered. On top of this, the moment of reflection after each case indicated the focus for the next case to validating acquired insights.

3.2.1.1. INTERVIEWS AND DESK RESEARCH

To truly understand the research process, the three steps conducted for each interview need further explaining. Important to note is that the interviews were the primary data source for this thesis, the desk research helped prepare for the interviews, to gain an in-depth understanding of the data at hand, and to validate results.

In step one, general information on the organizations and interviewees was gathered, such as published interviews, annual reports, impact reports, and websites. This helped to get a basic understanding of the organizations and to "make the researcher sensitive to important areas in the substantive field which allows the researcher to direct the data collection in promising areas" (Steenhuis & Bruijn, 2006, p. 8).

Step two constituted semi-structured interviews – the final interview design can be found in Appendix 7.1, in order to provide focus to the interview while keeping enough room to tailor the conversation to the knowledge and insights of the specific interviewee (Hennink, Hutter and Bailey, 2010). As many interviewees as possible were visited in their offices, since understanding the environment of the interviewee is an important aspect of the research philosophy of interpretism in which this thesis in embedded (Saunders & Tosey, 2012). Each interview was taped, conducted face-to-face or via phone, and had a duration of 45 to 60 minutes. Due to focus on the Dutch context of this thesis, the interviews were all conducted in Dutch. Considering the content of the interview, the purpose of the study was explained as an introduction. Consequently, there were a number of introductory questions to verify the initial desk research and obtain a more precise understanding of the study subject. After this, structure was provided to the interview by letting the interviewee choose 2 to 5 scaling barriers, after which two general questions were provided for each barrier discussed (i.e. 'to what extent are you experiencing this barrier?' and 'what can SEs do to overcome this barrier?'). In line with the snowballing method, the final question was whether the interviewee had recommendations for future interviews. Finally, each interviewee was given the choice to keep his/her name confidential and it was explained that the data would only be used for the current thesis.

Step three consisted of additional literature on relevant topics that required further reading after the interview and practical tools or literature that the interviewee advised as relevant. This way, additional information on specific crucial topics discussed in the interview and to verify and further develop the insights were considered.

3.2.2. SAMPLE POPULATION

The current research took a progressive case study methodology, which entailed that the cases and the interview participants were progressively selected. The organizations that were interviewed in the three cases are shown in Table 3.2. All organizations were Dutch or had a strong focus on the Dutch SE sector. The research subjects in the organizations were predominantly among the highest ranking decision makers in the organization, in order to provide rich insights on the barriers and ways to overcome them. For more detailed information, an overview of all interviewed organizations and their social missions can be found in Appendix 7.2.

Type of stakeholder			Case	Amount
Industry experts	*Accelerator/Incubator*	Impact Hub, Impact Booster, Social Impact Factory, Startup Bootcamp, Oksigen Lab	1	5
	Investor	Anton Jurgens Fonds, Social Impact Ventures, de Meewerkers	1	3
	Network organization	Ashoka, Social Enterprise NL	2	2
	Research Institute	Tilburg University, Nyenrode	2	2
Social Enterprises		Dick Moby, Healthy Entrepreneurs, Yoni, Mud Jeans, Specialisterren, Bomberbot, Squla, Land Life Company, Tony Chocolonely, Waka Waka	3	10
Total				*22*

Table 3.2. Interviews per stakeholder group

Case I Due to the progressive nature of the methodology the first case significantly influenced the focus within, and selection of, the cases (Steenhuis & Bruijn, 2006). Since the nature of the current research question is rather broad, the first case was chosen based on the wide-ranging view it has on social enterprises, i.e. accelerators, incubators, and investors. The focus was on the most prevalent organizations in the Dutch SE field, in order to interview people that know as much as possible of the sector. The professional network of the author was leveraged to get in contact with the first important stakeholders in this case. Importantly, to get a wide understanding of the different types of SEs that exist, accelerators, incubators, and investors that focused to different SEs in their programs were interviewed.

Case II In the first case, it became apparent that it was most valuable to go into more depth in the subsequent case. The second case group, therefore, comprised two network organizations and one research institutes that focused on more specific topics relevant to the Dutch SE sector. The interviewees were largely found through application of the snowballing technique. By asking all interviewees whether they could hint at relevant people to interview, the right contact persons were quickly found.

Case III The final case group zoomed in on the perspective of the social entrepreneur, which was a crucial last step in answering the research question. SEs from different sectors and with diverging impact areas were researched, which was needed to get a representative understanding of the SE field. The snowballing method, again, proved to be of great value here. Due to the wide network of the interviewees from previous cases, it was relatively easy to be connected to relevant SEs.

3.3. DATA ANALYSIS

To analyze the data, the thematic analysis technique was applied, which is a widely used method in qualitative research (Braun & Clarke, 2006) and coded the data in AtlasTI. This approach is perfectly in line with the barriers that are researched and the ways to overcome them, since this allows the data to be easily categorized in themes. Six steps that are largely based on the thematic analysis approach were conducted: 1) Familiarization with the data 2) Generating initial codes 3) Identifying preliminary themes 4) Combining themes and identifying hierarchies 5) Analyzing content of themes 6) Identifying deeper level structures. Since the current research entails a progressive case study, step 1-3 were done after each case was finished as a preliminary analysis. In the final analysis all data was combined by executing step 4-6. How the steps relate to the overall research process is illustrated in Figure 3.2.

The goal of thematic analysis was to report the data in a structured way and to elaborate on the meaning of patterns – i.e. themes – in the data. Themes are 'abstract constructs the investigators identify before, during, and after analysis' (Braun & Clarke, 2006, p.15). Important to note is that the analysis was not separated from the writing phase and it was not a linear process. It was rather a recursive process, where the phase of analysis

involves a constant shifting through the data and noting down of the findings. The following will explain in more detail how the steps of thematic analysis were followed.

3.3.1. PRELIMINARY ANALYSIS (STEP 1-3)

The preliminary analysis was conducted after each case, to determine the focus for the next case. The steps taken in this research phase will now be further illustrated.

Step 1 The first step was focused on familiarization with the data at hand, in order to notice patterns of meaning and issues of interest (Braun & Clarke, 2006). This step was taken per interview, so links between interviews were not yet considered. The interviews were first transcribed in written form, which helped to actively engage with the interview content. However, the research did not stop here, the beauty of the progressive case study method is that more in-depth data could be gathered. This provided a deeper understanding of how scaling barriers can be overcome. That is, the transcript was complemented with, and compared to, data from the initial and secondary desk research. Throughout this step, the aim was to investigate the data in order to truly understand the breadth and depth of it. This was done by rereading the data and taking the time to generate a list with ideas on interesting issues and its meaning.

Step 2 In the second step, the data of each interview was provided with initial codes in AtlasTI. Just as the former step, this was done per interview. This step helped to organize the data in meaningful groups. Due to the focus on the eight barriers to scale, the *theory-driven* approach was chosen (Braun & Clarke, 2006). This allowed coding based on specific topics – i.e. the barriers to scale and ways to overcome them.

Step 3 The third phase started with categorizing the different codes into potential themes (Braun & Clarke, 2006). The codes were visually mapped and grouped under overarching themes. This helped to identify relationships between codes and themes, hinting at deeper level structures in the data. Importantly, identified themes were still open for change and not put in a hierarchy yet – i.e. step 4.

At the end of the preliminary analysis the results of step one to three were analyzed on a superficial and general level and it was decided whether another case was needed to further validate results and/or focus on topics that were not researched enough. If another case was needed, this superficial analysis then served as a basis for pinpointing its focus. More specifically, the next case group topic was chosen based on which organizations were expected to most value to answering the research question. In some instances, existing questions were adjusted and new questions could be added to serve this goal.

3.3.2. FINAL ANALYSIS (STEP 4-6)

Step 4 In the fourth step, the internal homogeneity and the external heterogeneity of the themes established in the preliminary analysis were evaluated, in order to establish the final themes of codes (Braun & Clarke, 2006). In this step, the themes and codes were reviewed on two levels. First, the codes were reviewed per themes, in order to see whether they formed a coherent pattern within the category. Secondly, the themes were analyzed with respect to the whole dataset. This enabled grasping the meaning of the themes in its wider context and to identify hierarchies between themes.

The final themes of codes were largely based on the barriers that were identified, where each barrier had a theme of codes for 'Explanation of Bx' and one for 'Solution to Bx'. Furthermore, there was a theme of codes that identified the relationships between barriers: 'Relation between Bs'. There were also themes called 'Additional insights', with subthemes that concerned insights that did not directly answer the research question but were highly relevant to it: 'Ideally scalable SE', 'Importance of interaction', and 'Additional barriers'. Finally,

there were three themes with codes on insights that transcended the barriers and specific additional insights: 'Influence of type of SE', 'Business case is crucial', 'Quality over social mission'.

The interview questions were a strong indicator for the main themes. The author is aware of this hinting at one of the pitfalls of thematic analysis, namely 'using of the data collection questions as the themes that are reported' (Braun & Clarke, 2006, p.25). However, this was accounted for by doing 'analytic work' in step 5 and 6 (Braun & Clarke, 2006).

Step 5 The fifth step entailed a further analysis of the content of the chosen themes. This step ensured the prevention of another pitfall of thematic analysis, 'the failure to actually analyze the data at all' (Braun & Clarke, 2006, p. 25). For each individual theme, the codes and its quotations were reconsidered in order to truly understand the meaning of the interviews on each specific topic. For instance, each barrier was separately focused on and the data was studied in order to find how the barrier influenced SEs and how the barrier could be overcome. The insights and findings identified were noted down in a working file. This document was constantly readjusted throughout the research process and served as a basis for the results section.

Step 6 The final step was to analyze the dataset as a whole, with the goal of identifying deeper level structures. Whereas step 4 and 5 analyzed the data for each theme separately, relations between themes were now analyzed. This step allowed bringing the results together to answer the research question.

4. RESULTS

Before discussing the results, it is important to note that the direct answers during the interviews are not the sole basis of data for the current analysis. The constant reflective process allowed the interview results to be complemented by initial and secondary desk research. Moreover, the semi-structured nature of the interviews and the progressive nature of the research method allowed the inclusion of insights that were deemed relevant during the interviews.

To structure the results, they are presented as follows. First, the results that describe the investigated organizations will be discussed, this provides an understanding of the context the research is embedded in. Secondly, results that directly link to the research question will be presented. This will lead to direct answers to the research question, which is:

What ways exist for SEs [in the Netherlands] to overcome scaling barriers?

Finally, all relevant additional results – i.e. insights that the progressive case study allowed for which do not directly answer the research question but were deemed important to it – will be touched upon. These insights will provide a better understanding of relationships between the barriers and ways to overcome them, which will indirectly help to answer the research question.

4.1. DESCRIPTIVES

This section will provide a descriptive overview of the organizations that were interviewed. This will help to better understand the results by putting them in their context. The descriptive results presented here are based on a number of introductory questions that were asked at the beginning of the interviews plus initial desk research conducted before the interviews. All interviewees approved the use of the names of their organization for this paper.

As mentioned in the previous chapter (Table 3.2), there were 11 industry experts – I.e. case one and case two – and nine SEs among the interviewees. More specifically, there were five accelerators and incubators, three investors, two network organizations, one research institute, and nine SEs. Due to the focus on the Dutch SE sector the current study holds, all interviewed organizations are either Dutch or have substantial activities in the Netherlands.

To understand the social impact focus of the different organizations, Table 4.1 shows the main impact area that they target. The division of the different impact areas is based on the McKinsey (2016) report. It can be seen that there is at least one interview conducted in each of the impact areas.

Impact area	Interviewed organizations
Stimulating the circular economy and renewables	Dick Moby
	Mud Jeans
Enlarging labor market participation & equality	Anton Jurgens Fonds
	Specialisterren
	De Meewerkers
Improving health and wellbeing	Yoni
	Land Life Company
	Healthy Entrepreneurs
Promote social cohesion	Social Impact Factory
Improving the food chain	Tony Chocolonely
Stimulating international development	Impact Booster
Improving education	Bomberbot
	Squla
Multiple focus areas	Impact hub
	Startup Bootcamp
	Ashoka
	Tilburg University
	Oksigen Lab
	SE NL
	Social Impact Ventures

Table 4.1. SEs categorized per impact area

Finally, the number of employees and the years of existence of the SEs that were interviewed is illustrated in Figure 4.1 and Figure 4.2. Five of the SEs that were interviewed have more than 10 employees, which indicates that they are not in the starting growth phases anymore. This is confirmed by the fact that 8 of the SEs existed for a longer period than three years at the time of the interview.
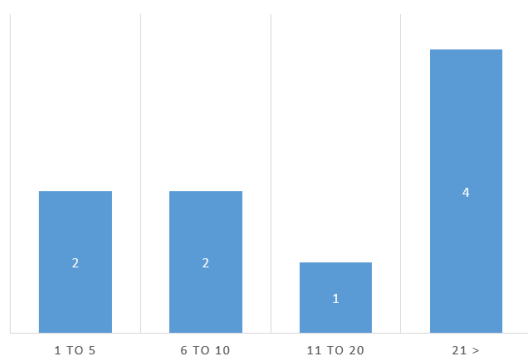
Figure 4.1. Number of employees of interviewed SEs
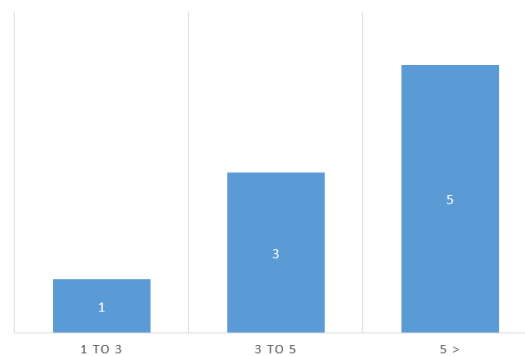
Figure 4.2. Years of existence of interviewed SEs

4.2. MAIN RESULTS

The results that directly answer the research question will be presented in this section. The eight barriers will first be explained on the basis of the interviews. This will shed light on why and how the barriers hamper the scaling process of SEs in the Netherlands. Consequently, the identified ways to overcome the scaling barriers are elaborated on. These results will provide direct answers to the research question of the study at hand.

4.2.1. DESCRIBING THE BARRIERS TO SCALE

In the current section the reasons for the existence of the barriers to scale will be discussed (Table 4.2). The most relevant arguments are identified from the interview transcripts and desk research, to get an understanding of why the barriers are an issue and of how they play a role for the SEs in the Netherlands. In

order to provide a balanced view, attention will also be paid to the reasoning of interviewees that claimed that the particular barrier is not a challenge in scaling.

Barrier	Explanation
B1: Absence of common mechanisms for measuring and demonstrating impact	Complicated impact measurement
	Too many impact measurement methods
	Too complex impact measurement methods
B2: Poor understanding of the concept of social enterprise	Definition of social enterprise unclear
	Complex identity of SEs
	SEs get stuck in the middle
B3: Lack of business acumen	New and complex business models
	Lack of people with the right capabilities
	Undervalue of business acumen
B4: Poor access to upstream procurement processes	Complex upstream procurement processes
	Unknown makes unloved
B5: Difficult to attract the right management talent for next growth stage	Realize what you need
	Attracting management talent
	Retaining and utilizing management talent
B6: Policy of [local] governments	Two different worlds
	Especially problem for certain type of social enterprises
B7: Finding external funds	Perceived adequacy of SEs
	Mismatch between investors and SEs
	Valley of death
B8: Complex conception of ownership and property rights	The good side of ownership
	The result of ownership is unclear
	Role of ownership differs per type of social enterprise
	Ownership is not necessary

Table 4.2. Reasons for the existence of the barriers to scale

Before discussing the barriers at hand, a first indication of the relative importance of these barriers can be drawn from the number of times they are discussed in the interviews (Table 4.3). Each interviewee was asked to choose three to five barriers that they considered to be crucial in the Dutch context. Hence, one could argue that the barriers that are chosen more often by the interviewees are of greater significance than the ones that are chosen less often. Following this logic, the 'lack of business acumen' and the 'difficulty to attract the rights management talent for the next growth stage' seems to be most important and 'poor access to upstream procurement processes' appears to be of least significance for SEs in the Netherlands.

Barrier	# times chosen	Interviewees
B1: Absence of common mechanisms for measuring and demonstrating impact	7	Impact Booster, Social Impact Ventures, Oksigen Lab, de Meeuwerkers, Social Enterprise NL, Squla, Tony Chocolonely
B2: Poor understanding of the concept of social enterprise	4	Startup Bootcamp, Pieter Ruys of Tilburg University, Healthy Entrepreneurs, Bomberbot
B3: Lack of business acumen	12	Impact Hub, Social Impact Factory, Startup Bootcamp, Anton Jurgens Fonds, Ashoka, Pieter Ruys of Tilburg University, Dick Moby, Yoni, Mud Jeans, Social Impact Ventures, Oksigen Lab, de Meeuwerkers
B4: Poor access to upstream procurement processes	3	Social Enterprise NL, Tony Chocolonely, Land Life Company
B5: Difficult to attract the right management talent for next growth stage	12	Impact Hub, Impact Booster, Startup Bootcamp, Anton Jurgens Fonds, Ashoka, Dick Moby, Yoni, Mud Jeans, Social Impact Ventures, Oksigen Lab, Specialisterren
B6: Policy of [local] governments	6	Anton Jurgens Fonds, Social Impact Ventures, de Meeuwerkers, Specialisterren, Social Enterprise NL, Land Life Company
B7: Finding external funds	9	Impact Hub, Impact Booster, Social Impact Factory, Anton Jurgens Fonds, Ashoka, Dick Moby, Mud Jeans, de Meeuwerkers, Bomberbot
B8: Complex conception of ownership and property rights	7	Impact Booster, Startup Bootcamp, Ashoka, Pieter Ruys of Tilburg University, Bomberbot, Squala, Tony Chocolonely

Table 4.3. Overview of choice for scaling barriers to discuss of interviewees

1) *Absence of common mechanisms for measuring and demonstrating impact*

With the rise in popularity of SEs, the impact measurement field has grown substantially. Numerous impact measurement methods are developed, ranging from immensely complex to childishly easy. Interviewees indicated that all these different methods might lead to confusion. Seven of the interviewees agreed that the lack of a generally accepted system is a barrier for SEs to scale in the Netherlands. Important to note is that there were a number of interviewees that chose the current barrier as a central issue to Dutch SEs, but actually talked about the importance of measuring impact in general. However, these results are not perceived to be directly relevant to the barrier at hand and will therefore not be discussed in this section.

Complicated impact measurement

The lack of a generally accepted method to measure impact undermines the core of SEs. Social Enterprise NL rightfully states that the common definition of SEs indicates that they have to be impact first, so it is of vital importance to be able to measure it and hold them accountable to this. The interviewee goes on to say, "a SE without proper impact measurement reporting is similar to a for-profit without quarterly results". But simply measuring impact on a chosen metric does not seem to be enough, both SEs must report on one metric in order to see which SE has the highest impact. Specialisterren, an IT company that employs people with autism, explains that "impact measurement loses value when it cannot be compared between companies". Comparison enables one to see the impact in a context and determine how well a company is doing. Moreover, a generally accepted impact measurement method can help institutions that finance SEs to check and select SEs more efficiently. Social Impact Ventures clarifies that SEs currently have to conduct a separate impact measurement procedure for each new financier, which is resource intensive for the SE as well as for the financing institution. A generally accepted method would make this process more widely applicable, saving both sides resources and time. Furthermore, Anton Jurgens Fonds, a family run investment fund that focusses specifically on social enterprises in the Netherlands, argues that there is an important difference between outputs, outcomes, and impact. Outputs are the tangible products and services that result from the SEs

activities, outcomes are the changes that are made through the activities of the SE, and impact is the attribution of the activities of the SE to broader and longer-term. They argue that many SEs claim to report on their impact, whereas they actually report on their output or outcome. A common method to measure impact could help SEs to decide how they can show their actual impact, instead of unwillingly focusing on the outcome or output.

Too many impact measurement methods

Most interviewees agree that there are too many different impact measurement methods and that most methods are too complex and academic for entrepreneurs. As Social Enterprise NL stipulates, "there are no aids for SEs to find their way in the jungle of methods to measure their impact, which makes it resource intensive to do so". Impact Booster and Anton Jurgens Fonds point out that the immense amount and wide variety of impact measurement methods that exist increase the barrier to choose one and start measuring impact. This is complemented by the fact that SEs often do not experience impact measurement as one of the most urgent things they have to do. Social Impact Factory argues that this is why impact measurement is often [continuously] postponed, since a generally accepted impact measurement system could mean that more SEs would start measuring impact.

