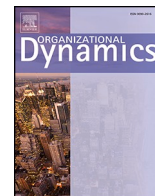



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Unintended consequences of scaling social impact through organizational growth strategy in social enterprises

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ABSTRACT

Social enterprises are hybrid organizations aiming to achieve both financial sustainability and social impact. Because of their active role in creating social impact by addressing pressing social problems, they are recognized as important agents to help attain the United Nations Sustainable Development Goals. In the social enterprise context, organizational growth is considered a major strategy to scale social impact since it helps them offer more products/services to a larger number of beneficiaries. However, little is known about when and how this strategy may not work as intended. By synthesizing prior research and using real-life examples, this article presents ten conditions under which scaling social impact through an organizational growth strategy can create unintended consequences in social enterprises. The article also develops a holistic framework articulating how these ten conditions can emerge via seven growth-related activities in social enterprises. The developed framework facilitates a comprehensive understanding for managers and social entrepreneurs about the pitfalls to avoid while pursuing organizational growth as a social impact scaling strategy in social enterprises. Finally, this article introduces a diagnostic tool — *ImpactProtect: A Growth Risk Assessment Tool for Social Enterprises* — designed to help social enterprises evaluate their vulnerability to unintended consequences associated with organizational growth.

Introduction

Social enterprises are hybrid organizations aiming to achieve both financial sustainability and social impact. There are around 10 million social enterprises globally. Because of their active role in addressing pressing social problems, social enterprises are recognized as crucial agents to help achieve the United Nations Sustainable Development Goals (UN SDGs). Indeed, the continuous rise of social enterprises in various sectors (e.g., education, energy, health, waste, and sanitation) is celebrated globally as a success towards attaining the UN SDGs.

In the social enterprise context, scaling social impact is regarded as a major currency, which is referred to as an ongoing process of increasing the magnitude of both quantitative and qualitative positive changes in society by addressing pressing social problems at individual and/or systemic levels through one or more scaling paths. Organizational growth is considered the most popular social impact scaling strategy in social enterprises, where social enterprises grow the size of their organizations to offer more products/services to a larger number of beneficiaries. In this regard, most prior literature focuses on understanding how social enterprises can grow bigger and how an organizational

growth strategy helps social enterprises attain the desired social impact by addressing the unmet needs of beneficiaries. Hence, little knowledge exists on when and how this strategy may not work as intended. The current article addresses this issue.

By synthesizing prior research, this article presents ten conditions under which scaling social impact through organizational growth strategy can create unintended consequences in social enterprises. It also discusses how these ten conditions can emerge via seven growth-related activities in social enterprises. The framework developed in this paper can enable managers and social entrepreneurs to avoid potential pitfalls while pursuing an organizational growth strategy to scale their social impact, thus increasing the chance of attaining the organizational mission more meaningfully. This article also introduces a diagnostic tool to help social enterprises assess their vulnerability to various unintended consequences of organizational growth.

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Conditions under which organizational growth as a social impact scaling strategy can create unintended consequences in social enterprises

Developing incompatible products/services

To scale their social impact by pursuing an organizational growth strategy, social enterprises develop new products/services to address the unmet needs of beneficiaries. However, there is a risk that social enterprises may develop products/services that are incompatible with their context, mission, and/or management capability, which can create unintended consequences. For example, Guide Dogs for the Blind Association (GBDA), a UK-based social enterprise, expanded its services by adding a hotel and holiday program for visually impaired people in addition to its traditional guide-dog services. However, the new service appeared incompatible with GBDA's context and management capability, which resulted in significant financial losses for the organization. Indeed, to save the entire organization from collapse, GBDA suspended its hotel and holiday program within a few years of operation. This suggests that organizational growth that involves the development of incompatible products/services can not only lead to a significant waste of a social enterprise's limited resources but also threaten the sustainability of the entire organization. At its worst, the impaired organizational ability resulting from the development of incompatible products/services can lead a social enterprise to terminate its services partially or entirely, leaving its beneficiaries amid chaos and misery.

Developing products/services with incompatible partners

While growing organizational size by developing new products/services, social enterprises often engage in partnerships with private organizations, public organizations, and/or other social enterprises. Although a partnership arrangement enables a social enterprise to leverage the partner's expertise and resources in the product/service development process to benefit its beneficiaries, this may not be the case with an incompatible partner. An incompatible partner's objective to be involved in the partnership sharply contradicts the focal social enterprise's objective. For example, while a social enterprise's objective in forming a partnership is to develop quality products/services at reduced costs, the partnering private organization's objective may be to "quick fix" its bad public image. Being associated with such an incompatible partner can lead to a backlash from various stakeholders (e.g., local community, media, and local governments), resulting in the social enterprise receiving reduced financial and nonfinancial support from them.

