**Debate: How social enterprises can help rethink business growth**

The rationale for economic growth at the macro level has been hotly debated in academic and policy circles. On the one hand, growth is conventionally said to bring jobs and economic prosperity to people. On the other, growth with, as its corollary, ever-increasing consumption, have put a massive strain on the Earth’s natural resources and the living organisms depending on them, while economic inequalities are still high in many countries and human happiness remains stagnant. As the adverse social and environmental consequences of the blind pursuit of gross domestic product (GDP) expansion are becoming increasingly blatant, a growing number of economists such as Joseph Stiglitz and Amartya Sen have underscored the need to develop alternative approaches and indicators regarding macro-level growth.

**Going beyond the macro**

We believe that debate on growth cannot be led only at the macro level and ignore the question of growth at the micro, organisational level. In an influential 1970 article “The Social Responsibility of Business is to Increase Its Profits”, the economist Milton Friedman defended the idea that a company’s sole objective should be the long-term increase in shareholder wealth. Indeed, the overall goal of economic growth is associated, at the micro level, with a logic of profit maximisation for capital. In this view, organisational growth is considered as the holy grail for businesses.

However, if the goal is to minimise the detrimental effects of economic growth, shouldn’t companies be encouraged to embrace other approaches toward growth? Distancing themselves from the sole aim of profitability for the shareholder would enable companies to create room for pursuing other objectives, such as strengthening social cohesion and equity or promoting environmental protection. This is important in the context of increasing attention to the social and environmental responsibility of businesses.

From this perspective, valuable lessons for rethinking organisational growth can be drawn from the case of social enterprises. This is, companies that develop economic activities with the explicit mission of addressing social or environmental issues and that reinvest their profits as a means to achieving this mission rather than as an end in itself. Social enterprises operate in a variety of sectors and under diverse organisational forms (associations, cooperatives, businesses with a social purpose, etc.). They are emblematic types of ‘hybrid organisations’, i.e. organisations that combine different goals and logics (commercial, social, environmental…) within their core business.

**Energy cooperatives provide an example**

Take the example of renewable energy cooperatives (or 'REScoops’), which enable citizens to collectively own and manage renewable energy projects at the local level, often producing social benefits. They produce and sell a commodity (energy) in a competitive market and simultaneously engage local citizens in grassroots renewable energy production and energy efficiency actions. In addition, they advocate for a more sustainable energy agenda at the local, national and international levels. They are thus typical social enterprise hybrids that borrow logics and practices from businesses, environmental organisations and local communities.

Our new research, focusing on the case of REScoops in Flanders, shows that these organisations do not necessarily focus on growth but rather on ‘scaling’, in other words strategies to maximise societal impact that include, but are not restricted to, business growth. Our findings highlight a certain degree of conventional business growth, for example growing the membership, investing in large renewable energy production assets, expanding geographically and diversifying commercial activities (i.e. selling electricity from renewable energy sources).

Other strategies are more disconnected from business growth and aim at diffusing social innovations or deepening social impact, for example tackling energy poverty and helping energy-poor households reducing their energy bills through energy conservation and efficiency measures. While certain cooperatives rather lean toward the first or the second avenue, others clearly combine (moderate) organisational growth with open diffusion to maximise societal impact. For example, a cooperative engages both in disseminating innovative sustainable energy technologies and providing advice about sustainable energy use to households and other businesses.

Beyond documenting the diversity of strategies at the organisational level, our study also demonstrates the importance of collaboration between social enterprises to adopt complementary scaling strategies and collectively achieve the pursuit of their multiple missions. Indeed, the Flemish REScoops we examined have developed collaborations to set up joint ventures for investments in renewable energy and avoid direct competition over people willing to be supplied with green electricity. These collaborations also take place at larger scales. For instance, REScoop.eu, the European federation of renewable energy cooperatives, was created in 2012 to promote their collective interest and to act as the guarantor of the common values shared by the organisations. Today, it represents 1,500 organisations across thirteen European countries.

**Collaboration boosts impact**

This resonates with recent research highlighting diverse and original approaches through which social enterprises increase their social, environmental as well as economic impact, including collaboration and replication. For example, the well-known Grameen Bank, which was initiated by the Peace Nobel Prize laureate Muhammad Yunus, created a number of sister organisations to diversify its activities and offer complementary ways to alleviate poverty, next to microcredit. Several of these organisations are joint ventures with multinational companies such as Telenor (Grameen Phone) and Danone (Grameen Danone Foods).

Other social enterprises have remained local while actively encouraging replication in other territories. This is the case of the Park Slope Food Coop, a participative and cooperative supermarket that aims to sell high-quality food at an affordable price to its members. Founded in 1973 in New York, the cooperative limits its own growth to preserve local embeddedness. Meanwhile, it encourages and coaches similar emerging initiatives elsewhere in the United States and in Europe, such as La Louve in Paris or BEEScoop in Brussels.

Such collaborative behaviors are of course not exclusive to social enterprises. Collaboration co-exists with competition in numerous economic sectors, as the growing literature on ‘co-opetition’ shows. While recognising the value of co-opetition, the economic and strategy literatures still tend to praise business growth and are never short of recipes to grow stronger and faster. However, the reality is that most businesses are and remain small.

For example, according to a 2017 report by the OECD, if we exclude the financial sector, more than 99% of businesses in the OECD area are SMEs. Yet, small size does not necessarily mean that the outreach of these businesses is small. Many small companies work toward increasing their social or environmental impact without becoming larger. The latter is only one possible way to achieve the former. More often than not, this is accompanied with a willingness to remain embedded in the local area.

With the increasing societal demands that businesses take stronger responsibility in preserving the environment and fighting inequalities, the business growth imperative, as shared by certain consultants or business analysts, should be replaced with a broader toolbox of scaling strategies that favor growing impact rather than size. Instead of being coached on how to become larger, businesses should rather be advised in discovering their potential, individually and collectively, to expand their economic, social and environmental outreach. Social enterprises, with their diverse and collaborative approaches to scaling, appear as one source of inspiration in this regard.