Too complex impact measurement methods

Oksigen Lab, a SE accelerator and coaching organization, claims that many impact measurement methods are too complex for most SEs and do not match their needs. According to them, "the large part of the impact measurement methods is too academic and resource intensive, whereas entrepreneurs are often pragmatic and look for efficiency". On top of this, Healthy Entrepreneurs states that "institutions like governments and investors generally prefer easily understandable reports, they get numerous requests so they don't have time to go through complex impact measurement reports of all of them, you have to stand out and communicate your key message". However, many interviewees point out that there is a wide variety in the impact SEs strive for, which makes it a complex question how a generally accepted method can be developed. Yoni, for instance, says that "it might be better to develop an impact measurement system per sub-sector of SEs". Others, such as Impact Booster, however say that "it is possible to develop a generic method that enables the SE to choose their own metrics".

Finally, there were also interviewees that said that the absence of a general impact measurement system is not a barrier to scale. Dick Moby, for instance, argues that they "do not measure their direct environmental impact and are still scaling fast". On top of this, some SEs found ways to link to already existing impact measurement metrics. For example, Tony Chocolonely bases their impact measurement on the UN research on slavery and Bomberbot uses existing educational metrics that they can report on. Moreover, complexity and vastness of the existing impact measurement systems does not appear to be problematic to all types of SEs. Bomberbot and Squla both claim that impact measurement is rather simple, due to the technological nature of their product to can keep track of all developments their customers go through.

2) *Poor understanding of the concept of social enterprise*

Multiple interviewees showed that there are often people that don't understand what SEs are. Even more, there still seems to be a debate on the definition of SEs in the academic and practical field. From the interviewees, four agreed that this is an important barrier to scale for SEs in the Dutch context.

Definition of social enterprise unclear

Impact Booster and Startup Bootcamp confirmed that it is indeed not clear yet what the definition of an SE is. Strongly related to this is the finding that a number of interviewees brought forth that it is often unclear what

impact first actually means. Interestingly, this is the key characteristic of SEs in the popular definition of Social Enterprise NL. Although this characteristic seems strict at first, it fully depends on what you see as impact. Startup Bootcamp goes on by claiming that "a for-profit enterprise can also be considered impact first". The unclear understanding of SEs is an internal and external barrier to scale.

Complex identity of SEs

Pieter Ruys of the Tilburg University argues that there is an internal barrier to scale for SEs since "the identify of SEs is structurally different from for-profits and non-profits". People in the organization have to understand what impact first means and how a SE should act in order to continuously deal with the counteracting forces of social and financial goals. Pieter Ruys argues that it is especially complicated for SEs since they can switch between social and financial goals when they want. It is, therefore, vital to SEs to find an institutional mechanism of some kind to balance these two goals to not lose focus while scaling the organization.

SEs get stuck in the middle

According to the interviewees, there is an external barrier to scale as well, since it results in SEs being stuck in the middle between for-profits and non-profits. Healthy Entrepreneurs exemplifies that it can be a struggle when searching for investors, they "have to defend themselves to non-profits that they are not making money of the back of the people at the bottom of the pyramid and to for-profit they are not commercial enough". This aligns with mission drift, a concept that is often used in academia to describe the situation where organizations with a strong societal mission comprise this mission in their search for funding or a profitable revenue stream (Copestake, 2007). Social Enterprise NL offers a possible explanation for the fact that SEs in the Netherlands get stuck in the middle, namely that "unknown makes unloved". They argue that people typically do not favor things that they do not know, so they expect that when SEs become more popular this barrier will fade away.

Interestingly, there are more interviewees that claim this second barrier is not a problem when SEs scale. Social Enterprise NL states that their initial mission was to enhance the recognition of SEs in the Netherlands and they consider this largely accomplished now, in the coming years they will focus on other things such as measuring impact. Companies like Dick Moby, Tony Chocolonely, and Squla argue that they are just a commercial organization with a social mission, note that the business part comes first. Multiple interviewees explain this by saying that the commercial basis of the SE is the engine to generate social impact, it is a means to an end. On top of this, multiple interviewees agree that the social mission should not be on the forefront of the organization, Impact Booster states that "the social mission is generally not why people buy your product or service, this is solely an extra selling point, it should first of all be about the quality". Bomberbot, a SE that focusses on developing 21-century skills among the young generations, beautifully illustrates this by saying: "if I can communicate one thing with a potential customer this would always be about the quality of our product".

3) *Lack of business acumen*

The lack of business acumen was one of the most chosen barriers to scale by the interviewees, 12 identified this to be a main barrier. Throughout the explanations of the interviewees there were three central topics: business models, lacking people with the right capabilities, and undervalue of business acumen.

New and complex business models

Finding a suitable business model is difficult, Impact Hub explains, because "the owner of the problem your product or service tries to solve is not always the one who pays for it". There are numerous SEs that attempt to solve social or environmental issues by letting customers in western countries pay a higher price. Prime examples are Waka Waka and Toms, who have a buy-one-give-one policy where the idea basically is that the richer people give a shoe to the poor if they buy a shoe for themselves. Linked to this, Dick Moby was one of

the interviewees that said that SEs typically fail to scale because they focus too much on their social mission and not enough on the quality of their product or service. They maintain that SEs frequently expect customers to buy, or even pay more for, their product because they have a social mission. Whereas SEs like Toney Chocolonely, a popular Dutch SE that wants to eradicate slavery from the chocolate industry, show that it should be about the quality of your offering, the social mission should be something extra and not the core of your value proposition. In other words, business models become more complex due to the combination of financial and social goals. However, this does not seem to be the only issue, Mud Jeans explains that it is also problematic for many SEs that they deal with completely new business models: "we do not only have to sell our products, we also have to convince people that leasing jeans is a good alternative". They illustrate Uber is one of the companies that managed to do this, they convinced people to use taxi services in a different way. However, in the case of Uber there was a strong financial motivation for customers to do this, in the case of Mud Jeans, and according to them many other SEs, the benefits are more social and less financial. Interestingly, the challenges discussed here directly link back to the discussion of the second barrier; the idea that SEs get stuck in the middle.

Lack of people with the right capabilities

This strongly relates to the fact that SEs often lack people with business acumen. Social Impact Ventures explains that "employees and founders of many SEs are people with a background in the non-profit and creative sector". Social Impact Factory adds to this that it seems to be popular among young professionals to set up a SE as well. Furthermore, multiple interviewees pointed out that the people of the SE are of crucial importance. Impact Hub stresses that there are often imbalances in SE teams between social and commercial capabilities, ideally teams exist of business minded people for 50 percent and more socially focused people for the other 50 percent. Pieter Ruys adds: "not every individual employee has to be socially minded as well as possessing business savvy, as long as there remains an even balance in the overall team". Social Impact Ventures points out that the lack of business experience and knowledge of people in an SE can hamper scaling of the SE in many respects, from the internal operations to raising capital. This is confirmed by the BENISI report (Weber et al., 2015), that shows that the SE sector is in its infancy and has rather primal business needs compared to the knowledge that exists in many for-profits.

Undervalue of business acumen

Moreover, a number of interviewees indicate that SEs tend to undervalue business acumen in their organization, as the previous two points also hinted at. One of the most impactful examples, according to Social Enterprise NL, is that many SEs do not pay [enough] attention to sales. They do not understand that sales are the driving force between the realization of social impact. As Startup Bootcamp, a global network of acceleration programs, said: "being commercial does not mean being dirty". Social Impact Factory contributes that SEs often perceive the social and financial goals as two conflicting forces, while the social mission can also be seen as an extra selling point: "to speak in terms of the lean startup method, it can be seen as just another box on the business model canvas". They continue by arguing that SEs tend to distinguish themselves from for-profits by denigrating them as a result of this perceived conflict. By doing this, SEs close the door on possible partnerships and collaborations with these companies. On top of this, Social Impact Factory states that business acumen is of pivotal importance to make the right choices at the right time, which is crucial in developing a clear strategy and focus. As de Meewerkers, an investment organizations that focusses on supporting the infrastructure of social employment, exemplifies: "only a vision is not enough, you need the business capabilities to get there".

Finally, a few interviewees indicated that the lack of business acumen is not a barrier to scale for them. Having a closer look at the SEs that said this, however, shows that these are also the SEs that have acquired these capabilities through hiring experienced managers at the right time. Healthy Entrepreneurs is set up by two

senior professionals with experience in commercial businesses, Dick Moby and Bomberbot hired a manager with years of experience in for-profits, and Yoni acquired business capabilities through pro bono projects at PwC and Clifford Chance.

4) Poor access to upstream procurement processes

Poor access to procurement processes is the barrier that is chosen the least by the interviewees, only 3 said this was a central barrier to scale for SEs in the Netherlands. The interviewees discussed two sides of market access from the perspective of the SE: the products and services they sell and the products and services they buy.

Complex upstream procurement processes

First of all, Social Enterprise NL stresses the importance of dealing with the procurement processes of governments and corporates. One of the main reasons for the poor access of SEs to these processes is, according to them, that "the procurement processes are complex and time intensive, which largely has to do with the conservative and bureaucratic nature of these organizations". At PwC in Amsterdam, for instance, the facility management is outsourced, which means that procurement practices are separated over multiple companies. As a result, an SE has to convince PwC as well as the company that does the procurement if they want to sell to them. SEs generally do not have enough resources to invest in understanding these processes, nor the time to wait for the typically slow decisions. Furthermore, Social Impact Ventures stresses that many companies, and governments in specific, are budget organizations. They do not have a strong long term focus but see everything on a year to year basis. Moreover, Social Impact Ventures maintains that most failures in deals between SEs and governments in the Netherlands are the result of the SE's inability to show the direct impact they have. Specific to governments is that they usually want to have equal and fair procurement processes, Social Enterprise NL continues, "the problem is that the decision characteristics are usually based on quality and price, the social impact is often not yet a decision criteria". Related to this, it is problematic that the advantages of social procurement are not directly shown, often they are shown in specific parts of the organization. If the advantages and disadvantages are strictly defined according to price and quality, one tends to miss the benefits of social procurement. An example is that a company might become more likely to attract talent in the long run when they are more social, but this advantage cannot straightforwardly be monetized to show its effect. Moreover, Land Life Company, an SE that aims at restoring the ecosystem of our planet, shows that SEs can have a product that does not have a market yet, making it more challenging to scale: "the SE has to raise awareness about the problem first – i.e. they have to create a new market – whereas other companies can start right away by convincing potential customers of the good solution their product offers". In line with this, it is more difficult to access the market when the product or service differs from the status quo on many characteristics. Mud Jeans, for instance, experiences great difficulty due to the fact that they do not only produce jeans in a sustainable way but they also introduced the concept of leasing jeans.

Unknown makes unloved

Thirdly, regarding both sides of the procurement process, Social Enterprise NL argues that "unknown makes unloved". If SEs are not known to the people that are in charge of the procurement processes, they cannot be an option for these organizations. Concerning the SEs that are known to the procurement decision makers, Social Enterprise NL experiences four general biases: 1) SEs tend to have a low quality, 2) SEs have higher prices than comparable for-profits, 3) SEs are too small to deal with size of demand of big organizations, 4) SEs are not professional enough. According to them, only the third bias is an issue in reality, the rest is generally false.

Finally, some interviewees explicitly stated that access to market is not a barrier to scale for SEs in the Netherlands. Impact Booster, an accelerator program that stimulates innovation in the agricultural sector, even

argues that SEs have a benefit compared to for-profits. For instance, because the Dutch government implemented policies that require local governments and big companies to engage in social purchasing. Moreover, Startup Bootcamp maintains that this is "just a part of doing business, it is not specific to SEs". Social Impact Venture adds to this that it depends on the value proposition how good the access to the market is, SEs should not blame it on external factors.

   5) Difficult to attract the right management talent for next growth stage

Together with the lack of business acumen barrier to scale this is one of the most chosen barriers to scale by the interviewees, 12 identified this to be a main barrier. As mentioned before, multiple interviewees indicated that this barrier can be seen as part of the third barrier to scale, lack of business acumen. The author attempts to build on the previously discussed results and identified three central topics in the interviews that shed more light on barrier at hand: realize what you need, attracting management talent, and retaining and utilizing management talent. The common denominator of the three topics is illustrated by Anton Jurgens Fonds: "SEs have to deal with the difference in perspectives between the SE and the management talent, they have to find a way to link their social perspective to the business perspective of the management talent".

Realize what you need

Social Impact Factory, a platform for Dutch social entrepreneurs, stresses that good managers are a crucial part in building a sustainable business. They can, among others, be valuable to SEs because they have business capabilities, commercial experience, operational savviness, and an extensive network. There are, nevertheless, many SEs with a bias to the social side and believe that commercial business is dirty. SEs that believe this will not realize that management talent can be valuable to their organization and help them to scale. Moreover, social entrepreneurs often believe that they can solve the societal issue the best, it is therefore generally difficult for them to attract people that are better than they are at a specific task. Anton Jurgens Fonds, however, claimed that these entrepreneurs are not good entrepreneurs: "good entrepreneurs are an 8 and look for the 9s and bad entrepreneurs are a 7 and look for the 6s, they use down comparison to make themselves feel good". The problem is, according to the Impact Hub, that SEs are often not good entrepreneurs in this sense. Many fall for the founder's syndrome, the phenomenon that founders hold a disproportionate amount of power while they might not be the most suitable ones to have this. Yoni, a SE that makes women hygiene products in a sustainable way, explains that "different growth phases ask for different capabilities, people that start a business are therefore not always the best ones to scale it, this often requires a different type of people". Muriithi and Wachira (2016) explain that founders tend to shape their organization in line with their personality and their beliefs. As a result of this personal touch, founders often engage in paternalistic and autocratic leadership, which makes it challenging for others to take over responsibilities in the organization. According to them, the key characteristics of the founder's syndrome are being: self-drive, achievement oriented, resistant to change, sole-decision making and retaining the status quos. In other words, the first problem for the fifth barrier is that many SEs do not realize that they need management talent – e.g. they fall for the founder's syndrome – in order to scale their organization.

Attracting management talent

Those SEs that do realize that they need management talent to scale appear to struggle to attract this talent. Ashoka, a global organization focusing on supporting leading social entrepreneurs, argues that this has to do with the limited financial resources SEs generally have: "from a human resource perspective, SEs cannot offer competitive salaries to management talent and they do not have enough financial resources to search for talent, for instance to hire a recruitment agency". Mud Jeans attempted to solve this by providing small percentages of equity instead of a salary. However, they experienced this to be counterproductive, the result was that they had multiple small stakeholders that were not fully committed to the SE because they had other

jobs as well. Social Impact Ventures and the Anton Jurgens Fonds believe that the difficulty to find management talent has to do with the fact that there are not enough managers that have suitable business skills and also truly believe in the social mission of the SE. This is exemplified by Specialisterren, it is difficult for them to find managers that have solid business capabilities and who also have the social skills and personality to work with people with autism. Furthermore, SEs in the Netherlands appear to experience most difficulty in finding operational management talent. Social Impact Ventures argues that "marketing and sales people tend to be most interested in the story behind SEs, whereas operational managers look at the business core of SEs, which is unfortunately often not strong enough". Impact Booster agrees to this, they stress that management talent looks at the business potential in order to decide whether it is interesting to work for an SE. They also say that part of the problem is that SEs do not appreciate enough that these managers take a salary cut and a big career risk to start working for a SE in the scaling phase. Dick Moby, who aims to reduce plastic waste, however, argues that the problem is that SEs search in the wrong places, they do not step outside of their comfort zone. Additionally, Land Life Company argues that it is especially difficult for SEs that are set up by young professionals. They claim that there is enough management talent, but this talent is mostly looking for positions where they can learn from their superiors: "it is not ideal for an experienced manager in his mid-40s to work for a recent graduate of 27 that set up a SE".

Retaining and utilizing management talent

SEs that are scaling are generally still rather small. Impact Hub, a global ecosystem for social entrepreneurs to flourish in, stipulates that it is challenging for these organizations to utilize different types of management talent: "there are so many different things to do in smaller organizations that it is often difficult to stick to strict task divisions, management talent can then feel that they are not challenged enough in their job and might leave". Related to this, Oksigen Lab argues that "SEs subjected to the founder's syndrome struggle to relinquish task and responsibilities, they find it hard to let others do their work, while this is important to do in order to utilize the management talent and to make sure these people are satisfied in their job".

Finally, some interviewees argued that it is not difficult to attract management talent for the next growth phase. Healthy Entrepreneurs experiences that it is increasingly easy to find management talent because people are becoming more interested in finding a meaningful job. Squla, who aims to make learning more fun, adds that their social mission makes is easier to attract management talent, instead of making it complicated. They use their social mission as one of the benefits of working for their company.

6) *Policy of [local] governments*

Six of the interviewees claimed that the policies of [local] governments pose a central barrier to SEs in their attempt to scale. However, they stress that it is only an issue for SEs that have a product or service that requires them to work with governments. Startup Bootcamp emphasizes that SEs that do not necessarily have to work with governments can decide to work with them or not, if it turn out to be too problematic they can simply focus on other customers.

Two different worlds

The core of the barrier at hand is illustratively explained by Impact Booster, saying "business and governments are simply two different worlds, entrepreneurial and progressive versus bureaucratic and traditional". Impact Hub, therefore, claims that the collaboration of companies with governments is always problematic. Healthy Entrepreneurs stresses that governments are unreliable, every few years the policy can change when there are new political parties in power. Anton Jurgens Fonds underlines that it is time intensive to build the necessary relations with people in the governments: "the new participation law changed a lot in the policy environments, SEs have to invest a lot to understand what the status quo is and to know what they can expect". On top of

this, the policies can differ per province and municipality, making scaling to new geographical areas more challenging. Furthermore, Social Enterprise NL says that government policies make the procurement processes more complex as well. Land Life Company argues that it is especially challenging for SEs in the scaling and startup phase to deal with the policies: "more professionalized SEs have more resources to invest in understanding existing policies and even to lobby to change them in their benefit".

Especially problem for certain type of social enterprises

Impact Hub claims that SEs working on social inclusion and employment participation struggle the most with this barrier to scale. On the one hand, the Anton Jurgens Fonds explains that SEs in these sectors need subsidies of governments to finance [part of] their work. They say that the policies underlying these subsidies are generally too conservative and can differ greatly between local governments, making it highly challenging for SEs to deal with when they are scaling. On the other hand, Specialisterren describes that the policies of [local] governments are also an obstacle in getting access to the people they target to help with their SE: "we are eligible for multiple subsidies but renounced all of them because of the immense struggle that comes with it. Next to this, there are government institutions that can help us to get access to people with a disability, in our case people with autism. However, due to the immensely bureaucratic and slow nature of these institutions we experienced it to be easier to look for these people ourselves than to accept the government's help".

Finally, there were interviewees that claimed that government policy is not a crucial barrier to scale for Dutch SEs. Squla argues that SEs should accept the structural difference between them and governments and focus on other parties as much as possible. De Meewerkers stresses that governments are increasingly interested in collaborating and supporting SEs. The interviewee regularly discusses opportunities with local as well as national politicians and experiences a growing willingness of them to help SEs.

7) *Finding external funds*

Nearly half of the interviewees identified the difficulty to find external funds to be a core barrier to scale for SEs in the Netherlands. The explanations of the nine interviews on this barrier can be grouped under the following topics: perceived adequacy of SEs, mismatch between investors and SEs, valley of death.

Perceived adequacy of SEs

In line with previously discussed barriers, the Impact Hub indicates that investors perceive many SEs to favor the social side over the business side. Social Impact Factory illustrates: "SEs often miss a strong business case, a solid customer base, a clear track record, and a clear strategy". Mud Jeans, who aim at circularity and sustainability in the jeans industry, experienced that investors are also greatly discouraged by chaotic internal processes, like not having an accurate administration. The Anton Jurgens Fonds adds that they often come across SEs that do not speak the same 'language' of investors, "they do not know how to do proper financial reporting, they do not acknowledge the responsibility they have towards investors, or they do not understand what investors find important". A reason for these issues, according to Oksigen Lab, is that SEs regularly miss important business capabilities in the organization, which lowers the trust of investors. Moreover, Social Enterprise NL argues that SEs are often not far enough in impact measurement to clearly communicate their social impact to investors.

Mismatch between investors and SEs

Social Impact Factory states that there is enough capital available for investments, the problem is rather that investors cannot find suitable SEs to invest in. However, Healthy Entrepreneurs, whose mission is to improve access to reliable and affordable health products and services for families in developing countries, maintains

that the problem is that many investors do not truly understand what SEs are: "we continuously have to explain that we cannot be categorized as a for-profit or a non-profit". Thus, there appears to be a mismatch between the investors and the SEs.