Also, because of the ideological differences between a social enterprise and an incompatible partner, the partnership may later emerge as one that is full of misunderstanding and mistrust, leading to a failed partnership. Such a failed partnership can lead not only to a waste of resources but also to internal conflicts among the social enterprise's staff members. Furthermore, due to its relatively higher power, an incompatible partner can significantly dominate the inputs, processes, and outputs of a partnership, with little consideration of the focal social enterprise's wishes regarding product/service development. For example, in its partnership with the National Health Service (NHS), Hearing Support – a UK-based social enterprise – felt that it had little room to divert from the NHS's expectations, which prevented it from introducing new products to increase the wellbeing of its target beneficiaries. In this way, organizational growth that involves developing products/services through engaging with an incompatible partner can impair a social enterprise's ability to provide desired quality products/services to its beneficiaries.

Unplanned geographic expansion

As part of pursuing an organizational growth strategy to scale social

impact, social enterprises expand their geographic coverage to reach larger numbers of beneficiaries. A social enterprise may do so in a rather unplanned way. In this case, since the expansion into new locations occurs hastily, significant issues arise regarding synchronizing the operations between the original and new locations. This situation is more pronounced in cases where a social enterprise expands its operations to a new location while it is still largely unorganized in its original location. Take the example of Tiempo de Juego (TJ), a Colombian social enterprise whose mission is to improve the wellbeing of violent and poverty-stricken neighborhoods. TJ faced significant operational and coordination-related challenges when it expanded its operations into a new neighborhood (Cartagena) while still being unorganized in its original neighborhood (Cazuca). Indeed, such a decision was later acknowledged as crazy by the TJ's founder himself: "This [i.e., expanding operations to Cartagena] was a crazy decision because we weren't really organized yet in Cazuca".

Researchers note that many social enterprises lack the resources and expertise to effectively coordinate larger geographic operations, let alone unplanned geographic expansion. Furthermore, to support an unplanned geographic expansion, a resource-limited social enterprise may need to engage in bricolage behavior – that is, using limited resources creatively to achieve the goal. However, research shows that overreliance on the creative use of resources may limit a social enterprise's ability to scale its social impact by wasting limited resources through many unsuccessful trial-and-error efforts. Even for a resourceful social enterprise, unplanned geographic expansion can lead to diseconomies of scale (rather than economies of scale) in its operations.

Displaying greater organizational activities at the bottom of pyramid markets

The majority of the world's underprivileged people, whom social enterprises aim to serve, live in the bottom of pyramid (BOP) markets. Accordingly, researchers argue that, by serving beneficiaries in BOP markets, a social enterprise can make a greater social impact. Although operating a social enterprise in BOP markets has greater potential to create enhanced social impact, organizational growth in BOP markets can also lead to unintended consequences.

To explain, a major characteristic of BOP markets is the existence of weak or corrupted law enforcement institutions, which give rise to illegitimate individuals and organizations. These illegitimate actors continuously look for opportunities to exploit local businesses and people. When a social enterprise grows bigger in BOP markets, it can attract unwanted attention from illegitimate actors. This is because, in BOP markets, people often equate larger business operations to success and profitability, and thus, high-growth social enterprises become an attractive target for exploitation by illegitimate actors. These illegitimate actors can impose illegal financial and/or nonfinancial demands on the focal social enterprise. For example, research shows that when The Cookie Project (a South African social enterprise), which provided employment to vulnerable people in a poor community by making bakeries, increased its operations, the local elders demanded a hefty amount of money by assuming that the social enterprise realized large profits.

Not satisfying the demand of the illegitimate actors in BOP markets can lead to extortion threats towards not only a social enterprise but also its beneficiaries. Indeed, illegitimate actors can also physically harm a social enterprise's beneficiaries to pressure the focal social enterprise to pay extortion money. For example, local gangs in Guatemala City murdered more than 100 bus drivers (i.e., beneficiaries) to compel several bus co-operatives to pay increased extortion money. Furthermore, illegitimate actors in BOP markets may simply perceive greater organizational activities of a social enterprise and the resulting higher empowerment of vulnerable beneficiaries as a threat to their unfair dominance in the local community. Consequently, these illegitimate actors may harm vulnerable beneficiaries through multiple tactics to

maintain their unfair dominance. For example, to maintain and reinforce their dominance in several villages in Bangladesh in response to increased women empowerment programs by microcredit organizations, a fraction of religious leaders harassed women microcredit borrowers by imposing self-serving religious interpretations and other unfair institutional means to hinder these programs.