Regarding the SEs, Healthy Entrepreneurs says that the problem has to do with the fact that investing in SEs is generally riskier compared to investing in other scaling organizations. According to Social Impact Factory, SEs do not step out of their comfort zone enough to search for investments, they could focus more on commercial parties in their attempt to attract capital. Moreover, they argue that the mismatch has to do with the early stage the SE sector is in, investment funds are typically looking for large investments: "although investment funds are dying to find socially responsible investments, they do not want to invest in numerous small SEs, it is not efficient for them to keep track of all these small companies". De Meewerkers states that the problem is that many SEs do not have enough knowledge and experience in house about the investment landscape.

Ashoka argues that this mismatch has to do with the fact that investors are too often stuck in the traditional system of short-term financial returns. Even the investors with a social impact focus generally ask for returns that are only slightly lower than commercial counterparts. Mud Jeans adds that investment procedures are slow and last long. Pieter Ruys of the Tilburg University contributes that it is generally difficult to find commercial investors that let SEs stick to their impact first principle. Moreover, Mud Jeans maintains that there is a lack of social investors that also support the SE with knowledge and skills. Social Impact Ventures, one of the few social investors that does exactly this, explain that this is only financially sustainable to do for investments starting around half a million euros. Business support for smaller investments is, thus, not beneficial for financially independent and sustainable investors. Impact Booster adds that public investment institutions used to provide non-retainable investments solely focused on the social impact and they now suddenly switched to fully retainable investments. According to them, this switch is too sudden and does not leave enough room for SEs to adapt to the new situation. Furthermore, multiple interviewees stress the important difference between loans and equity investments, where loans are claimed to be better suitable to SEs because it fits better to organic growth and a long-term vision. Dick Moby adds that loans enable the SE to remain independent and to ensure the impact first mission. De Meewerkers provides an example that illustrates this in a painful way: "For Emma Safety Shoes we decided to go with equity investors because we needed a lot of capital. Once they saw that we had a reasonable return, their greed kicked in and they wanted to multiply our profits, strip down the company, and work on an exit strategy. This was totally against our vision, we wanted to build a sustainable company that can help as much people as possible, not make as much money as possible in a short amount of time. I will never do this again". Nonetheless, Tony Chocolonely explains that loans also bring restrictions to the scaling potential: "There is only so much money we can get through loans because we also have to be able to pay back the interest. We cannot expand to multiple new markets simultaneously, we have to be patient and grow organically. But we feel that this sustainable way of growing generally suits SEs best".

Valley of death

Social Impact Ventures, an investment fund in SEs that are scaling, illustrates the importance of the valley of death in SEs search for external funds: "between the startup phase and the professionalization phase it is typically difficult to attract external funds. First you can get funds based on your ideas and later based on your solid and scaled organization, in the middle phase, the scaling phase, it is generally difficult to find investments". From Anton Jurgens Fonds their experience this partly has to do with the fact that SEs who start off with donations become lazy in their responsibilities towards their investors and are later not able to deal with the higher requirements of professional investors. Dick Moby argues that they experience most difficulty with finding investments for working capital: "The more capital intensive you are the easier it is to get a loan, since you have a security to provide to the investor. We only possess glasses that we keep in stock, which banks

value at around 10 percent the cost price. This makes it difficult for us to provide securities to investors". In line with this, Impact Hub claims that this is also the reason why it is typically more difficult for services to find investments than for products.

However, Startup Bootcamp, Social Impact Ventures, and Oksigen Lab claim that there is enough capital in the Dutch market for SEs as long as they have a good business case. Oksigen Lab illustrates that an increasing number of commercial players is developing social investment funds, such as BNP Paribas, Fortis and Rabobank.

8) Complex conception of ownership and property rights

Seven of the interviewees pointed out that the complex conception of ownership is a central barrier to scale for SEs in the Dutch context. The central tendency in the explanations is that the type of SE strongly influences the role ownership plays.

The good side of ownership

The first contradiction related to ownership, Ashoka states, is that SEs should ideally not compete with each other but collaborate to reach their common social mission. Squla and Bomberbot claim to have found a proper balance, they collaborate with their competitors quite regularly but they never share things regarding the essence of their core business. Bomberbot explains: "the business model is the means to reach the social impact, if the company cannot protect this they will not realize social impact either". In line with this, Pieter Ruys of the Tilburg University argue for the positive side of ownership, since it can be a way for SEs to transfer long-term profits to the short term: "like research and development in for-profits, a financial value can be calculated for property rights, which can help SEs to calculate short term results for their social innovations". Moreover, Oksigen Lab stresses that not having any ownership can complicate the search for investors: "if most of your assets are freely available, investors have less trust that you can uphold your competitive advantage".

The result of ownership is unclear

It is difficult to determine whether social impact is increased or decreased as a result of having ownership. Tony Chocolonely explains that they have to make an estimate of the changes in social impact that certain actions have, if an action is expected to increase the social impact they will generally chose to do it. However, it is extremely complex to estimate how the protection of ownership will affect the social impact a SE has, so in practice it can hardly be proven whether it is better to protect ownership or not. Impact Booster explains: "I don't believe that making your ideas open source necessarily increases the social impact, it is much more about what you do with an idea and how you do it. If you just make your ideas open source, there is no driving force that makes them a success".

Role of ownership differs per type of social enterprise

The Anton Jurgens Fonds emphasizes the role ownership plays for SEs that work with the franchising model, in their experience these are often SEs that work with people with distance to the labor market: "this is one of the examples where the organizations needs some kind of ownership in the business case in order to prevent others from simply copying it for free".

Ashoka makes a distinction between young and more mature SEs: "In the startup phase you should protect your core business with protecting ownership if possible, but once you have reached a certain stage of maturity you should not lean of this anymore, you should be open for other and better solutions to stay ahead of the competition". However, they continue, it is up to the subjective view of the SE whether they are ready to step

away from ownership rights or not. In practice, this makes it difficult to provide an objective view on which SEs should protect ownership and which should not do this.

An additional distinction is made by Oksigen Lab, who say it depends on the theory of change of the SE whether they should protect ownership or not. Dick Moby points out that many SEs do not have the possibility to have ownership rights they can protect, so it is not even an issue for them: "we just make regular glasses but in a more sustainable way, there is nothing we can claim to be ours".

Ownership is not necessary

Startup Bootcamp argues that ownership is not of this time: "it is not about who can put a fence around their idea anymore, we live in an ever changing world so it is about who can adapt the fastest". Bomberbot is a perfect example of this, they claim: "we do not actively protect our platform and we even have all our material freely available on our website. We trust that our experience and personal support are enough to generate a competitive advantage". Even more, Startup Bootcamp illustrates that open source initiatives can also be highly successful financially, which is exemplified by companies like Linux and Google.

On top of this, Healthy Entrepreneurs and Tony Chocolonely stress that it is actually their goal for others to copy their ideas since they want to elicit structural system changes. Tony Chocolonely explains: "we want to change the industry through inspiring other companies". Healthy Entrepreneurs adds: "there is an essential difference between NGOs and businesses, NGOs are there to survive and businesses are there to create impact and generate profit in the most competitive way. If there is another company that can create the same impact in a more competitive way than we can, we believe that they should be the one doing it, we just have to make sure we remain the most competitive company out there".

4.2.2. WAYS FOR SOCIAL ENTERPRISES TO OVERCOME THE BARRIERS TO SCALE

After having discussed the results that provide a better understanding of why the barriers are an issue to SEs' scaling trajectory, the author will now illustrate the results regarding the ways to tackle the identified eight barrier. It is important to stress, again, that the focus of the current study is to identify strategies that SEs can leverage in order to overcome the scaling barriers, not to investigate what other stakeholders can do to help them. A list of all identified strategies for SEs is provided in Table 4.4. If the data allowed it and it was relevant, an additional list with practical tools and tips for social entrepreneurs that can help to directly contribute to tackling the respective scaling barrier was also added (Table 4.5, 4.6, 4.7).

Barrier	Ways to overcome the barrier to scale
B1: Absence of common mechanisms for measuring and demonstrating impact	Start social impact measurement
	Implement theory of change
	Research trends
B2: Poor understanding of the concept of social enterprise	Development of governance structure
	Clear internal and external communication
	Develop business acumen
B3: Lack of business acumen	Critical reflection
	Identify missing business acumen
	Develop business acumen
B4: Poor access to upstream procurement processes	Become serious option for procurement
	Broadly define and communicate offering
	Have patience and perseverance
B5: Difficult to attract the right management talent for next growth stage	Overcome founder's syndrome
	Attract management talent
	Retain and utilize management talent
B6: Policy of [local] governments	Invest in understanding policies
	Leverage your network
B7: Finding external funds	Put yourself in the shoes of the investor
	Choose loans over equity
	Develop business acumen
	Develop governance structure
	Get in contact with investors
B8: Complex conception of ownership and property rights	Develop governance structure
	Chose realism over idealism
	Implement theory of change

Table 4.4. Ways to overcome the scaling barriers

1) *Absence of common mechanisms for measuring and demonstrating impact*

Start measuring impact

A first thing that SEs can do themselves to support the development of a generally accepted impact measurement system is to start measuring impact in some way, as Social Enterprise NL says. Logically speaking, he expects that if more SEs measure their impact the demand for a generally accepted method will increase. Impact Booster agrees to this, "when more SEs are going to focus on a specific method then one will eventually rise as the generally accepted one through market forces".

Implement the theory of change

Anton Jurgens Fonds was one of the many interviewees that referred to the guidelines that Social Enterprise NL developed in collaboration with Avance[3]. At the core of this method is the concept theory of change, which is "a description and illustration of how and why a desired change is expected to happen in a particular context". Impact Booster explains that a substantial advantage of this method is that it allows you to choose your own impact metrics, making it applicable in different sectors. Thinking about the theory of change is a crucial step for all SEs, according to Oksigen Lab this should have equal attention as your business model. At Oksigen Lab

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[3] Referring to the 2015 report 'Impact First: waarom meten moet en hoe je het doet'.

they still regularly come across SEs that are working on scaling up and are looking for serious financiers, but are still unable to provide solid answers to the theory of change question. Thinking about this early on helps you to develop a scalable organization.

Research relevant trends

De Meewerkers stipulate the importance of research on trends in the social impact SEs have. An example is a recently published research of the Erasmus Medical Center on the influence of labor market participation for people with a [mental] disability (SOURCE). Research like this can, in turn, be used by all SEs that work on labor market participation as a basis for their impact measurement. SEs could for instance work together to conduct research like third. Following Specialisterren, this enables SE to make the first step towards an impact measurement method that can be used to compare SEs and thereby give more value to the impact results. Interestingly, it links to the previously discussed strategy of Tony Chocolonely, to use the UN research on slavery as a basis for their impact measurements. Research like this can enable the SE to show what their impact is and makes it possible for different SEs to refer to the same metrics.

Practical tools and tips

Central to the solutions discussed is that SEs simply have to start measuring impact. However, the main reason for the barrier was that there are too many impact measurement methods available and that many are too complex and resource intensive for SEs. In order to help SEs to start measuring impact, with the goal to develop a generally accepted method in the end, the research was also focused on identifying a number of practical tools from the interviews that can help SEs to choose an impact measurement method (Table 4.5).

Tool/Tip	Clarification
Keep it simple and pragmatic	• Develop basic answer to theory of change with only a couple of metrics • You don't have to start with quantification right away, Dick Moby is successful while showing it in an anecdotic way • Be transparent and open about what you do and know, don't pretend to have more impact than you have
Use popular existing methods	• AVANCE guidelines – theory of change (pay attention to distinction between output, outcome, and impact) • SROI (social return on investment) • B-corp guidelines
Acquire skills	• Hire impact measurement employee • Pro bono project (e.g. PwC, EY, McKinsey)
Workshops and trainings of experts	• ENVIU • Social Enterprise NL • AVANCE • Erasmus University Rotterdam
Online tools	• Sinzer.org • Impactwizard.eu

Table 4.5. Tips and tools to overcome the first scaling barrier

2) *Poor understanding of the concept of social enterprise*

Develop governance structure

As illustrated in the previous section on the barriers, it is often challenging to explain what impact first means and which part of the organization is social and which part commercial. Healthy Entrepreneurs and Yoni sidestepped this by constructing a clear governance structure. In the Netherlands, they say, it currently makes most sense to have a corporation with a BV under it[4]. The BV is the commercial part and its profits flow into the

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[4] Social Enterprise NL is working on the development of a legal structure specifically for SEs in collaboration with certain partners, they propose to implement a BV-M in the near future.

corporation, which is the social part. This is one way to formally separate the financial and social goals in an institutional form, which is of pivotal importance for SEs that want to scale according to Pieter Ruys of the Tilburg University. As Healthy Entrepreneurs explains, a governance structure like this helps to have a clear focus and enables you to precisely explain to stakeholders where the money goes. For them it even allows them to show the dollar value in terms of impact.

Clear internal and external communication

Having established how the most debated part of SEs – i.e. being impact first – can be formalized and explained, it is then time for the SE to communicate this. Communication is vital in solving this barrier to scale since it is about the perceptions of people. There are typically two types of communication that are crucial in enhancing the understanding of SEs: internal and external. First, the internal communication of the SE has to ensure that everyone understands what direction the organization is going. As Pieter Ruys of the Tilburg University stresses, everyone in the organization has to look in the same direction in order to scale the SE. Tony Chocolonely says that it is crucial to embed this in the company culture: "everyone has to truly live the social mission of the company". Secondly, the external communication is vital for relation and stakeholder management, for instance to raise capital. Social Impact Ventures argues that SEs have to clearly show and communicate that they make a profit while they also have a positive impact on society – good examples are Dopper and Tony Chocolonely. On top of this, Bomberbot stipulates the importance of communicating that SEs are simply a better method to reach the same impact non-profits are also striving for.

Focus on the business side

The Impact Hub is one of the interviewees arguing that you should "just don't make it a problem". They state that it is better to focus on the commercial side of the organization and do not get into difficult debates about what SEs are. This links to the interviewees, like Dick Moby, that state that they are "simply a commercial organization with a social mission". It is important to note, however, that this is not meant as a way of greenwashing, but it is a different way of looking at SEs. Yoni, for instance, maintains that their social impact is inherent to their product, which is also the case for Dick Moby and many others. For them, impact is enhanced through increasing their business, making a focus on the commercial processes equal to a focus on impact first. A possible solution to this barrier to scale is thus related to a solution to the next barrier that will be discussed now.

3) *Lack of business acumen*

The results of the relevant interviews are categorized as three steps that SEs should take in order to overcome this barrier to scale: open attitude, realize what you need, and search for what you need in a targeted way.

Critical reflection on own ability

The first step to overcoming the lack of business acumen barrier to scale is recognition, according to the Impact Hub. Leaders in the organization have to critically reflect on what they can and cannot do. As Social Impact Factory said, "social entrepreneurs often believe they are the only ones than can solve this societal issue". This can make it difficult to accept that they cannot do everything themselves when scaling, while in fact everyone has, and all capabilities have, boundaries.

Identify missing business acumen

The second step to overcome the lack of business acumen is to identify the business acumen that the SE is missing. According to the interviewees that discussed this barrier, there are generally 4 categories of things that are missing in SEs. First of all, SEs that are in the scaling phase of growth often still lack a professional business model. The Impact Hub was one of the interviewees that named the Lean Startup Method as one of

the most popular methods that SEs can utilize to build a business model (Ries, 2011)[5]. Social Impact Ventures adds that having a professional business model helps you to work in an efficient way and develop a focused strategy. Moreover, from Yoni's experience a "proper business case also helps you to communicate what you do in a straightforward way", which is beneficial throughout the whole organization.

Secondly, SEs should be more commercial and realize that commercial does not equal dirty. Startup Bootcamp argues that commercial is "building a sustainable and retainable business, while building a small SE might be possible without commercial practices, scaling the organization requires it to be commercial". Mud Jeans stresses the importance of partnerships with non-profits as well as for profits, SEs should keep an open mind to engage in collaborations with different types of organizations. Moreover, Social Enterprise NL emphasizes the importance of sales in general. They argue that SEs should invest more in this highly commercial side of their organization, since SEs that are scaling successfully show that a strong sales basis is crucial in growing fast. Furthermore, Oksigen Lab stipulates that SEs have to pay more attention to developing a solid go-to-market strategy.

Thirdly, SEs should focus more on the quality of their product. Social Impact Ventures says that SEs should take a business perspective at social impact, "they should see it as an extra selling point". Bomberbot and Squla both do not actively promote that they are a SE, they only communicate this to the ones that are interested. Bomberbot clearly illustrates how they find this balance by saying, "if I can communicate one thing with a potential customer I want to promote the high quality of our product, not the fact that we are a SE".

Fourthly, most interviewees that discussed this barrier to scale argue that attracting business minded people to the SE enables them to acquire the business acumen they lack. Since this greatly overlaps with the fifth barrier to scale, this way to overcome the barrier will be further discussed below.

Attract necessary business acumen in a targeted way

The last step is to search for the lacking business acumen that were identified in step two. Many of the interviewees pointed out ways for SEs to build the business acumen that they are lacking. From this, the author identified a number of practical tools and strategies they can utilize (Figure 4.6).

There are two ways to overcome this barrier to scale that are relevant to all four identified issues. SEs can participate in accelerator programs specifically targeted for SEs in the scaling phase, an example being the Scalers Program of the Impact Hub. Yoni adds that SEs can also leverage their social factor by acquiring business capabilities in pro bono projects of corporates like PwC, McKinsey, or Clifford Chance. Oksigen Lab explains that these projects do not only help the SE with a specific task, there is also a knowledge transfer taking place that enables the SE to tackle these issues themselves in the future.

Practical tools and tips

Issue	Tools
Business models	• Use the Lean Startup Method • Apply the Social Business Model Canvas • Learn from MOOCs (massive open online course) such as at the platform courser.com • Accelerator programs • Pro bono projects (big companies that make their expertise and skills available for free)
Become more commercial	• Sales training of Social Enterprise NL • Accelerator programs • Pro bono projects
Focus on quality	• Use the Lean Startup Method • Apply the Social Business Model Canvas • Accelerator programs

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[5] For SEs there is also a first suggestion for a Social Business Model Canvas available, see http://www.socialbusinessmodelcanvas.com/ for more information.

	• Pro bono projects
Attract business minded people	• See barrier five

Table 4.6. Tips and tools to overcome the third scaling barrier

4) *Poor access to upstream procurement processes*

Become a serious option for businesses and governments

Social Enterprise NL stresses that SEs have to actively show that they can be considered a serious partner for businesses and governments in order to get access to the procurement processes. Ways to accomplish this are for instance to invest in understanding the complex procurement processes, invest in building relations with procurement decision makers, and adapt their go-to-market strategy to the requirements of these processes. For businesses, this could mean that SEs try to understand the specific terms on which businesses base their procurement decisions, such as the fact that PwC outsources their services of the buildings. This can help SEs to target their attention and try to get into procurement processes more efficiently. Specific to governments, the recent SER report[6] can prove of great value in helping SEs to learn what governments are looking for and find important (Hamer, 2015). Tony Chocolonely argues that this can be complemented by lobbying in these organizations in an attempt to change the procurement processes in favor of the SE.

Broadly define and communicate offering

Social Enterprise NL explains that "SEs should define their offering broadly; besides quality and price they should also communicate the social impact they have on a product basis". This can help the SE to show the value they bring to the procuring organization. Tony Chocolonely experienced that many organizations even give them discounts because they want to be affiliated with their good brand name. Furthermore, SEs should try to explain their offering along the lines of the status quo. Bomberbot states that "it is not difficult to sell to schools and municipalities since they are used to buying teaching material this way", they even only go to new markets if these markets already use software in schools. Hence, SEs should communicate on existing metrics, every diversion from the status quo poses another barrier to buy for these bureaucratic and conservative organizations. Land Life Company adds that it can be valuable to show a track record and to have a proof of concept in communicating to the procurement decision makers. Social Enterprise NL agrees by saying that "the most important thing is to have a solid customer base, since it shows that people are interested, which reflects that your product must be good in some way".

Be patient and show perseverance

All interviewees discussing this barrier to scale talk about the conservative and bureaucratic nature of big organizations and governments. Part of the solution for SEs is, thus, to recognize this and show patience and perseverance. Land Life Company states that it is also an option to focus on business to consumer sales first to grow the organization. When the SE has reached a certain scale, it can handle bigger orders, it is more mature, and it can be taken more seriously. In other words, it is a more serious option for procurement of governments and businesses. On top of this, patience is also important because SEs have to make sure they do not outgrow their own capacity. Land Life Company explains that big orders of businesses or governments can seem attractive to SEs, but it can also bankrupt them if they are not able to fulfil the order if they are not professional and mature enough.

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[6] 'Sociaal Economische Raad' is a counsel that researches social economic developments and advises the governments.

Regarding the procurement of the SE itself, Tony Chocolonely argues that patience is also key. They experienced that it is almost impossible to get major, mass producing factories to adjust their processes for a small startup. As beautifully illustrated in the documentary (Tony de film, 2016), Tony Chocolonely first set out to find a small company that believes in their mission to produce for them. When the scale of the SE is big enough, it has more power to change these conservative procedures, as Tony Chocolonely is currently doing.

5) *Difficult to attract the right management talent for next growth stage*

The ways to overcome this barrier to scale are divided over the topics that were identified in the description of the barrier above. The underlying idea of this advice to SEs is that they need to clearly understand what they need first, which then enables them to look for the management talent in a targeted and efficient way.

Overcome the founder's syndrome

Similar to the lack of business acumen barrier, Impact Booster argues that "the first step in overcoming this barrier is to have an open mind and recognize that SEs need management talent to scale their organization and its impact". Yoni explains that they experienced that it is crucial to success to realize what your weak points are, to admit this, and to actively search and ask for help on these issues. Social Impact Factory maintains that this understanding solves the founder's syndrome to a large extend. Social Impact Ventures confirms this, founders have to critically reflect whether they are the right person to be in charge: "in the startup phase you need an enthusiastic and visionary leader, but when scaling you need more operationally and professional managers, these are different type of leaders". If this is not the case anymore, they should step down and can for instance stay involved as part of the board. Social Impact Factory claims that it is of pivotal importance to SEs that want to scale to realize that commercial is not equal to dirty: "SEs need to understand that they need management talent to scale and run the organization when it grows".

Furthermore, Muriithi and Wachira (2016) identified a number of strategies to overcome the founder's syndrome. They maintain that smooth operations and leadership transfers can be enhanced when the company develops a strong inclusive leadership style, when the company is professionally run, when internal operations are structured, and when strategies are aimed at attaining a competitive edge and strategic positioning.

Attract management talent

Generally speaking, the interviewees illustrated two different ways of attracting management talent: hire people and acquire the capabilities from external parties. Note that the currently discussed barrier to scale, as described in the previous section, mainly concerns hiring management talent.

A first way to overcome this barrier to scale is, thus, to acquire the capabilities from external parties. Specialisterren states that it is relatively easy for SEs to connect management talent with business experience and insight to the organization by asking them to be in the advisory board: "asking senior professionals for the advisory board requires less commitment from the management talent, while the SE can still benefit from the business savviness of these people". In the same vein, they stress the importance of finding good partners: "we get a lot of business support and help from partnering IT companies that we know from previous jobs and are motivated to help us because they believe in our mission". Yoni adds that business capabilities can also be acquired through pro bono projects of corporates, there are many corporates that want to be affiliated with SEs: "we greatly benefitted from the support of PwC and Clifford Chance. They did not only help us with specific issues, but they also increased people's trust in our company by supporting us".

When it comes to hiring management talent, there are typically two types of people that SEs can focus on: recent graduates and seasoned professionals. Oksigen Lab explains that "recent management graduates are

increasingly looking for a meaningful job, as well as senior professionals that start a second career or who are getting children". The first focal advice for SEs that want to attract management talent is that they have to communicate a clear story about their company. Social Impact Ventures stresses: "SEs should not only have a clear story about their social mission, they should also communicate their business case in a straightforward manner". SEs should therefore show their financial success as well as their social impact to attract management talent. It is crucial to show a strong business case and a clear perspective to the management talent in order to attract them, Dick Moby argues: "SEs actually have to convince management talent the same way they convince investors, managers will like the social side but are eventually persuaded by the business potential". Yoni experienced that story telling techniques can be powerful here. However, Social Impact Ventures adds that SEs should adapt their story to the target audience: "sales people are typically more interested in the outside image, so the social mission can be highlighted more, whereas operational managers care more about the quality of the internal processes, which means that you have to focus more on the business case and financial success". The second advice that was identified by interviewees was that SEs have to proactively focus on building sustainable and lasting relations in their network. Yoni argues that the people are even more important for SEs than for for-profits. They say that SEs have to be patient to let their network grow naturally: "we only hire people from our network, people we have previously worked with and for whom we know what we can expect". Ashoka illustrates that SEs can invest in their network by subscribing to platforms like Social Enterprise NL, Ashoka, and B-corp. Furthermore, SEs can proactively search for networking events, go to career offices of universities, or contact organizations that are known to believe in the same mission as the SE is working for. Anton Jurgens Fonds contributes that SEs should look at their network in a wide sense, the partners of partners are also in a network: "if SEs ask us questions that we cannot help them with, we always try to contact our partners to help the SE". The final advice concerns the salary possibilities. Impact Hub explains, "A lower salary is not solely a problem but can also be perceived as an advantage, since people that decide to take salary cut are generally more motivated in their job and show high commitment to the organization". Additionally, Impact Booster argues that SEs should not focus on increase the value of a job in financial terms, but rather by showing potential employees what social impact their work will directly have: "people that want to work for a SE want to see what contribution they have on society, so SEs should be able to communicate this to their employees and the management talent they want to attract". On top of this, Social Impact Factory stipulates that SEs that specifically know which management talent they need can decide to use investments to be able to offer them a competitive salary.

Retaining and utilizing management talent

Multiple interviewees stated that there is not yet substantial experience in the Dutch SE sector with retaining and utilizing management talent, since the sector is still in a relatively early stage. Impact Hub, however, predicts that it is important to have a clear division of tasks and responsibilities in order to be able to give management talent a challenging and fulfilling job. Tony Chocolonely adds that a strong company culture can help retain management talent: "a strong company culture helps to truly live the social mission throughout the organization and to distinct yourself from other companies".

6) *Policy of [local] governments*

Invest in understanding policies

The government and business are two different worlds, Social Impact Ventures therefore claims that one of the most important ways for SEs to overcome this barrier to scale is to be aware of the differences and respond to them: "SEs that are aware of the bureaucratic systems, undetermined nature, and slow processes of governments can prepare for the complex collaborations and tailor their strategy to it". First of all, this means that SEs have to invest in understanding the relevant policies that exist. Consequently, SEs can, for instance, set out to make long term deals with the government that transcend different political parties that are in power.

De Meewerkers experienced that it is, above all, vital to have substantial patience and endurance in dealing with the complex policy environment of governments.

Leverage your network

The Anton Jurgens Fonds stresses the importance of using the network of the SE to help in dealing with the complex policy environment. It is especially valuable to build a local network of stakeholders in the policy ecosystem, this can benefit SEs in coping with the different policies between local governments. Moreover, Bomberbot maintains that partnerships with big organizations can be of great value as well: "big corporates and non-profits generally have a lot of connections in local and national politics, by engaging in partnerships with them the SE can make use of these connections". Specialisterren maintains that it can help SEs to search for individuals in governmental institutions that work in an entrepreneurial manner: "we experienced that the collaboration with governments highly depends on our contact person in the governmental institutions, since we found an individual that works in a more entrepreneurial way it is substantially less difficult to deal with relevant policies". Furthermore, Social Enterprise NL says that SEs can join forces to give them a stronger voice towards governments. This can enable SEs to deal with policies more efficiently and could help them to adapt policies in order to make it easier for SEs to work with.

7) *Finding external funds*

Put yourself in the shoes of the investor

To find external funds, it is important that the SE understands what investors are looking for. In other words, SEs have to "learn the business language" to be able to talk to them according to the Anton Jurgens Fonds. Social Impact Factory stresses that SEs must show that they have potential: "SEs basically have to convince investors that they will get back their money". Oksigen Lab elaborates: "Investors make an estimation of how likely the SEs is to survive the next growth phase, so you need to convince them that you can keep on growing". To do this, Dick Moby argues that SEs should clearly show financial results. De Meewerkers state that it is important for SEs to show a strong track record. Oksigen Lab adds that SEs have to show that they have risks under control and show that the founder(s), often considered the key assets of the organization, are able to bring the SE to the next level.

Additionally, Social Impact Factory argues that SEs should adapt their approach strategy to the type of investors they target. In line with this, Anton Jurgens Fonds says that SEs should look for investors that have a special affiliation with the product or service: "SEs have to be more selective regarding the investors they approach, they should not impulsively go to all investors but develop sustainable relationships that are built on trust with investors before signing contracts". Specialisterren explains that it significantly helped them to position the company as a SE, since this eliminates many types of investors and, thus, helps the SE to focus on the investors that suit the organization. Anton Jurgens Fonds maintains that it can be worthwhile for SEs to focus on local investors: "People that made money often want to give back to their community, giving them a local opportunity to do this can be very interesting for both parties". Moreover, Ashoka illustrates how it can be beneficial to target specific individuals for external investments: "SEs should look at the people behind interesting organizations, this helps you to find rich people that might be interested to invest in you and helps you to search in a targeted way".

Develop business acumen

This advice is strongly linked to the third barrier that was discussed. The author will limit the discussion here to the additional insights that were gained.

Most interviewees agree that a solid business case and accompanying business model is of pivotal importance in raising external funds. A number of key success factors that stood out from the interviews were: the SE

should focus on the quality of the product, the SE should have a clear and well thought through strategy that aims at scaling from the startup phase, SEs could set their ambitions higher, SEs should have a practical focus and they should be agile. Squla experienced that their focus on business capabilities greatly increased their chance to raise investments: "we focused on the business case from the start and never really experienced difficulty with finding funding".

Related to the business case, Ashoka explains that developing a solid customer base and being able to show a substantial revenue stream is crucial to convince investors. To get there, Anton Jurgens Fonds maintains that it is vital that SEs diversify their revenue streams: "SEs should never solely rely on one subsidy or customer. Diversifying their revenue stream increases the independence and thereby the chance of survival". That is why it is crucial to have financial documentation in order that show strong financial returns, according to Dick Moby. Mud Jeans adds that it is critical that SEs can show continues growth, hinting at further growth in the future.

Social Impact Factory holds that attracting management talent is one of the best ways to gain business acumen. SEs should prioritize to hire good business people since "they bring a network and experience related to finding investments and it enhances the trust of investors in the SE".

Develop governance structure

Anton Jurgens Fonds argues that it is critical that SEs develop a governance structure that formalizes their social mission. This enables SEs to target suitable investors, because commercial investors are generally not interested in the social goals. On the other hand, it ensures that the SE will keep the social mission in the future, investors cannot change the impact first SE to a finance first company.

Choose loans over equity

Multiple interviewees stress that SEs should try to focus on loans as much as possible. Tony Chocolonely illustrates that there are many disadvantages to giving away shares and thereby diversifying the ownership and control over the company. The example of Emma Safety Shoes discussed above exemplifies this. It is essential that SEs invest in understanding the different types of external investments in order to know what they want. Yoni adds that it is important to plan your investments from an early stage already to prevent complications in later stages of growth: "in the starting phase SEs have to take into account that they want to scale. For instance, don't give away equity too fast and don't make agreements with investors that limit your options in future investment rounds".

Get in contact

Most interviewees acknowledged that SEs should leverage the growth that they experience in their external communication and marketing. Yoni illustrates: "we are widely communicating that we are quickly growing and participate in competitions such as the MKB-top100 innovation award, this resulted in many investors coming to us. Especially the competitions are rewarding since investors use them to scout new potential". They stipulate that the Dutch SE community is rather tight, so to reach others it is crucial to make yourself known. Furthermore, multiple interviewees stress that SEs should make as much use as possible of their own network to find suitable investors. Additionally, Healthy Entrepreneurs stipulates the importance of impact measurement to raise interest and convince investors: "through our experience we are now able to show the social return per dollar, which greatly helps in explain to investors what they actually get for their investment". On a more pragmatic level, a number of practical ways for SEs to attract external funding were also identified from the relevant interviews (Table 4.7).

Finally, some interviewees claim that it is no barrier to scale for SEs in the Netherlands to find external funds. Social Enterprise NL says that their latest monitor pointed out that nearly all SEs that looked for investments in 2016 got what they wanted.

Practical tools and tips

Tool/Tip	Clarification
Methods/Techniques	• Lean Startup Method • Bootstrapping • Go to local network events to attract local investors (e.g. from municipalities) • Participate in competitions to increase popularity/awareness
Helpful workshops	• Next Level Program (Social Enterprise NL) • Business Model Challenge (Impact Hub) • Scalers Program (Impact Hub)
Helpful Literature	• PwC report 'how to raise capital as a social entrepreneur' (Hoekstra, Huis in het Veld, & Midgley, 2014) • BENISI report (Weber et al., 2015)
Interesting investment institutions in Dutch ecosystem	• Krediet Unie (for investments in smaller SEs) • Social Impact Ventures (for investments in larger SEs) • Anton Jurgens Fonds

Table 4.7. Tips and tools to overcome the seventh scaling barrier

8) Complex conception of ownership and property rights

Choose realism over idealism

Impact Booster says that the idea SEs should not protect ownership mainly resides in idealism: "the idea that social entrepreneurs should work together and make the world a better place". However, they say that SEs should look more realistically at maximizing the social impact when they are scaling: "You need your business to run in order to make impact yourself, this is a prerequisite for social impact, so don't endanger your business if this doesn't significantly increase the impact in some other way". Bomberbot adds: "The business side is a way of generating more social impact, it is not always good to just keep everything out in the open, and doing it the business way can have more long lasting effects and entails less uncertainty".

Implement the theory of change

Oksigen Lab holds that SEs should look at their theory of change when it comes to protecting ownership. If a SE, for instance, focusses on system change through inspiring others it is not wise to protect the ownership over business assets that are crucial to bring about this change. Tony Chocolonely illustrates this: "we are very willing to share our knowledge and experience to bring about system change, we are transparent about everything we do in our annual reports, including our strategy. However, we do not share our recipes, because this would not help others to realize more social impact".

Develop governance structure

Pieter Ruys maintains that formal structures are the primary way to deal with ownership uncertainty: "SEs need to make an institutional distinction between the social and the financial goal, I believe that one cannot unify this in one institution". The best way to currently do this in the Dutch context is illustrated above under the discussion of ways to overcome the second barrier to scale. Tony Chocolonely says that this is especially important when the SE is growing and becoming more professional and commercial: "With investments, acquisitions and mergers it is important to formalize the social mission in a clear governance structure in order to make sure that the social mission will not be lost, a good example is how Ben and Jerries did this when they were acquired by Unilever".

4.2.3. RELATIONS BETWEEN THE SCALING BARRIERS

During most of the interviews, relations between barriers to scale were identified by the interviewees. A full overview of all the relations between the barriers to scale are systematically projected in Figure 4.3. It is important to note that the author does not claim to have a solid academic basis for the model and its proposed relations, since this was not one of the focal aims of the employed progressive case study. The model presented here is strictly a schematic representation of the relations that were described in the interviews. It can, however, be used as a basis to further research the existing relations between these barriers to scale and the ways to overcome them.
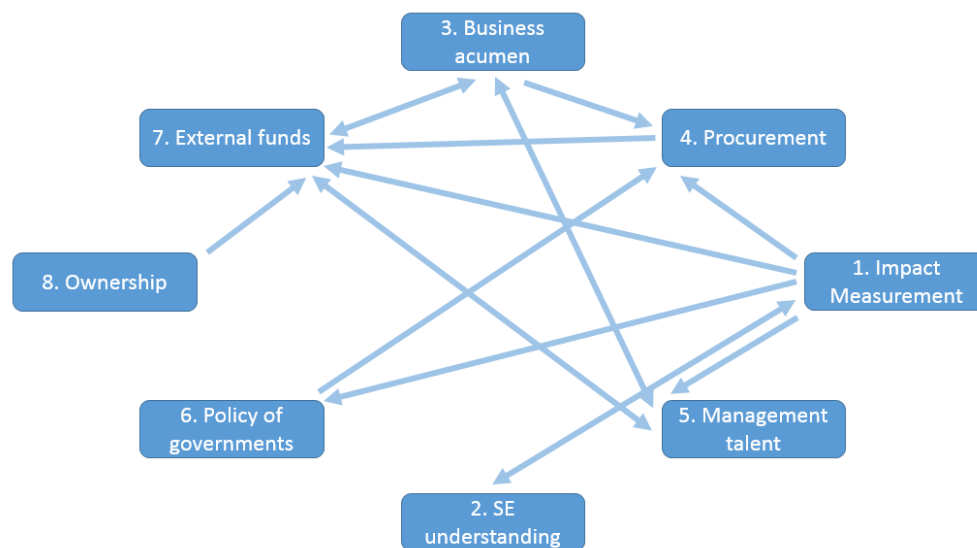
Figure 4.3. Relations between scaling barriers as discussed by interviewees

Finding external funds is linked to five other barriers by the interviewees. Interestingly, all relations point in the direction of this barrier to scale, meaning that interviewees argue that they contribute to overcoming this barrier. That is, if these five barriers are overcome, this is argued to increase SEs' likelihood of attracting external funds. Impact Booster, for instance, states that the first and second barrier are related to finding external funds. They say that SEs must be able to clearly explain what SEs are in order to successfully raise funds and a general mechanism to measure impact is one way that helps SEs to do this. The latter is confirmed by the Anton Jurgens Fonds, who explains that social investors want to be sure that impact is reached when they invest in a SE. Social Enterprise NL says that an existing revenue stream of sales is one of the best things an SE can have when looking for investments: "SEs basically have to convince investors that they will get their money back and having a solid customer base significantly raises investors' trust that this will happen". According to Social Impact Ventures, the possession of suitable business acumen significantly increases the likelihood of raising external funds, which also appears to be true the other way around. In line with this, Social Impact Factory argues that attracting management talent is more likely to happen when a SE finds external funds, whereas SEs that have management talent are also more likely to finding external investors. Finally, Oksigen lab, points out that a way to deal with the complex conception of ownership in SEs can help to find external funds: "investors are generally reluctant to invest when the key assets of an organization are openly available".

The first barrier to scale, absence of common mechanism to measure and demonstrate impact, is argued to be linked to five of the other barriers. Contrary to the seventh barrier to scale, most relations point towards the other barriers. This means that finding a common mechanism to measure and demonstrate impact assists in overcoming five of the other barriers to scale. If there would be a common mechanism to measure and

demonstrate impact, Healthy Entrepreneurs argues, SEs could explain what they do in comparison to other SEs – i.e. which helps to overcome the second barrier to scale. Specialisterren adds that it would also significantly help in dealing with the procurement processes of governments. As mentioned before, governments want to be able to compare the companies they consider for their procurement in order to ensure a fair competition. It is therefore crucial, they say, to enable comparison on social impact besides financial and quality metrics. They continue that the same also counts for attracting management talent.

The two-sided relation between the barrier 'lack of business acumen' and 'difficult to attract the right management talent for next growth stage' is pointed out by many of the interviewees. Nearly all of the 12 interviewees that chose one of these barriers to scale as one of the vital ones also chose the other one. Impact Booster illustrates that a lack of business acumen in the SE can lower the trust of management talent in the company, since they often look at the business prospects of the company in order to decide whether they want to work there. The other side of the relation is explained by Ashoka: "finding the right management talent is one of the best ways to overcome the barrier of a lack of business acumen".

One of the barriers that is put less in relation to others is 'business-to-business procurement'. Oksigen Lab is one of the interviewees who claims that having business acumen in the SE enhances its chances of dealing with business-to-business procurement. They even say: "solving the barrier of the lack of business acumen means that the fourth barrier is not an issue anymore". Additionally, Social Enterprise NL points out that there is a strong influence of the policies of [local] governments on the procurement process difficulties: "since governments are one of the major procurement options for SEs and the procurement processes are heavily regulated".

4.3. ADDITIONAL RESULTS

The results discussed above are based on the interviewees' answers to the questions that directly relate to the research question. As illustrated in the method section, the applied methodology enabled the inclusion of information that came to light throughout the research and was considered relevant to answer the research question. The additional results, thus, provide extra insights on how to scale SEs in the Dutch context. These insights are not directly related to one of the eight identified barriers, as is the case for the results presented above, but they add an extra understanding to the general scaling challenges faced by SEs.

4.3.1. THE MISSION OF SOCIAL ENTERPRISES AND THEIR NEED TO SCALE

After five interviews, it became apparent that interviewees often discussed whether scaling was necessary to realize their social mission. On top of this, interviewees were observed to talk about the importance they place on their social mission. This was expected to generate valuable insights in the scaling journey of SEs in the Netherlands. The following questions were therefore added to the interviews: "Is scaling necessary to obtain your social mission?" and "To what extend are you driven in your daily work by this mission?".

Firstly, All SEs that were interviewed irrefutably argued that their social mission is of major importance to them on a day to day basis. Many of them literally said: "this is in our DNA, this is why we exist". The social mission of the SE does, however, partly determine how likely they are to scale, according to Social Enterprise NL. They explain that the impact focus can put restrictions on how big the company can get: "SEs working on social inclusion are typically more difficult to scale. They focus on local societal issues, so there is less potential to apply the offering on a large scale".