Expanding geographic coverage with exploitative local partners

Many social enterprises form partnerships with other organizations to expand their geographic coverage, delivering their products/services to beneficiaries located in distant locations. Although such a partnership facilitates quicker and greater reach to beneficiaries due to the local partners' higher degree of localized knowledge and local embeddedness, this may not be the case with an exploitative local partner. For example, when a social enterprise delivers its products/services to beneficiaries in distant geographic markets through an exploitative local partner, the partner can exploit the vulnerable beneficiaries through various means, such as intentionally withholding products/services to selective beneficiaries, intimidating women beneficiaries, soliciting sexual bribes, and/or physically harming beneficiaries. This is particularly true when the focal social enterprise has little or no control over the local partner's delivery of products/services to beneficiaries. Research shows that many social enterprises do not have sufficient expertise and resources to develop and maintain quality partnerships in relation to geographic expansion. Furthermore, there is often insufficient information to perform due diligence on the quality of potential partners in distant locations. For all these reasons, a social enterprise may end up with exploitative local partners while expanding its geographic coverage, which can lead to the exploitation of beneficiaries by these partners.

Growth-led cultural clash

Organizational growth can create cultural clashes in social enterprises in several ways. Firstly, to coordinate bigger operations, a social enterprise gradually introduces various control systems that can be found in a typical private organization, such as formal rules, procedures, and hierarchy. Because of the introduction of several layers of processes and hierarchy, it becomes increasingly difficult for staff members to see a direct link between their efforts and beneficiary wellbeing, which frustrates many staff members. Secondly, when formal rules and hierarchy are implemented in a social enterprise, paid staff members are usually given the responsibility of managing volunteer staff members. This can lead to a conflicting situation because volunteer staff members, especially those with higher skills and knowledge than paid staff members, may not be mentally prepared to accept paid staff members as their superiors. Also, volunteer staff members, in general, like "play-type" informal interaction rather than "office-type" formal interaction. Thirdly, to successfully manage larger operations, a social enterprise may hire more business-oriented staff members on a higher pay package, which can create a conflict between the low-paid, social-oriented staff members and the high-paid, business-oriented staff members. This echoes the concepts of role conflict and role ambiguity discussed in management literature.

The cultural clashes resulting from organizational growth can create unintended consequences in social enterprises by decreasing staff motivation and increasing staff turnover. For example, when Incubator-BUS – a Brazilian social enterprise – started growing bigger, it experienced a growth-led cultural clash within a few years, which resulted in organizational compartmentalization. Consequently, the social enterprise experienced decreased staff motivation and increased staff turnover, compromising the quality of services delivered to different beneficiary groups, such as students and cooperative businesses. Ultimately, the social enterprise had to terminate its operations entirely.

Pursuing growth opportunities on a first-come-first-serve basis

For social enterprises, not all organizational growth opportunities are the same in relation to scaling of social impact; some may enable only short-term scaling of impact, while others may ensure long-term scaling. Given their limited resources, most social enterprises are unlikely to capitalize on all available growth opportunities. Rather, they will be able to capitalize on some growth opportunities at the expense of others. Researchers show that, in this context, some social enterprises pursue growth opportunities on a "first-come-first-serve" basis, which is similar to pursuing a reactive strategy discussed in strategic management literature. This can lead a social enterprise to spend its limited resources on capitalizing on short-term growth activities at the expense of long-term ones, thereby impairing its ability to serve its beneficiaries in the long run. Take the example of Vietnam Livelihood Initiative (VLI), a Vietnamese work integration social enterprise that provides employment and training opportunities to disadvantaged people, and that has two business divisions: garments and handicrafts. For VLI, the profit margin and future market potential of the handicraft division were higher than those of the garment division. Despite this, VLI repeatedly accepted new garment orders, which would come more frequently. As a result, its limited human and technical resources would mostly remain busy producing garment orders, leading to the repeated decline of handicraft orders that would come less frequently. Because of frequently capitalizing short-term growth opportunities (i.e., garment orders) at the expense of long-term ones (i.e., handicraft orders), over time, VLI suffered significant financial challenges, which reduced its ability to provide long-term employment and training opportunities to disadvantaged people.