Secondly, most interviewees appear to agree that scaling is of pivotal importance to fulfil their social mission. They provide two reasons for this: it enhances the social impact of the SE and it provides them with a sustainable financial core. Healthy Entrepreneurs illustrates that scaling will increase the direct social impact

they have: "the bigger our company will get, the more people with autism we can hire and, thus, help". Tony Chocolonely stresses that there is also an increase of the indirect impact due to scaling. The bigger the SE grows, the more impact they can have on the system they want to change: "there are typically huge players in the middle of the supply chain, like the chocolate production factories in our case. We need a lot of scale to be considered slightly serious at all by these companies. So in order to elicit true system change we need to have significant scale". This perfectly aligns with Westley and Antadze (2013), who argue that scaling the SEs will not be enough to bring real change – i.e. scaling out – they say that SEs need to strive for system changes as well – i.e. scaling up. On top of this, Interviewees indicated that SEs also have to scale in order to develop a sustainable financial basis for generating the social impact they strive for. Healthy Entrepreneurs explains that SEs tend to have lower margins than for-profit counterparts, which is why they need higher prices or larger scale to generate enough revenue.

4.3.2. THE INFLUENCE OF HUMAN INTERACTION ON SCALING SOCIAL ENTERPRISES

In the seventh interview, Pieter Ruys of Tilburg University illustrated the influence of human interaction in organizations that influences the growth potential. After this interview the following question was added to the topic list: "How important is the interaction with stakeholders in your organization?".

Pieter Ruys explains that one can perceive the influence of human interaction on scaling as a continuum of low to high quality, where low quality interaction organizations are predicted to be more likely to scale than high quality interaction organizations. He continues: "In my research I argue that SEs typically place more emphasis on interaction than their for-profit business counterparts, which makes SEs less applicable to scale". Mud Jeans argues that part of the reason for the higher emphasis that SEs place on interaction lies in the fact that they typically value stakeholder management more: "SEs find it more important than for-profits to build sustainable relations, care more for their employees, and value the relationships with their customers more". Yoni explains that this has to do with the fact that many SEs want to spark system change, which makes stakeholder management vital. Tony Chocolonely believes in the power of good stakeholder management, this is why all their office employees work in their shop in Amsterdam for half a day per month in order to get in regular contact with customers.

The successive interviewees made apparent that there is a difference between internal and external interaction the SE has as well. Land Life Company pointed out that interaction is not equally important to all SEs. They maintain that interaction is generally more problematic for SEs that have a social mission related to people than for SEs that work on environmental issues. Environmental issues typically require more external interaction, whereas social issues tend to focus more on the human interaction within the SE. A perfect example of the latter is Specialisterren, they explain: "Our social mission drives us to work with people with a disorder, so the social part of our organization results in internal interaction. We have, for instance, more overhead due to the support we have to provide to these employees. However, some SEs have a social mission that does not relate to the internal interactions of the organization, for these SEs interaction does not hamper scaling potential as much". Social Enterprise NL maintains that this is why SEs that work on social cohesion and SEs that work with people with a distance to the labor market experience more difficulty in scaling than SEs working on other impact areas. Since SEs of these types generally focus more on issues that require large amounts of internal interaction, like working with people with a mental disorder.

The two identified characteristics that are important concerning interaction – i.e. external/internal interaction and qualitatively low/high degrees of interaction – can be placed in a matrix (Table 4.8). Based on the discussion presented here, one interviewed SE was placed in each of the quadrants as an illustrative example. Yoni and Land Life Company do not target a societal issue that leads to more complex internal interactions, which is the case for Healthy Entrepreneurs and Specialisterren. More specifically, the latter two want to

generate social impact within their organization, while the former two work with a group of highly qualified people to generate external impact – e.g. in the case of Land Life Company, less environmental degradation. However, Land Life Company and Specialisterren are the two companies that claim to be most held back in their scaling potential by the need for qualitatively high human interaction, whereas Yoni and Healthy Entrepreneurs say that they have a lot of interaction but it is relatively easy to manage due to the low quality, e.g. interaction through social media and other internet services is more faced on quantity than on quality.

	Low quality of human interaction	High quality human interaction
External human interaction	Easy to scale (E.g. Yoni)	Moderate scalability (E.g. Land Life Company)
Internal human interaction	Moderate scalability (E.g. Healthy Entrepreneurs)	Difficult to scale (E.g. Specialisterren)

Table 4.8. Human interaction matrix

4.3.3. ADDITIONAL BARRIERS

Another interesting and relevant topic in the additional results was that a number of scaling barriers discussed by interviewees that were not part of the eight barriers focused on in the current research were identified. Interviewees argued that the barriers that will now be discussed are of crucial importance to SEs in the Dutch context and significantly differ from the ones targeted in the current research.

Oksigen Lab identified burnouts in founding teams to be a significant barrier to scale. They explain that social entrepreneurs tend to be highly motivated to bring positive change to a societal problem and often forget to care for themselves as well. Related to the founder's syndrome, where founders tend to take on too much responsibilities, this can result in founders working too hard and crashing. They continue, founders are one of the vital assets of a SE, especially in the beginning phases. If founders cannot continue working for the SE, this generally results in stalling growth.

The Impact Hub claims that it is challenging for SEs to stick to their social mission once they are growing fast. They say that it is often perceived to be difficult to remain impact first when the SE is scaling, since many organizational issues tend to take over. This align perfectly with the mission drift, which was explained above. On top of this, Oksigen Lab stresses that a typical pitfall is that SEs want to grow too quickly, they overstep their capacity and might have to compromise their social mission to deliver.

Land Life Company maintains that an additional barrier to scale for them is that the sales cycles are very long due to the long-term focus. They explain: "we first of all have to do research on how we can bring about sustainable change, if we know this we then have to wait for the trees to grow. The total process takes years to execute, which makes it generally impossible for us to show quick results the same way for-profits typically do".

Yoni adds that one of the major barriers that they experience has to do with the major competitors they have: "we compete with four large multinationals that have so much more resources compared to us that we have to compete in creative ways to deal with this". This seems to be especially true for companies that strive for system change. Tony Chocolonely also explains that it was an immense struggle for them to convince Barry Callebout to produce chocolate for them that was fully made up of the slave free ingredients they provided.

4.3.4. DEFINING THE IDEALLY SCALABLE DUTCH SOCIAL ENTERPRISE

The first interviewee, Impact Hub, indicated that it might be interesting to look at what SEs can generally do to be suitable to scale, without relating this to either one of the eight identified barriers. The following question

was therefore added at the end of all interviews: "What are the most crucial characteristics of Dutch SEs to be suitable to scale successfully?". These results are expected to be a valuable contribution to the understanding of what SEs can do to overcome the barriers to scale, because they are based on the view of 20 organizations that represent a wide and diverse range of stakeholders in the Dutch SE sector.

The characteristics identified by the interviewees largely overlap with the previously discussed results. The author was able to group the characteristics in four separate categories: social mission, professional company, business case, and the team. These categories will be discussed in the following, which provide a general understanding of the answers that the interviewees provided to this interview question – a full list of all characteristics is presented in Appendix 7.3.

The first category contains characteristics that concern the social mission of the SE. In order to scale, interviewees agree that the SE has to have a strong company culture that stimulates the focus on the social mission and the social mission should be well supported by strong impact measurement. However, Oksigen lab and Tony Chocolonely point out that the social mission should always be questioned and reflected upon. Oksigen Lab explains: "it should always be up for debate how impact is reached, whether it is enough, and whether the current path is the right one".

The second category exists of characteristics that are related to the professionalization of the SE. Multiple interviewees stipulate the importance of professional internal operations, diversification of resources, and of an ambitious vision. On top of this, Social Impact Factory is one of the interviewees that stress the positive contribution a strong network can have on a SEs scaling potential. Additionally, Dick Moby says that it is key for SEs to pre-finance their working capital and Mud Jeans argues that SEs should make sure that their suppliers can also scale. Finally, Healthy Entrepreneurs and Anton Jurgens Fonds stipulate that SEs should balance standardization and adaptation to local environments if they want to scale, since local adaptation is typically required from SEs to a larger extend than from for-profits.

The third category entails characteristics that are all related to the business case of the SE. The business case was one of the most discussed issues that hamper the scaling potential of Dutch SEs. Characteristics that SEs should focus on when they want to scale, according to the interviewees, are: the business model, the value proposition, and the societal issue that is targeted. Moreover, Tony Chocolonely argues that it is vital that SEs focus on products and services that have a large potential market. The size of the potential market cannot easily be specified. However, the SE has to research whether there are enough potential customers for them to actually scale. Social Impact Factory adds that it is crucial that SEs partner with for-profits as well as non-profits if they want to scale: "they should step out of their comfort zone of only other SEs".

The fourth and final category specifically concerns characteristics that describe what the team of SEs should look like. The interviewees described different characteristics of the founding team and the general team of SEs that are predicted to increase their likeliness to scale. Multiple interviewees, for instance, say that there should be a 50-50 balance between financial and social interests and capabilities within the founding team as well as in the total organization.

4.4. CONCLUSION

In this chapter, the interview results as well as the results of the desk research of this study were presented. First, results were illustrated that enhanced the understanding of the eight identified barriers. Then, the results relating to strategies that SEs can utilize to overcome the scaling barriers were elaborated on. Building on this, the links between the different barriers that were identified by the interviewees were discussed. Furthermore, additional results were discussed that shed light on scaling challenges faces by SEs.

5. DISCUSSION AND CONCLUSION

In the final chapter the research question will be discussed, answered, and reflected upon. The research question is:

What ways exist for SEs [in the Netherlands] to overcome scaling barriers?

Important to note is that the aim of this study is to find ways that SEs can utilize to overcome the barriers to scale. In order to do this, the results will first be reviewed in the context of the provided literature review. This will lead to the most interesting and relevant concepts. Consequently, the results will be interpreted and trends will be identified. After the analysis and discussion of the results, the author will conclude by illustrating the key insights and answering the research question. Finally, recommendations and implications related to theory as well as practice will be illustrated.

5.1. DISCUSSION

5.1.1. LINKING BACK TO THE LITERATURE REVIEW

In the current section, the results will be analyzed per barrier to scale. For each barrier, the author will interpret the results and discuss them in relation to the literature from the theoretical framework. The current section will, thus, solely concern the results that need further discussion after chapter four. In Table 5.1, all results of chapter four are summarized and compared to relevant theories from the literature that were presented in the theoretical framework – i.e. this addition is shown in Table 5.1 under the header 'relevant literature'. This table, thus, represents a systematic overview of all results of the present study and provides a basis for the discussion that follows.

Barrier	Explanation of the barrier to scale	Ways to overcome the barrier to scale	Practical tools and tips to overcome the barrier to scale
B1: Absence of common mechanisms for measuring and demonstrating impact	Complicated impact measurement Too many impact measurement methods Too complex impact measurement methods	Start social impact measurement Implement theory of change Research trends Specific tools and tips	**Keep it simple and pragmatic** • Develop basic answer to theory of change with only a couple of metrics • You don't have to start with quantification right away, Dick Moby is successful while showing it in an anecdotic way • Be transparent and open about what you do and know, don't pretend to have more impact than you have **Use popular existing methods** • AVANCE guidelines – theory of change (pay attention to distinction between output, outcome, and impact) • SROI (social return on investment) • B-corp guidelines • Common good balance sheet (Austria), Social reporting standard (Germany), Social report (Italy) **Acquire skills** • Hire impact measurement employee • Pro bono project (e.g. PwC, EY, McKinsey) **Workshops and trainings of experts** • ENVIU • Social Enterprise NL • AVANCE • Erasmus University Rotterdam **Online tools** • Sinzer.org • Impactwizard.eu

B2: Poor understanding of the concept of social enterprise	Definition of social enterprise unclear Complex identity of SEs SEs get stuck in the middle	Development of governance structure Clear internal and external communication Develop business acumen	**Relevant literature** • Framework of Drucker (2004) • PCDO framework (Austin et al., 2006) • SCALERS model (Bloom & Smith, 2010)
B3: Lack of business acumen	New and complex business models Lack of people with the right capabilities Undervalue of business acumen	Critical reflection Identify missing business acumen Develop business acumen	**Business models** • Use the Lean Startup Method • Apply the Social Business Model Canvas • Learn from MOOCs (massive open online course) such as at the platform courser.com • Accelerator programs • Pro bono projects (big companies that make their expertise and skills available for free) **Become more commercial** • Sales training of Social Enterprise NL • Accelerator programs • Pro bono projects **Focus on quality** • Use the Lean Startup Method • Apply the Social Business Model Canvas • Accelerator programs • Pro bono projects **Relevant literature** • Lean startup model (Ries, 2011) • Different types of business models (Alter, 2007) • Importance of diversification (Terweisch & Ulrich, 2008) • Importance of the people (Franke et al., 2008) • How to find external funds (Savaneviciene et al., 2015) • Leverage technologies (Bharadwaj et al., 2013) • Replicability and standardization (Van Krogh & Cusumano, 2001) • Stakeholder management and partners (Yunus, 2010; Lambooy et al., 2016)
B4: Poor access to upstream procurement processes	Complex business to business procurement processes Unknown makes unloved	Become serious option for procurement Broadly define and communicate offering Have patience and perseverance	**Relevant literature** • Partnerships (Andreasen, 1996) • Stakeholder management (Grant & Crutchfield, 2007) • Prices, awards, and honours (Weber, Leibniz & Demitras, 2015)
B5: Difficult to attract the right management talent for next growth stage	Realize what you need Attracting management talent Retaining and utilizing management talent	Overcome founder's syndrome Attract management talent Retain and utilize management talent	**Relevant literature** • (see barrier 3)
B6: Policy of [local] governments	Two different worlds Especially problem for certain type of social enterprises	Invest in understanding policies Leverage your network	**Relevant literature** • (see barrier 4)
B7: Finding external funds	Perceived adequacy of SEs Mismatch between investors and SEs Valley of death	Put yourself in the shoes of the investor Choose loans over equity Develop business acumen Develop governance structure Get in contact with investors	**Methods/Techniques** • Lean Startup Method • Bootstrapping • Go to local network events to attract local investors (e.g. from municipalities) • Participate in competitions to increase popularity/awareness **Helpful workshops** • Next Level Program (Social Enterprise NL) • Business Model Challenge (Impact Hub) • Scalers Program (Impact Hub) • Interesting investment institutions in Dutch ecosystem • Krediet Unie (for investments in smaller SEs)

			• Social Impact Ventures (for investments in larger SEs)
			• Anton Jurgens Fonds
			Helpful reports
			• PwC report 'how to raise capital as a social entrepreneur' (Hoekstra, et al., 2014)
			• BENISI report (Weber et al., 2015)
			Relevant literature
			• Overcome valley of death (Murphy & Edwards, 2003)
			• Synergies between for-profits and SEs (Andreasen, 1996)
B8: Complex conception of ownership and property rights	The good side of ownership The result of ownership is unclear Role of ownership differs per type of social enterprise Ownership is not necessary	Develop governance structure Chose realism over idealism Implement theory of change	**Relevant literature** • PCDO framework (Austin et al., 2006)

Table 5.1. Summary of results of whole research

1) *Barrier 1: impact measurement*

One of the results that deserves further analysis is the fact that multiple interviewees chose the first barrier – i.e. absence of common mechanisms for measuring and demonstrating impact – to be a key issue to Dutch SEs, but in fact talk about the importance of impact measurement for SEs in general. Even though the interviewer specifically stated the barrier to be about the need for a general impact measurement method, interviewees stress that just starting to measure impact is already a significant step. This is confirmed by the McKinsey report (2016), which claims that 50% of the Dutch SEs do not measure their impact yet. One could argue that this is an indication for the general state impact measurement in the Dutch SE sector is in. In line with Impact Booster, who argue that a general impact measurement method has to arise from the methods used through market forces, one could argue that the current barrier is currently a step too far for the Dutch SE sector. As mentioned in the section on ways to overcome this barrier to scale, more SEs should first start measuring impact before a general measurement method can be developed. This might be resulting from the fact that this barrier was taken from a report that researched multiple countries in Europe (Wilkinson et al., 2014). In Belgium and Italy, for instance, there is a mandatory social impact measurement system that SEs have to report on. From a practical perspective, once could argue that it can be beneficial for SEs to look at examples from other countries and copy their impact measuring methods.

Interviewees did not discuss the potential downsides of a general method, yet the importance of the downsides was raised in the desk research. A generally accepted method might, for instance, be a way for companies to more efficiently engage in greenwashing (Vries et al., 2015). A common method can be abused by companies since they know exactly how to look social, while they are in fact not intrinsically motivated to do so.

2) *Barrier 2: understanding of SEs*

One of the main assumptions that was found in the literature is that SEs are in the middle of the social-business continuum (Figure 2.2). Resulting from this is the general idea that SEs are stuck in the middle between social and financial goals. However, the results indicate that Dutch SEs generally do not experience this themselves. First of all, this barrier was chosen only four times by interviewees, and the interviewees that did discuss it predominantly talk about the issue in past tense. Healthy Entrepreneurs, for instance, argues that it was still problematic for them five years ago that investors did not know what a SE was, but not so much anymore to date. It might be that the barrier is not relevant to the Dutch environment [anymore], since it was solely based on one of the three reports (Table 2.5). Secondly, multiple interviewees explicitly stated that they are a commercial enterprise with a social mission. One could argue that this means that they position themselves on

the business side of the social-business continuum. This is confirmed by the fact that three of the barriers have 'develop business acumen' as a way to overcome them. Hence, it might be false to think that SEs are in the middle of the social-business continuum. Although all interviewed SEs stress that they aim to be social impact first, they also say that this does not mean that they cannot be a commercial enterprise. As Startup Bootcamp illustrated, "SEs should become the new business as usual".

For SEs that do struggle with this barrier, the non-profit literature discussed in chapter two could be of help. Drucker (2004) proposes that every good mission possesses opportunities, competences, and commitments. By operationalizing the social mission based on these characteristics, SEs can prioritize their actions. Other methods that are designed by scholars which could help SEs to prioritize their actions were discussed in the SE specific body of literature above: the PCDO framework (Austin et al, 2006)) and the SCALERS model (Bloom & Chatterji, 2009). These models might help SEs to decide what kind of SE they want to be and how they want to get there.

3) Barrier 3 & 5: business acumen and management talent

The third and fifth barrier are represented the most in the interviews, which aligns with the fact that they are also among the most validated barriers (Table 2.5). Judging from the results in the previous chapter, the fifth barrier can actually be seen as part of the third barrier for three reasons: because there is a strong relation between the two barriers, because these scaling barriers are discussed the most, and because multiple interviewees claimed that attaining management talent is a way to overcome the lack of business acumen. In other words, attaining and having management talent can be seen as one of the business capabilities that make up the business acumen of an SE. Both barriers will now be discussed and linked to the literature that was selected in the theoretical framework.

The third barrier – i.e. lack of business acumen – is illustrated to be one of the central barriers to scale for Dutch SEs, which is in line with the fact that all three reports that are used as a foundation for the selection of the eight barriers pay attention to this issue. Interestingly, through researching the relations between the barriers, it appears that SEs can overcome four barriers all at once when they tackle this one (Figure 4.3). That is, overcoming the third barrier directly contributes to dealing with the second, fifth, and seventh barrier to scale. Within the limits provided by this research, it thus seems to be crucial to tackle the lack of business acumen that Dutch SEs experience. The author will therefore analyze this barrier in more detail in the following.

A first significant finding in this study is that the third barrier seems to be partly caused by the relative infancy of the SE sector. Many SEs seem to face issues that are already heavily researched and understood in common business practices, as Oksigen Lab points out. This is epitomized by one of the recommendations of the McKinsey report (2016) it is stated that there is a need for more investors with business support, since this is one of the key things hampering the growth of Dutch SEs. It is also confirmed by one of the main SE incubators in the Netherlands, Impact Hub, who stress that they experience the pre-scaling phase to be of more importance than the actual scaling phase. They say that the basic business capabilities that are required to support the scaling trajectory of an organization have to be developed early on, this is why the pre-scaling phase is of such importance. The results seem to show that the business model is one of the vital things SEs have to focus on. There is much research done on business models (e.g. Ries, 2011), but the interviews indicate that this cannot directly be applied to SEs. They say that there are challenges that are specific to SEs which are not accounted for by standard business models. As illustrated in chapter four, business models of SEs are more complex and often completely new. Alter (2007) researched this and constructed a typology of three types of business models, of which two are suitable to SEs. Weber et al. (2015) identified a viable operating model to be of key importance to the growth of SEs. Additionally, the social business model canvas tries to deal with this by adding two boxes to the standard lean startup method. These boxes are argued to take into account the social

components of SEs. However, the research shows that the owner of the problem that the product of the SE tries to solve is not always the one who pays for it, which directly contrasts with the foundations of the lean startup method. Although multiple interviewees argue the lean startup to be of value to SEs, this might not be true for all SEs. Hence, it could be interesting to search for other forms of business models that better suit these types of SEs. Another key business model related insights is that SEs should narrow the gap between their new offering and the status quo as much as possible. The reasoning behind this, taken from different interviews, is that every change to the status quo constitutes an extra barrier for customers to buy the offering.

Moving to the fifth barrier – i.e. difficult to attract the right management talent for next growth stage – the current results indicate that it is part of the third barrier, although it is separately discussed in the McKinsey report (2016). One could argue that this aligns with the idea that human assets are crucial to an organization's growth (Harris & Kor, 2013), since management talent can be seen as a crucial business asset for SEs. One could argue that the founder's syndrome, one of the central issues for this scaling barrier, might depend on the type of social entrepreneur. The social bricoleur might be effected more by the founder's syndrome than the social engineer (Roomi & Harrison, 2011). Linking this to the article of Muriithi and Wachira (2016), the small-scale focus of the bricoleur could leave more room for the personal influence of the founder, whereas the broad problem definition and large-scale focus of the engineer might force the founder to be more open to change and more accepting of other's opinions in decision making.

Interestingly, the discrepancy between the amount of importance the interviewed organizations ascribe to this barrier to scale and the fact that it is not identified as a central issue in the recent monitor of Social Enterprise NL (2016). This might be explained by the fact that the interviewed organizations and the McKinsey report focus on the larger SEs – i.e. the ones that are scaling or have the potential to scale – whereas the Social Enterprise NL monitor looks at the general trends in the Dutch SE sector, where there is a high number of small SEs.

Looking at the three bodies of literature of the theoretical framework, it becomes apparent that five of the seven topics that were discussed in the for-profit literature section of the theoretical framework were also explicitly pointed out by the interviewees: Lean startup method (e.g. Ries, 2011), importance of diversification (e.g. Terweisch & Ulrich, 2008), importance of the people (e.g. Franke et al., 2008), how to find external funds (e.g. Savaneviciene et al., 2015), leverage technologies (e.g. Bharadwaj et al., 2013). Since the for-profit literature seems to greatly overlap with what SEs need, Dutch SEs could benefit from this to a larger extent. For instance, there might be potential in linking the for-profit specific literature on ambidextrous organizations and dynamic capabilities – i.e. the literature that was not discussed by the interviewees but which was identified to be important in the theoretical framework – to the practices of SEs.

Looking at the SE literature, additionally, shows that multiple attempts have already been made by scholars to benefit from the for-profit literature by applying this knowledge to SE specific situations. Although it has to be noted that these were among the least validated theories that were identified (Table 2.6). Nevertheless, body of literature appears to be a relevant contribution as well. For instance, the importance of stakeholder management and partnerships, which is argued to be of great importance to SEs that want to scale by interviewees, is researched by Yunus (2010) and Lambooy et al. (2016). Moreover, Van Krogh and Cusumano (2001) highlight the importance of replicability of internal processes through the organization in order to efficiently scale. They say that it is crucial to reduce the operating model to core characteristics and make the organization as prone to standardization as possible.

4) *Barrier 4 & 6: upstream procurement and governmental policies*

The fourth barrier to scale – i.e. poor access to upstream procurement processes – was the least discussed by interviewees, which is striking since it is one of the most validated barriers (Table 2.5). The interviewees that

did discuss this barrier agree that the upstream procurement processes are rather complex, bureaucratic, and slow. One could argue that the three reports identified it to be a central challenge because of these reasons, but SEs accept it as a fact. That is, they do not see it as a key barrier because they feel like they cannot do anything about it. The solution of the McKinsey report (2016), to make social impact a part of the procurement process of governments and corporates, was pointed out by multiple interviews. Interestingly, the interviewees that discussed ways to overcome this barrier were largely industry experts, such as Social Impact Ventures and Social Enterprise NL, and not SEs themselves. Moreover, compared to the identified strategies to overcome the other barriers, the solutions provided by interviewees here were relatively vague.

Furthermore, interviewees indicated that the fourth barrier is related to the sixth barrier. More specifically, the policies of [local] governments seem to be one of the main reasons for the complex procurement processes of governments. A commonly found result is that business and government are two different worlds. Hence, interviewees argue that SEs have to avoid as much dependency of [local] governments as possible. However, for certain types of SEs it is impossible to do this. SEs working with people with a distance to the labor market, for instance, cannot circumvent government dependency in the Netherlands. This might be one of the reasons why the sixth barrier was identified to be the central barrier to scale for Dutch SEs by the latest Social Enterprise NL monitor (2016), since there are many SEs working on this impact area in the Netherlands.

The non-profit literature seems to be of most value to these barriers. To become a serious option for procurement decision makes, interviewees claimed that it is important to build sustainable relationships. This is where the literature on partnerships (Andreasen, 1996) and on good stakeholder management (Grant & Crutchfield, 2007) can be of value. These strategies align with one of the ways to overcome the sixth barrier, 'leveraging the network', since stakeholder management and partnerships are crucial in building a strong network. In line with the problem 'unknown makes unloved', Weber, Leibniz and Demitras (2015) argue that one way to increase the reputation and legitimacy of an organization is by getting prices, awards, and honors. This could be an additional method for Dutch SEs to tackle fourth and sixth barrier to scale.

   5) *Barrier 7: external funds*

The recent Social Enterprise NL monitor (2016), one of the reports that was used to identify the eight barriers, stated that it was not a problem for Dutch SEs to find external funds in 2015. Interestingly, many of the interviewees argued that finding external funds is actually hampering the scaling potential of SEs. One of the reasons for this could relate to the fact that multiple interviewees argued there to be a mismatch between investors and SEs, between the short-term focus of investors and the long-term focus of SEs. Another explanation might lie in the existence of a valley of death, that there is not enough attention paid by investors to the SEs that want to start scaling. This could be a topic where SEs can learn from for-profits, since much research is done on how startups can overcome the 'valley of death' (e.g. Murphy & Edwards, 2003). Moreover, investors that focus on SEs could offer more business support, which is what Social Impact Ventures sets out to do. The importance of additional support by investors was already pointed out by Savaneviciene et al. (2015).

Looking back to the theoretical framework, it is shown that raising capital is discussed in the for-profit literature as well as in the non-profit literature. Andreasen (1996), for instance, stipulates the importance of partnerships in scaling non-profits in a popular Harvard Business Review article. He argues that there is great potential to create synergies between for-profits and non-profits. This might be a valuable lesson for SEs, since different interviewees argued that SEs tend to perceive commercial businesses as 'dirty' while there is a huge potential to their collaboration.

6) *Barrier 8: ownership complexity*

As for the second barrier, the eighth barrier – i.e. complex conception of ownership and property rights - was solely taken from one of the three reports used to identify the barriers (Table 2.5). However, as opposed to the second barrier, it was discussed quite often by interviewees. Taking a closer look at the results shows that it is, nevertheless, not clear what interviewees believe the key problem is and how it can be overcome. Different interviewees actually point out the positive side of ownership, such as the importance of protecting key assets in order to be more interesting for investors. Others argue that ownership is outdated and should not be an issue anymore in the current business environment. Additionally, some interviewees claim that the effect of ownership on social impact is too complex to capture. So even if an SE wants to take ownership into account it is nearly impossible to decide whether ownership will have negative or positive effects on the social impact. One of the theories discussed in the theoretical framework, the PCDO model, might be of help here. One of the four discussed elements in this model, Deals, describes "the substance of the bargain that defines who in a venture gives what, who gets what, and when those deliveries and receipts will take place" (Austin et al., 2006, p. 373).

5.1.2. IDENTIFYING TRENDS

1) *Difference in results of industry experts and SEs*

One of the noteworthy trends in the results is that there appears to be a difference between the barriers chosen by the industry experts – i.e. case one and case two – and the SEs – i.e. case three. Firstly, there were substantially more industry experts than SEs that chose the 'absence of a common mechanisms for measuring and demonstrating impact' as a central barrier to scale. It could be that this is caused by the fact that industry experts have a clear overview of what is happening in the SE sector, whereas the SEs themselves do not realize the effects of this barrier to scale. This aligns with the fact that different interviewees pointed out that there is little that SEs can do to spark true change with respect to the development of a general mechanism to measure impact. Another explanation might be that impact measurement is not developed enough in the Netherlands for SEs in order to start thinking about the issues of a common mechanism, but that they might be more concerned with actually starting to measure impact at all. However, one could also argue that the interviewed SE in this study are experiencing impact measurement to be less of an issue than the general Dutch SE do.

Secondly, there appears to be a discrepancy between the ways to overcome the 'difficulty to attract the right management talent for next growth stage' provided by industry experts and SEs. While the industry experts claim to know different ways for SEs to attract this talent – e.g. acquiring management talent through pro-bono projects of corporates or by utilizing story telling techniques – different SEs argue that they do not know how to do this. It might be, as Ashoka pointed out, that there is a knowledge gab, which would mean that this is a topic where industry experts can highly contribute by supporting SEs.

Finally, the barrier 'policy of [local] governments' was largely discussed by industry experts. It could be that this is only an issue for SEs that have to deal with governments as a result of their impact focus – the only SEs that chose this barrier indeed work in this impact area – whereas industry experts have a broader focus on multiple type of SEs. In line with this, different interviewees said that there are many SEs that work on 'enlarging labor market participation', which is perceived to be an area that requires substantial collaboration with [local] governments. This could be the reason for the attention this barrier was given in the interviews and in the recent Social Enterprise NL monitor (2016).

2)   Type of SE influences the ability to scale

The author identified three characteristics of SEs that seem to influence the scalability of SEs. First of all, there appears to be a difference in the scaling potential based on the scope of the societal issue the SE focusses on. That is, a SE that tries to solve a local issue is per definition less likely to scale, since there is no need for their offering on a wider scale. Different interviewees argue that this is especially true for the SE of the types 'enlarging labor market participation' and 'social inclusion'. This aligns with the typology of different types of social entrepreneurs as described by Zahra et al. (2009). The social bricoleur is argued to react to issues in its nearby environment, making this entrepreneur more suitable to tackle local societal issues, while the social engineer proactively searches for large scale issues to work on (Table 2.4). Additionally, the McKinsey report (2016) identifies a similar distinction based on the type of enterprise, they argue that there are SEs of the category 'community enterprises' and 'society changers' (Table 2.3). However, there are examples of Dutch SEs in these categories that seem to be able to scale. Peerby, for instance, an app that aims to increase social contact in neighborhood, by enabling people to exchange goods in an efficient manner, appears to be perfectly able to scale. Hence, within these two categories of SEs there are also scalable SEs, what the author solely argues is that there seem to be more local societal issues targeted by SEs in these two categories in comparison to the others. This might be a reason for the lack of scaled SEs in the Netherlands, as introduced chapter two. Due to the size of the Dutch market, SEs typically have to expand internationally in order to scale. This perfectly aligns with most of the interviewed SEs that are growing fast, since they all move to the United States, Germany, England and beyond.

Secondly, the scaling potential of SEs seems to be influenced by whether their product or service includes the social impact or not. Important to note, this solves the issue pointed out by Impact Hub – i.e. a central challenge for SEs is that the problem they solve is not the problem of the one who pays for the product. As Dick Moby explains: "when we sell more glasses we automatically have a higher social impact, because they are made from sustainable materials and in a fair way". However, not all societal issues that SEs target can be dealt with in this way. Particularly in the area of poverty reduction it can be challenging to find solutions where the ones who benefit from the SE's solutions are also the ones who pay for it, since it is difficult to find a sustainable business case based on people in poverty. One could therefore argue that different scaling strategies should be adapted for these different types of SEs.

Thirdly, the human interaction matrix (Table 4.8) indicates that the required quality of internal and external interaction of SEs influences their scaling potential. Different interviewees argue that SEs typically enjoy higher quality human interaction when compared to an average company. Following this argument, SEs would be less likely to scale. This seems to be in line with the idea that organic growth suits SEs brought forward in different interviews, which is illustrated below.

Finally, multiple interviewees argued that SEs that sell a product are generally more likely to scale than the ones that sell services. Possible reasons for this, as illustrated in the previous chapter, are that it is easier to find capital when there is a security to provide to the investors in the case of products and that products are generally easier to understand and therefore simpler to communicate about.

3)   Rethinking the position of SEs on the social-business continuum

As discussed in the literature review, SEs are often placed in the middle of the social-business continuum (Figure 2.2) to explain how this type of business can be understood. Looking at the data provided by the 20 interviewees one could question whether SEs should actually be placed in the middle between social and business. A first indication for this is that there is an abundant focus on the development of business acumen in the ways to overcome the scaling barriers, meaning that interviewees perceive the business side to be vital to scale. Different interviewees argue that successfully scaled SEs are typically the ones that put great emphasis

on their business side. Illustrative of this is the fact that multiple SEs explicitly say that they are a regular commercial business with a social touch. Specialisterren explains that they see themselves as a normal business that also has social KPIs besides their financial ones. A similar idea is proposed by McKinsey (2016), who argue that SEs of the category 'society changers' – i.e. the SEs that target large scale problems and aims to scale – are in direct competition with for-profits. In other words, as multiple interviewees argue, SEs should not be seen as a separate category but should become the new 'business as usual'. As Startup Bootcamp points out: "every self-respecting entrepreneur should be a social entrepreneur". In line with this idea, it can actually be counterproductive to make SEs a separate organizational category. SEs do not want to be separated from contemporary businesses, because their ambition is to transform them. This view aligns with scholars such as Dart (2004), that argue that social entrepreneurship is a [slightly] different type of traditional business and not a different category altogether. However, before social business will become the new 'business as usual', it can also have disadvantages for SEs to put high emphasis on the business side. Bomberbot, for example, experienced that people doubt their social intentions because they perceive them to be too commercial and business minded.

4) Rethinking scaling

Until now, the goal to scale was not questioned. Different interviewees, however, pointed out that scaling should not automatically be seen as the holy grail for SEs. Land Life Company explains that it is important for SEs to distinguish between the quantity and quality of social impact and that SEs should decide which of these they find most important. There is, for instance, a difference between setting up a platform that enables millions to do something and actually doing the particular activity yourself. This is exactly what Moore et al. (2015) discuss by making a distinction between scaling out, scaling up, and scaling deep. Scaling deep means that SEs focus on maximizing the quality of their impact and scaling out lets SEs focus on maximizing the number of people they influence.

Additionally, Impact Booster points out that the scaling of social impact does not necessarily have to be reached through the growth of individual SEs, since scaling impact can also be reached by increasing the number of SEs that work on a particular societal issue. This appears to be in line with the difference between 'community enterprises' and 'society changers' made by McKinsey (2016). Community enterprises focus on local issues and generate direct social impact that correlates with the size of their organization, whereas society changers tackle large scale issues and generate direct and indirect impact due to the size of their organization as well as their effect on society. Linking back to the example, community enterprises do the activity themselves and society changers add an extra dimension where they also enable others to do it. In the latter case, Tony Chocolonely could inspire other chocolate brands to produce slave free chocolate. It might, thus, not be necessary for SEs to scale in order to tackle the societal issue they focus on. It is also an option to generate the large-scale impact through the development of a high number of small SEs, instead of a low number large ones.

Whether SEs should scale or not is further challenged by the fact that many of the interviewees argue that organic growth is most suitable to SEs. This was argued to be the case because SEs have a long term vision and want to build something, according to de Meewerkers this stands in stark contrast to the exponential growth equity investors are generally looking for. Moreover, human interaction tends to be more important in SEs when compared to regular businesses, which requires more resources and, thus, makes quick growth more challenging. This links back to the questions posed in the introduction chapter: why is the rapid scaling experienced by companies like Facebook and Google not yet seen in social enterprises? First of all, these organizations did not grow organically, but rather exponentially. If SEs chose for organic growth, this means that they inherently limit their individual scaling potential. In the case of attracting capital, Tony Chocolonely explains: "There is only so much money we can get through loans because we also have to be able to pay back

the interest. We cannot expand to multiple new markets simultaneously, we have to be patient and grow organically. We feel that this sustainable way of growing generally suits SEs best". If it is the case that organic growth is most suitable to SEs, it will become difficult for SEs to experience the same scaling trajectories as companies like Google and Facebook have.

5.2. CONCLUSION

Due to the broad focus of the research question – i.e. what ways exist for SEs [in the Netherlands] to overcome scaling barriers – it is difficult to answer it in a straightforward manner. The author will therefore construct a model that encompasses the key insights of this study. Through elaborating on the model, the research question will be answered.

The model that was constructed summarizes the strategies that were identified to overcome the eight barriers to scale (Figure 5.1). To systematically present the results, the model divides the strategies to overcome the eight scaling barriers into three stages: preparation, recognition, and implementation. This is based on the idea that SEs should generate the right mindset first, then realize what they need, and finally look for what they are missing. More specifically, multiple interviewees argued that attempts to overcome a particular barrier should be targeted actions. Realizing what the problem actually is enables SEs to search for solutions in a targeted way. This is why stage one and stage two are focused on identifying the specific issues and stage three is focused on targeted actions that help to overcome the barriers. To show the function of the stages, the author uses the third barrier as an illustration: SEs are advised to critically reflect on their business acumen in the preparation phase, identify the business capabilities they lack in the recognition phase, and develop their business acumen in a targeted way in the implementation stage. By grouping the identified strategies in phases, the author puts them in perspective and makes it easier for SEs to actually implement them. It is important to note that the strategies as described in the model are not directly applicable, more detail regarding the content of the strategies can be found in the results chapter.

1. Preparation → 2. Recognition → 3. Implementation

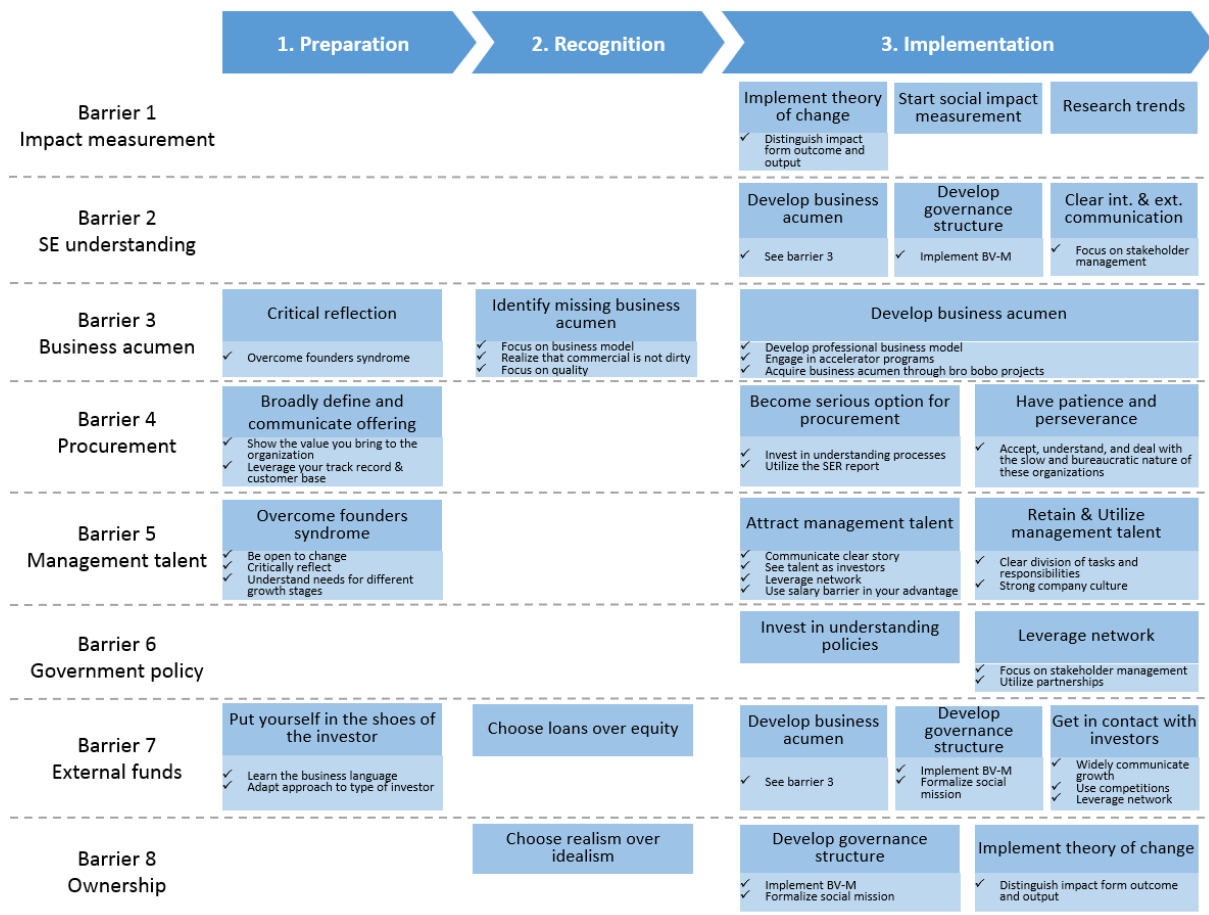|	1. Preparation	2. Recognition	3. Implementation		
Barrier 1 Impact measurement			Implement theory of change ✓ Distinguish impact form outcome and output	Start social impact measurement	Research trends
Barrier 2 SE understanding			Develop business acumen ✓ See barrier 3	Develop governance structure ✓ Implement BV-M	Clear int. & ext. communication ✓ Focus on stakeholder management
Barrier 3 Business acumen	Critical reflection ✓ Overcome founders syndrome	Identify missing business acumen ✓ Focus on business model ✓ Realize that commercial is not dirty ✓ Focus on quality	Develop business acumen ✓ Develop professional business model ✓ Engage in accelerator programs ✓ Acquire business acumen through bro bobo projects		
Barrier 4 Procurement	Broadly define and communicate offering ✓ Show the value you bring to the organization ✓ Leverage your track record & customer base		Become serious option for procurement ✓ Invest in understanding processes ✓ Utilize the SER report	Have patience and perseverance ✓ Accept, understand, and deal with the slow and bureaucratic nature of these organizations	
Barrier 5 Management talent	Overcome founders syndrome ✓ Be open to change ✓ Critically reflect ✓ Understand needs for different growth stages		Attract management talent ✓ Communicate clear story ✓ See talent as investors ✓ Leverage network ✓ Use salary barrier in your advantage	Retain & Utilize management talent ✓ Clear division of tasks and responsibilities ✓ Strong company culture	
Barrier 6 Government policy			Invest in understanding policies	Leverage network ✓ Focus on stakeholder management ✓ Utilize partnerships	
Barrier 7 External funds	Put yourself in the shoes of the investor ✓ Learn the business language ✓ Adapt approach to type of investor	Choose loans over equity	Develop business acumen ✓ See barrier 3	Develop governance structure ✓ Implement BV-M Formalize social mission	Get in contact with investors ✓ Widely communicate growth ✓ Use competitions ✓ Leverage network
Barrier 8 Ownership		Choose realism over idealism	Develop governance structure ✓ Implement BV-M ✓ Formalize social mission	Implement theory of change ✓ Distinguish impact form outcome and output	

Figure 5.1. Model representing the research results

Before discussing the specific strategies that are shown in the model, a number of interesting relations between the barriers that were identified will be discussed. First, the results of the progressive case study indicate that not all of the eight barriers to scale are seen as equally important to SEs in the Netherlands. Based on the number of times the barriers were discussed by the interviewees, the results indicated that the barriers 'lack of business acumen' and 'difficulty to attract the right management talent for the next growth stage' are most important, whereas 'poor understanding of the concept of social enterprise' and 'poor access to upstream procurement processes' seem to be least relevant. It might, thus, be more interesting for SEs to focus on solving the former two scaling barriers instead of the latter. Secondly, the development of business acumen was pointed out to support SEs to tackle 'poor access to upstream procurement processes', 'difficulty to attract the right management talent for the next growth stage', and 'attraction of external funds'. In other words, if SEs develop strong business acumen, they are tackling four of the eight identified barriers all at once. However, one could argue that advising to develop business acumen is too generic. Therefore, this study took a first step in identifying more practical strategies to build business acumen. Thirdly, overcoming the first barrier – i.e. absence of common mechanisms for measuring and demonstrating impact – appears to help a SE to tackle five of the other barriers. Nonetheless, the results indicate that there is not much that SEs can do to develop such a common mechanism. A possible explanation could be that the development of such a mechanism is not directly beneficial to an individual SE, while it does cost substantial investments. It might be better for SEs to focus their efforts on tackling other scaling barriers. Fourthly, the barrier 'finding external funds' was also linked to five other barriers, but the relations are argued to be in the opposite direction – i.e. there are five scaling barriers that influence a SE's ability to attract external funds. One could argue that this is an indication of the complex nature of attracting external funds, since there are many different factors that influence it. A

fifth result concerning the relations between barriers is that the eighth barrier – i.e. 'complex conception of ownership and property rights' – was found to be solely linked to the seventh barrier. Notably, two of the three strategies to overcome this barrier were also proposed to tackle other barriers. This gives reason to believe that there are relations between this scaling barrier and others that were not identified in the interviews and desk research.

Strategies linked to multiple barriers	Strategies that are considered most interesting
Implement theory of change	Overcome founder's syndrome
Develop governance structure	Choose loans over equity
Develop business acumen	Choose realism over idealism

Table 5.2. Most interesting strategies to overcome scaling barriers

Looking at the strategies to overcome the scaling barriers, three stand out because they are linked to multiple scaling barriers (Table 5.2). If SEs engage in these strategies, they can tackle multiple barriers at once. This means that these strategies might constitute the most relevant answer to the research question – i.e. what ways exist for SEs [in the Netherlands] to overcome scaling barriers. The implementation of a theory of change, first of all, assists in tackling the first and eighth barrier to scale. Developing the theory of change moves SEs to question their mission and, through that, facilitates thinking about how they currently realize impact and whether this is sufficient. Nevertheless, implementing the theory of change is only the start. SEs should continuously reflect on their method to realize change in order to hold their competitive advantage and ensure that they keep focusing on maximizing their impact. Moreover, the development of a governance structure was claimed to support a SE in overcoming the second, seventh, and eight barrier. The central argument for this is that it helps SEs to formalize their mission, by which they can secure the generation of impact when scaling. This directly contributes to overcome mission drift, since it reduces the likeliness that growth of the organization undermines the social impact they strive for. Additionally, it could help SEs to deal with the founder's syndrome, because the formalization of organizational practices reduces the personal influence of founders. Notwithstanding, it seems to be easier for SEs in other countries to develop a clear governance structure, since the Netherlands do not have a legal framework that is specifically tailored to the needs of SEs. In this respect, it does not solely seem to depend on the SE itself to overcome the barrier, the government can implement a legal framework for SEs to promote them to utilize this strategy and tackle three scaling barriers. Finally, the development of business acumen was argued to tackle the second, third, and seventh barrier to scale. This illustrates the high emphasis that was placed on the development of the business side of SEs in the results. Nevertheless, one needs to be careful to view business acumen as a 'silver bullet' to scaling. There are numerous ways to develop business acumen, it is a broad and diverse concept, and even in the for-profit literature there is no straightforward advise to build it. Still, this study identified a number of specific strategies to build business acumen, like engaging in sales trainings, utilizing the lean startup method, and using pro-bono projects for specific challenges. However, these strategies are solely beneficial for certain SEs in specific situations. The general lesson that can be drawn from the results is that SEs should make sure to focus on the business side of their organization.

On top of this, there are three other strategies that deserve further discussion according to the author (Table 5.2). The applied progressive case study generated a vast and diverse range of answers to the research question – i.e. what ways exist for SEs [in the Netherlands] to overcome scaling barriers – which is why solely the strategies that are expected to prove a valuable contribution to the existing literature and practice will be discussed here. The first is the importance of the founder's syndrome in SEs, which is argued to tackle the fifth barrier. While this is a commonly known phenomenon in regular startups (Muriithi & Wachira, 2016), it might be even more problematic for social entrepreneurs. One could argue that it is more difficult to distance oneself from a SE. A social entrepreneur mainly sets up the company to generate impact and not for sole financial reasons, this could lead to a higher degree of personal involvement and commitment to what the company

does. The high prevalence of burnouts among SE founders could be a result of this, since they remain the leader of the company while it is actually better for them, as well as for the company, to take a step back. Secondly, the results indicate that organic growth is most suitable for SEs, which led to the idea that they should prefer loans over equity, which is argued to tackle the seventh barrier. Although equity investments can spark a fast scaling process, interviewees agreed that the disadvantages outweigh the benefits. The long-term perspective of SEs in combination with the large influence of human interaction were argued to make SEs more suitable for organic growth, and thus organic financing methods. Linking back to the introduction chapter, one could argue that this is why the rapid exponential growth that is seen in companies like Google is not yet experienced by SEs. It could be the case that these rapid scaling trajectories are not appropriate for SEs, they should rather focus on growing in a solid manner that is sustainable in the long-run. This relates to the third strategy that requires further elaboration, that SEs should choose realism over idealism, which is argued to tackle the eighth barrier. This advice holds that SEs must prevent their ideals from undermining their business potential. For instance, SEs should stop seeing commercial as 'dirty' and start making use of potential partnerships with for-profits. Interestingly, this could be seen as the opposite of mission drift. More specifically, the results indicate that Dutch SEs tend to let their social mission hamper their business potential, instead of the other way around.

A model generally attempts to capture the complex reality in a simplified structure. In order to narrow this gap, the author identified two central insights that put the potential effects of the scaling strategies into perspective. Firstly, this thesis identified a relation between the quality of human interaction that organizations require and their scaling potential. It is proposed that SEs typically require a higher degree of qualitative human interaction when compared to for-profits and are therefore less likely to scale (Table 4.8). This aligns with the proposition that organic growth is most suitable to SEs. The importance of human interaction within and outside of the firm makes them more appropriate to have steady and long-term development, instead of quick and exponential growth. This was one of the reasons for proposing that scaling is not always good, it should not be the holy grail for all SEs. An initial distinction between types of SEs was made in order to understand which are appropriate to scale and which are not. A general characterization of the ones that are expected to be suitable to scale is provided by the list of elements these SEs should poses. One could therefore argue that a nuance has to be made before answering the research question – i.e. what ways exist for SEs [in the Netherlands] to overcome scaling barriers. That is, not all SEs should utilize the strategies that were identified in this thesis, they should rather start by understanding whether their company is suitable to scale. A second insight that puts the strategies in perspective is the proposition to rethink one of the popular assumptions in the Dutch SE ecosystem: that SEs are positioned in the middle of the social-business continuum (Table 2.2). That is, this thesis proposes that SEs should not be seen as a separate organizational category, they should rather be seen as the new 'business as usual'. It might be that part of the barriers to scale are the result of SEs being placed in the middle of the social-business continuum. One could, for instance, argue that the poor understanding of SEs is caused by people that try to fit them in a separate category. If SEs would be seen as the future of business, it might be easier to understand them.

In conclusion, an answer to the research question, what ways exist for SEs [in the Netherlands] to overcome scaling, was provided by presenting a model that projects the strategies in three different phases. Strategies that were claimed to have the highest impact because they influence multiple barriers were: implementing a theory of change, developing a governance structure and developing business acumen. Furthermore, strategies that proved to be an interesting addition to the literature and practice were: overcoming the founder's syndrome, choosing loans over equity, and choosing realism over idealism. On top of this, nuance was brought to the straightforward nature of the model by illustrating the importance of human interaction for SEs and by reconsidering the position of SE on the social-business continuum.

5.3. IMPLICATION, RECOMMENDATIONS AND LIMITATIONS

In this final section, the author will discuss possible theoretical and practical implications of the current study. Moreover, a critical perspective will be provided by identifying a number of limitations to this research, on which some suggestions for future research will be based.

5.3.1. THEORETICAL IMPLICATIONS

The theoretical implications of the current study can be divided between the implications to the academic literature and the implications to the popular literature. The explorative nature of the progressive case study allowed both types of literature to be used. The main implications to both types will therefore be illustrated in the following.

A first implication to the academic literature concerns the social-business continuum that was introduced in the literature review. Based on the results, the author proposes that SEs should not be placed in the middle between non-profits and for-profits. The interview results show that different stakeholders in the Dutch SE sector want social entrepreneurship to be the new 'business as usual' and not a separate category. This research could, thus, be the beginning of rethinking this continuum.

Additionally, this study is expected to add value to the European wide BENISI report (Weber et al., 2015), which was used as a framework to structure the SE specific body of literature. Whereas the topic focus of this research overlaps to a great extent, there are a number of things the present study can contribute to the BENISI research. First of all, this study takes a next step by presenting ways to overcome scaling barriers that are more specific than the general advice that was provided in the paper or Weber et al. (2015). Secondly, the European research focused on general trends and barriers in Europe, while this study zoomed in on issues specific to the Netherlands. In other words, this study can be seen as a follow up of the research of the BENISI report, since it adds a deeper level of specificity.

Furthermore, the author proposes theoretical implications to the SCALERS model of Bloom and Smith (2010). Most of the elements of the SCALERS model – i.e. Staffing, Communicating, Alliance building, Earnings generation, Replication, and Stimulating market forces – were also identified in the current research to be of great importance. However, one could question whether lobbying activities of SEs are truly relevant to successfully scaling SEs in the Netherlands. A strong argument can be made for the value of lobbying in general, but the current research proposes that this should largely be the responsibility of network organizations – such as Social Enterprise NL in the Dutch case – and not that of the SEs themselves.

Moreover, the results indicate that the popular lean startup methodology might not apply to all SEs. One of the central ideas of the lean startup model is that a company should solve an important problem of the paying customer. However, this research shows that this is not possible for all SEs, since a business case cannot be built on all societal issues. Hence, one should take this into account before deciding to apply the lean startup method to a SE.

A final implication of the present research is that the theoretical framework can be utilized in other studies as well. Since the field of SEs touches on different topics, the author experienced it to be of great value to acquire insights from diverging academic perspectives. This was epitomized by the fact that interviewees argued that there is a need for business knowledge in the Dutch SEs sector, to which the author could respond by consulting insights from this specific academic field.

5.3.2. PRACTICAL IMPLICATIONS

Due to the focus of this thesis on ways that SEs can leverage to tackle barriers to scale, it contains various managerial implications for SEs in the Netherlands. These implications are brought together in a 'roadmap to scale Dutch SEs', which brings all relevant insights of this research together into a practical tool for social entrepreneurs (Figure 5.2). The roadmap is largely based on the model that was presented in the previous conclusion. However, its practical value is enhanced by including a checklist that helps the SE to focus on the barriers that are most pressing to them. The roadmap can, therefore, be seen as a method that SEs can use to apply the model with the results in practice.

1) Constructing the checklist

The checklist is largely based on the results that were discussed in 'defining the ideally scalable Dutch social enterprise'. In that section, the author grouped the characteristics that were identified by interviewees as important to the scaling success of Dutch SEs into four categories: social mission, professional company, business case, and the team.

To construct a checklist out of the list of characteristics that interviewees presented, they were compared to each other and the overlapping ones were merged. The next step was to link the four sets of characteristics to the eight barriers to scale. This was the most crucial step in the construction of the roadmap, since this makes it possible to advice which SE should focus on which barriers. The first set of characteristics – i.e. 'the SE has a clear social mission – is proposed to be most related to the first and second barrier to scale. More specifically, the characteristics in this group concern the measurement of impact and illustrate how SEs can enhance the understanding of SEs. The next set of characteristics – i.e. 'the SE has a professional company' – is argued to be linked to the third, sixth as well as seventh barrier to scale. It mainly includes characteristics that concern the business side of the SE – i.e. the third barrier to scale – but some characteristics also relate to the search for capital and to how SEs should cope with policies of governments. The third set of characteristics – i.e. 'the SE has a strong business case' – can be linked to the second, third, fourth, and eighth barrier to scale. In line with the strong emphasis the interviewees put on business acumen, the characteristics in this category also concern the business side of the SE to a large degree. On top of this, this broad category includes characteristics that concern the understanding of SEs, sales activities such as upstream procurement, and ownership in the business case. Finally, the fourth set of characteristics – i.e. 'the SE has a solid team' – is argued to relate most to the third and fifth barrier. The characteristics largely concern the people of the organization, which means that the fifth barrier is central here.

The full checklist is presented in Appendix 7.4 and can be used as a tool by SEs to see which of the barriers are most urgent to them. In other words, the checklist provides a way to see which of the insights of the current study are most interesting to a particular SE.

2) Developing the roadmap

To develop the roadmap, the checklist was added as a first step to the model that was presented in the conclusion. The four categories of the checklist – i.e. social mission, professional company, business case, and the team – are linked to specific barriers to scale. To use the roadmap, a specific SE has to check the boxes of the checklist for the characteristics that they believe they already have. The group of characteristics that has the least checked boxes is expected to be in most need of attention if the SE wants to scale. Each category on the checklist is represented by a color that is also shown in the roadmap, the SE can therefore see which barrier they should focus on and which strategies to engage in to overcome it.
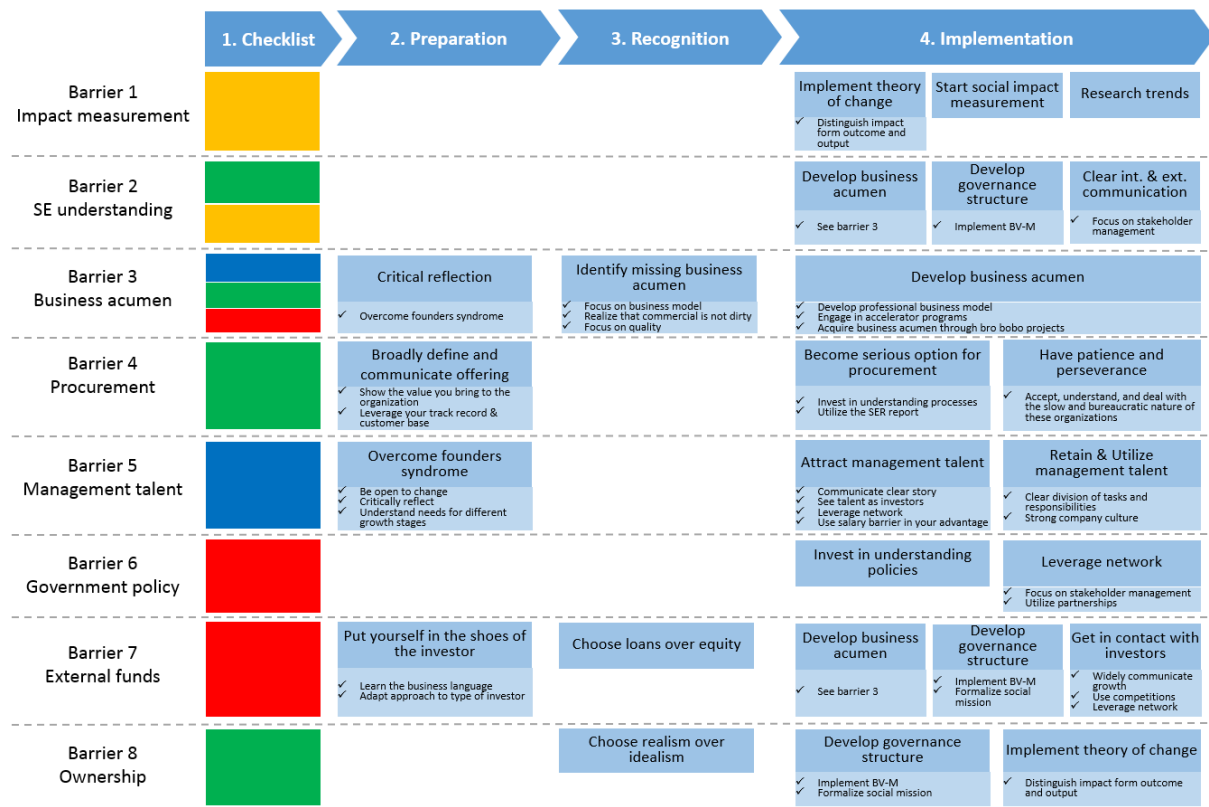
Barrier	1. Checklist	2. Preparation	3. Recognition	4. Implementation		
Barrier 1 Impact measurement				Implement theory of change — ✓ Distinguish impact form outcome and output	Start social impact measurement	Research trends
Barrier 2 SE understanding				Develop business acumen — ✓ See barrier 3	Develop governance structure — ✓ Implement BV-M	Clear int. & ext. communication — ✓ Focus on stakeholder management
Barrier 3 Business acumen		Critical reflection — ✓ Overcome founders syndrome	Identify missing business acumen — ✓ Focus on business model / ✓ Realize that commercial is not dirty / ✓ Focus on quality	Develop business acumen — ✓ Develop professional business model / ✓ Engage in accelerator programs / ✓ Acquire business acumen through bro bobo projects		
Barrier 4 Procurement		Broadly define and communicate offering — ✓ Show the value you bring to the organization / ✓ Leverage your track record & customer base		Become serious option for procurement — ✓ Invest in understanding processes / ✓ Utilize the SER report	Have patience and perseverance — ✓ Accept, understand, and deal with the slow and bureaucratic nature of these organizations	
Barrier 5 Management talent		Overcome founders syndrome — ✓ Be open to change / ✓ Critically reflect / ✓ Understand needs for different growth stages		Attract management talent — ✓ Communicate clear story / ✓ See talent as investors / ✓ Leverage network / ✓ Use salary barrier in your advantage	Retain & Utilize management talent — ✓ Clear division of tasks and responsibilities / ✓ Strong company culture	
Barrier 6 Government policy				Invest in understanding policies	Leverage network — ✓ Focus on stakeholder management / ✓ Utilize partnerships	
Barrier 7 External funds		Put yourself in the shoes of the investor — ✓ Learn the business language / ✓ Adapt approach to type of investor	Choose loans over equity	Develop business acumen — ✓ See barrier 3	Develop governance structure — ✓ Implement BV-M / ✓ Formalize social mission	Get in contact with investors — ✓ Widely communicate growth / ✓ Use competitions / ✓ Leverage network
Barrier 8 Ownership			Choose realism over idealism	Develop governance structure — ✓ Implement BV-M / ✓ Formalize social mission	Implement theory of change — ✓ Distinguish impact form outcome and output	

Figure 5.2. Roadmap to scale Dutch SEs

The author expects various practical implications for the roadmap in the Dutch SE sector. It can be valuable to SEs that want to scale, to support organizations that want to target their support more effectively, as well as to researchers in order to further develop the understanding of scaling SEs. However, it is important to note that this roadmap is solely a first proposal for how the scaling journey of SEs can be positively influenced. The goal of this thesis was to explore a wide range of scaling barriers to get a broad understanding of their influence on Dutch SEs. Hence, the proposed roadmap must be further researched, validated, and developed in order to increase its accuracy and thereby its value.

5.3.3. LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

In this section, the author will elaborate on some of the main limitations to the present study. The author identified limitations within the following three areas: the used literature, the influence of the researcher, and some general limitations. In relation to the discussed shortcomings, suggestions for future research will be illustrated.

Influence of the researcher

One of the limitations to the progressive case study is the substantial influence the researcher has. First of all, the researcher influenced the construction of the theoretical framework. The wide focus on three different bodies of literature made it too time consuming to go through all existing literature. The selection of literature was, therefore, largely based on the subjective judgement of the researcher. Although there were certain techniques applied in an attempt to make it as objective as possible. Additionally, the interviews were of an unstructured nature. This interview technique enables the interviewer to adjust the interview to interesting and promising issues, but it also leaves room for unconsciously influencing the interviewee. The researcher could, for instance, have directed the attention of the interviewees towards specific barriers more than others.

Furthermore, the analysis of the results was also largely based on the subjective judgement of the researcher. Although the thematic analysis method was used, one could argue that there was still room for the researcher to affect the results.

In conclusion, the subjectivity of the researcher plays a large role because the progressive case study methodology was applied. However, as discussed in the method chapter, the author believes that the benefits of this explorative way of research outweigh the disadvantages for this specific study. The author stresses that the present study must be considered as one of the first steps in researching ways to overcome scaling barriers and must be supplemented with additional research. There is, thus, a huge potential for future research that sets out to validate the results that were presented here.

Shortcomings of used literature

Another limitation of this research was that it relied on three non-scientific reports to identify the barriers to scale. This was done to increase the practical relevance of this research, but it might also decrease the academic value. The McKinsey report (2016), for instance, did not include any information regarding the methodology that was used, nor a description of their sample. This makes it difficult to understand how well supported their results are. Next to this, the monitor of Social Enterprise NL (2016) was based on a questionnaire that was completed by respondents at home. One could argue that they did not sufficiently account for the influence the external environment can have on the results. The report of the European Commission (Wilkinson et al., 2014) was included for its higher academic level. However, this study was based on multiple countries in Europe and was already two years old when the current research was conducted, which could mean that its results do not adequately represent the Dutch situation. A possible repercussion of this limitation is that there might be additional scaling barriers that are of importance to SEs in the Netherlands. In other words, there are shortcomings to basing the section of the barriers on these reports, but this was the most relevant data the researcher could find. The researcher had to make a selection of barriers to conduct the research, future research could however investigate other potential barriers or use different research as a selection basis. A first indication of other barriers that might be of interest can be found in the section 'additional barriers', in which the researcher discussed four scaling barriers that could also be of substantial importance to SEs in the Netherlands.

Another limitation concerns the literature that was discussed in the theoretical framework. The author researched three separated bodies of literature and made an attempt to abstract the key theories. In line with the progressive case study, the goal was to provide a wide overview of existing theories and to make the researcher sensitive to important topics. However, the decision to have a broad focus might have led to a limited perception of what these bodies of literature actually contain. The researcher might, for example, have missed theories that can be of great value to the theoretical framework. There is, thus, expected to be potential in doing more literature research in these respective fields to fine tune and further develop this theoretical framework.

General limitations and suggestions for future research

A first general limitation, which is stressed by interviewees multiple times as well, is the fact that some of the scaling barriers are not specific to SEs but are in fact relevant to startups that want to scale in general. It is, for instance, a common barrier for startups to find suitable management talent, a phenomenon that is called the 'talent war'. However, one could argue that this is an interesting result specific to SEs as well, since it seems to confirm the idea that the SE sector is still in its infancy and therefore is in need of basic business acumen. This is linked to a suggestion for future research; to investigate the importance of the pre-scaling phase. This growth phase was proposed to be of more importance to successful scaling than the actual scaling phase, additional research could shine light on this issue.

An additional limitation is that the study solely focused on the scaling of social enterprises, it did not take into account the substantial social impact that can be generated by intrapreneurs in large organizations. One could argue that a manager of Unilever that is responsible for the development of their product innovation could have more social impact than a social entrepreneur that sets up a small SE can have. In other words, this study specifically focused on scaling the impact SEs can have – i.e. scaling impact through scaling the organization. It might be interesting to further research the social impact intrapreneurs can have in comparison to social entrepreneurs.

Building on one of the trends that was identified, it might be valuable to further research the difference in scaling potential between different types of SEs. The results appear to show that some social entrepreneurs and some types of SEs are more likely to scale than others. Consequently, future research could focus on developing different scaling strategies for the different types of SEs, which are tailored to their specific needs.

Finally, the checklist and the roadmap that were developed at the end of this thesis are in their beginning phase. The author believes that they can prove to be valuable to SEs, support organizations, as well as researchers in this academic field. Hence, the author invites academics and practitioners to validate and further develop these tools to enhance the understanding of the scaling path of SEs.

"Social entrepreneurs are not content just to give a fish or teach how to fish. They will not rest until they have revolutionized the fishing industry"
Bill Drayton (Ashoka Founder)

6. SOURCES

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7. APPENDIX

7.1. INTERVIEW TRANSCRIPT

Welcome,

First of all, thank you very much for participating in our research. I will quickly elaborate on the study I'm doing for my thesis before we start the interview. Is it ok for you to record the interview from now on?

I'll first quickly introduce who I am.

As you might have read in the one-pager of my thesis, the goal of the project is to find out *what ways exist for SEs [in the Netherlands] to overcome scaling barriers.* In my desk research I identified *eight barriers* that are important to Dutch SEs in their scaling journey, to generate a specific focus for my research I will limit the interview to finding solutions to these barriers. In order to research this I will conduct interviews in three groups of relevant stakeholders, namely investors and accelerators, research institutes and network organizations, and scaled social enterprises. The end goal of the research is to construct an advice for Dutch social enterprise on how to scale. Important to note is that the study focusses on the perspective of the social enterprise, it aims to find out *what SEs themselves can do to scale*.

On a practical note, all data collected in the research will be treated confidentially, which means that I will not use specific names of you or your organization unless explicitly asked for permission. The initial aim is to write a master thesis for the Erasmus University. In the case of making a report for PwC based on your data, we will ask you for permission before doing this.

Do you have any questions?

Then I will start with the first question now.

1. Introductory questions (in case I could not find sufficient information in desk research).
   a. Type:
   b. Mission:
      i. To what extend are you driven in your daily work by your social mission (how big of a role does it play?)
   c. Interviewee:
   d. Geographical focus:
   e. What is your specific focus of impact area SEs have:
      i. Is scaling necessary obtain your social mission?
   f. How important is the interaction with stakeholders in your organization? (example of apps versus zorgboerderij)
   g. Number of employees:
   h. Years of existence:

2. The barriers I focus on in this research are as follows, which 3/4 barriers are the most relevant to SEs in the Netherlands according to you?

   a. Absence of common mechanisms for measuring and demonstrating impact
   b. Poor understanding of the concept of social enterprise
   c. Lack of 'business perspective'
   d. Access to markets
   e. Difficult to attract the right management talent for next growth stage
   f. Policy of [local] governments
   g. Finding external funds
   h. Legal framework (focus on complex conception of ownership)

Which of these are the 3-4 most important/influential barriers to scale according to you? Keep in mind that I want to focus on specific and practical solutions, not too generic.

1)

2)

3)

4)

Choose the 3 or 4 chosen barriers and zoom in on these:

Ask clearly why the others are not the most important ones!

1. Absence of common mechanism for measuring and demonstrating impact

    a. To what extend are you experiencing the scaling barrier absence of common mechanism for measuring and demonstrating impact?

    b. What can SEs do to overcome the scaling barrier absence of common mechanism for measuring and demonstrating impact?

2. 'business perspective'

    a. To what extend are you experiencing the scaling barrier lack of 'business perspective'?

    b. What can SEs do to overcome the scaling barrier lack of 'business perspective'?

        i. Focus on business capabilities in the social enterprise

3. Access to market

    a. To what extend are you experiencing the scaling barrier access to market?

    b. What can SEs do to overcome the scaling barrier access to market?

4. Attracting the right management talent for next growth stage

    a. To what extend are you experiencing the scaling barrier difficult to attract the right management talent for next growth stage?

    b. Is there a difference between young professionals and seasoned professionals?

    c. What can SEs do to overcome the scaling barrier difficult to attract the right management talent for next growth stage

5. Poor understanding of the concept of social enterprise

    a. To what extend are you experiencing the scaling barrier poor understanding of the concept of social enterprise?

    b. What can SEs do to overcome the scaling barrier poor understanding of the concept of social enterprise?

6. Policy of [local] governments

    a. To what extend are you experiencing the scaling barrier partnerships with government?

      b.   What can SEs do to overcome the scaling barrier partnerships with government?

7.   Finding external funds

      a.   To what extend are you experiencing the scaling barrier finding funds?

      b.   How do you perceive the difference between a loan and an investment?

      c.   What can SEs do to overcome the scaling barrier finding funds?

8.   Lack of legal framework

      a.   To what extend are you experiencing the scaling barrier lack of legal framework?

      b.   What can SEs do to overcome the scaling barrier lack of legal framework?

            i.   Focus on complex conception of ownership

Final questions for all interviewees:

1.   What are the most crucial characteristics for Dutch SEs to be suitable to scale successfully?

2.   Do/did you experience any central barriers to scale that are not covered by the 8 barriers?

3.   Do you have any recommendations for important organizations for my next interviews (network organizations & scaled social enterprises)?

7.2. DESCRIPTION OF INTERVIEWED ORGANIZATIONS

Interviewee	Crucial characteristics to scale
Impact Hub	Impact Hub offers a unique ecosystem of resources, inspiration, and collaboration opportunities to grow the positive impact of people's work. Joining the diverse community of members and collaborators will inspire, connect, and enable to develop ones best work every step of the way.
Impact Booster	Impact Booster believes that to counter the shortage in our global food production in the coming ages we need major innovations in the agricultural sector, in particular in emerging economies. They provide a five-month program in which they validate, push, examine, upscale and fund the best ideas that will help feeding the world.
Social Impact Factory	The Social Impact Factory is a Dutch platform where established organizations from all over the country, social entrepreneurs from the city and district initiatives can come up with entrepreneurial and innovative solutions to social and environmental challenges.
Startup Bootcamp	Startupbootcamp is a global network of industry focused startup accelerators.
Anton Jurgens Fonds	The Anton Jurgens Fonds (AJF) supports initiatives that are aimed at vulnerable groups in society. They work with socially inspired pioneers to make an impact based on an enterprising vision.
Ashoka	Ashoka is a global organization that identifies and invests in leading social entrepreneurs -- individuals with innovative and practical ideas for solving social problems.
Tilburg University	Pieter Ruys is professor in econometrics and operations at the Tilburg University.
Dick Moby	Dick Moby's mission is to reduce plastic pollution by selling high quality and sustainable sunglasses.
Healthy Entrepreneurs	Healthy Entrepreneurs' mission is to improve access to reliable and affordable health products and services for families in developing countries. They do this with a network of micro entrepreneurs who run franchises with a complete basket of health commodities, have a stable income and enjoy respect within the communities they serve.
Yoni	Yoni believes that every woman should be able to know what her tampons, pads and panty liners are made of. Their products are made of organic cotton, no plastics, no perfume, no secrets, but just cotton.
Mud Jeans	Mud Jeans aims for a circular way of using jeans. They allow customers to shop guilt free and do good for the environment, while looking fashionable and modern.
Social Impact Ventures	We believe in the power of entrepreneurship to create solutions to the social and environmental challenges we face. We support promising Dutch social entrepreneurs with growth capital and proven business tools to reach their full potential and enable them to achieve systemic change.
Oksigen Lab	Oksigen Lab is part of a unique support ecosystem for impact entrepreneurship and shared value creation. They are a non-profit accelerator and a research lab for soci(et)al entrepreneurship.
De Meewerkers	De Meewerkers invests in the infrastructure of the social employment in the Netherlands and creates jobs for people with a distance to the labor market.
Specialisterren	Specialisterren's mission is to deliver high quality IT services by working with people suffering from autism. They want to do this in a sustainable and economical way and, hereby, inspire others to work with people suffering from autism as well.
Social Enterprise NL	As a national membership body Social Enterprise NL represents, connects and supports the growing community of SEs in The Netherlands.
Bomberbot	Bomberbot's mission is to empower girls and boys all around the world with basic computational thinking skills and knowledge of computer programming concepts in a fun, accessible way. In a world that is increasingly influenced by technology, they believe that it's essential for children to get familiar with 21st century learning and the understanding of how humans program machines to create a better digital future.
Squla	Squla supports children's pre-school and middle-school learning by making it fun. They developed a platform that provides diverse services to children, parents as well as teachers.
Tony Chocolonely	Tony Chocolonely's mission is to attain a 100% slave-free chocolate industry. Their slogan is that they are crazy about chocolate, and serious about people.
Land Life Company	Land Life Company's mission is to restore the planet within our lifetime. Their cocoon planting technology is a low-cost, sustainable and scalable solution to plant trees in arid soils. They set out to revitalize ecosystems and communities all over the world.

7.3. CHARACTERISTICS OF THE IDEALLY SCALABLE SOCIAL ENTERPRISE

Interviewee	Crucial characteristics to scale
Impact Hub	Social mission that is relevant on wide scale Strong business case Balanced founding team (social and financial capabilities) Products are easier to scale than services Product with straightforward purpose Large potential customer base
Impact Booster	Founders have ambition to scale from the start Business model with financial perspective Large enough market Ability to recognize and overcome founder's syndrome
Social Impact Factory	Sell societal value in business case Professional and complete team Large network Everyone in SE believes in the social mission
Startup Bootcamp	Start with the problem of the consumer (the problem of the paying customer is not always the societal issue) Strong company culture Team is crucial, not the idea
Anton Jurgens Fonds	A clear vision on how to scale It is clear what you do, why and how SE is depending on more than one founder
Ashoka	Success depends on the founding team There is always one crucial individual that is the change maker and has the vision Business acumen is key Able to raise enough capital
Tilburg University	Homogeneity Success does not depend too much on interaction
Dick Moby	Stakeholder goodwill Enough value is delivered to the paying consumer Is grounded in a substantial problem of the paying customers Quality of product is high, social mission is an extra Impact is included in product High focus on being impact first Suppliers are able to scale as well
Healthy Entrepreneurs	Realistic and strong business case Replicable in all parts of the business Internal systems are right and strong There is focus on local adaptability Suppliers are able to scale as well The team possesses all necessary capabilities SE has high ambitions
Yoni	Social mission suits scaling Is innovative and/or unique Strong and professional business case There is a high demand for your offering SE aims at scaling right from the start
Mud Jeans	Good relations with suppliers Strong brand DNA and story telling Internal processes are flawless and replicable
Social Impact Ventures	Financially and operationally strong SE is able to utilize talent Strong impact measurement in order to back up your social mission There is a true visionary in the founding team Business case is strong and includes the social impact

	Strong team with all necessary capabilities
	Internal operations are well organized
Oksigen Lab	Social mission is included in KPIs
	Strong theory of change
	Team is essential and everyone truly lives the social mission
	SE possesses a practical and specific growth strategy
	Focus on organic growth
	Has a strong network
	Focus on early proof of concepts
De Meewerkers	Is like any commercial startup, but with a social mission
	Social impact is part of regular business
	Ability to finance the success
Specialisterren	Appear as a regular business on the outside
	Diversification of funding and revenue streams
	Social mission unifies employees
	Managers that have business skills as well as a social focus
Social Enterprise NL	Focus on fast proof of concepts
	Societal issue is relevant on large scale
	Founders recognize and are able to overcome the founder's syndrome
	Is attractive to investors
	Remains flexible to adapt to environmental changes
Bomberbot	Is digital
	Focusses on quality while scaling
	Grows organically
Squla	Has a disruptive go-to-market model
	Focusses on the stakeholders that experience most urgency to solve the problem
	Has a healthy financial core
	Has a strong business model
Tony Chocolonely	Is relevant to a large potential market
	Non-physical product is easier to scale
	Strong company culture that stipulates the social mission
Land Life Company	Business case is based on a clear customer demand
	Strong stakeholder management

7.4. CHECKLIST FOR SCALABLE SOCIAL ENTERPRISES

	The SE has a clear social mission
o	The SE is impact first
o	The mission is really 'lived' by all people throughout the SE
o	The SE has a well thought through theory of change
o	The SE has an internal mentality of reflection and transparency
o	The SE properly measures and communicates their social impact
o	The SE has a strong and prevalent company culture

	The SE has a professional company
o	The SE has professional internal operations
	1) .. that are up to date
	2) .. that are easy to replicate throughout the organization
	3) .. that contain systems that are uniformly applied
	4) .. that contain processes that are clear and used organization wide
o	The SE has enough diversification
	1) .. in revenue streams
	2) .. in responsibilities of team members
	3) .. in clients or customers
o	The SE has a strong network
	1) SE highly invests in stakeholder management
	2) SE has a long-term perspective on relationships
o	The SE has an ambitious vision
	1) .. which is focused on scaling
	2) .. which is based on the idea of organic growth
	3) .. with clear KPIs (i.e. different phases of growth are specified and KPIs per phase are specified)
	4) .. that includes a clear [disruptive] go-to-market strategy
o	The SE is adapted to the local environment they are active
o	The SE has suppliers that are able to scale
o	The SE has pre-financed working capital

	The SE has a strong business case
o	The SE has a Business model
	1) .. that is professional
	2) .. that is focussed on scaling
	3) .. that includes the social mission
	4) .. that is focussed on the quality of the product/service
	5) .. that, if possible, includes ownership rights to protect the key assets
o	The SE has a value proposition
	1) .. that includes the social impact (social impact is inherent to the offering)
	2) .. that is easy to understand
	3) .. that can be put in a clear story and can be explained straightforwardly in a few sentences
	4) .. that is suitable for a strong brand DNA
	5) .. that is focussed on the customer
o	The SE targets a societal issue
	1) .. that is of substantial relevance
	2) .. that is relevant to many people
	3) .. that is similar in different locations
o	The SE has a large potential customer base
o	The SE engages in strong partnerships with organizations in the whole range of the social-business continuum

	The SE has a solid team
o	The whole team of the SE
	1) .. has an approximate 50/50 balance between social and business focussed people
	2) .. possesses all crucial business capabilities (i.e. operations, sales, marketing)
	3) .. is able to utilize diverging talents of employees
	4) .. is mainly hired through the development of sustainable relations
	5) .. possesses a high degree of perseverance
o	The founding team of the SE
	1) .. aims at scaling from the start
	2) .. has an approximate 50/50 balance between social and business focussed people
	3) .. has an overview of everything that is going on in the company
	4) .. is not solely made up of young professionals
	5) .. is able to realize when it is better for others to take over (i.e. overcome founders syndrome)
	6) .. is professional