In the worst situation, pursuing growth opportunities on a first-come-first-serve basis can impair a social enterprise's organizational ability in such a way that it may go out of business. Consider the example of Metalcon, a Belgian work integration social enterprise that provided employment and training opportunities to marginalized people in the metal construction industry. Metalcon started its operations in 2004, enjoyed rapid organizational growth, and received several prizes from private and public bodies, but sadly went into bankruptcy in 2006. Metalcon's rapid organizational growth was mainly built on short-term growth activities at the expense of long-term ones. Indeed, its founders and board of directors were criticized for not pursuing "controlled growth" by distinguishing between short- and long-term growth activities and selectively pursuing the long-term ones.

Overemphasizing commercial activities to remain competitive in the market

Organizational growth strategy can prompt social enterprises to overemphasize commercial activities at the expense of beneficiary wellbeing-oriented activities to remain competitive in the market, creating unintended consequences. Recent research highlights hybrid organization tensions and shows that social enterprises are facing increased competition to win customer orders (e.g., private/public service contracts) not only from other social enterprises but also from for-profit private organizations. This situation has been exacerbated by the fact that many customer organizations mistrust social enterprises in terms of their capability to deliver products/services that will meet the time, cost, and quality requirements of a given customer order. To break this mistrust and thereby remain competitive in the market, social enterprises need to not only prove themselves as highly commercial-focused organizations, but also satisfy even higher standards of price, quality, and other service requirements than their private counterparts. To pursue organizational growth in such a competitive environment, many social enterprises focus more on commercial activities at the expense of beneficiary wellbeing-oriented activities and spend a significant portion of their limited resources (e.g., money, time, and effort) on commercial activities, such as administrative and marketing tasks, client/investor relationship management, and gaining political power.

This, in turn, can impair their ability to provide quality services to their beneficiaries. For example, to support their organizational growth amid increased competition for winning customer orders, two Italian work integration social enterprises (Alpha and Beta) overemphasized commercial activities, such as increasing employee productivity and boosting customer satisfaction. This resulted in decreased quality of the training and counseling services that these social enterprises provided to marginalized workers.

Operating exclusively on growth-based metrics

As social enterprises grow bigger, they receive increased pressure from various stakeholders to provide evidence of their social impact. Social enterprises comply with such pressure to receive necessary financial and nonfinancial resources from these stakeholders to support their organizational growth. Accordingly, they emphasize measuring and evaluating their social impact.

However, when social enterprises vigorously pursue an organizational growth strategy to scale their social impact, they may focus only on growth-based social impact. There can be two reasons for this. First, measuring growth-based social impact (e.g., numbers of disadvantaged people served) is far more straightforward and less resource-intensive than measuring holistic social impact (e.g., increase in quality of life of disadvantaged people served). As a result, for social enterprises, focusing exclusively on growth-based measures will free up resources that could be used to speed up organizational growth. Second, many investors and key stakeholders favor more growth-based social impact rather than holistic social impact. For example, research shows that a Pakistan-based social enterprise in the housing sector experienced difficulties in obtaining funding because of the relatively small number of people it served, despite the substantial improvement/wellbeing that the organization provided to each person regarding the housing problem. Indeed, it was observed that the sheer number of people helped was frequently mentioned as a preeminent concern for stakeholders, regardless of the impact per person. To gain necessary resources from the major stakeholders favoring growth-based social impact, social enterprises can end up focusing only on growth-based metrics.

For whatever reason, when an organizational growth strategy prompts social enterprises to operate exclusively on growth-based social impact, it leads them to focus on “numbers” rather than “people”, thus jeopardizing their social mission. In other words, increasing the number of beneficiaries can take precedence over serving them well because of a social enterprise’s exclusive focus on growth-based social impact. For example, research shows that several social enterprises in Latin America (e.g., Youth Venture, a Chilean social enterprise) focused on expanding organizational reach without consideration of social impact, which appears to be a direct consequence of using their growth-based measures. Indeed, the growth-based measures utilized by those social enterprises were often unrelated to their social mission, and they did not measure whether and how the lives or situations of beneficiaries had changed. This created a situation where social enterprises grew successfully but failed to achieve their social mission (i.e., the impact they aimed to create on beneficiary lives).

Pursuing organizational growth vigorously in the absence of donation and grant income

Globally, there has been a dramatic reduction in private and public donations and grants due to global recessions and national and international policy changes. To support their organizational growth in this financial turmoil, many social enterprises are reported to excessively focus on financial self-sufficiency by adopting aggressive revenue-enhancing tactics (e.g., increasing product/service price and launching a higher number of trading activities) and cost-reduction tactics (e.g., cutting down welfare activities). This intense focus on financial self-sufficiency to support organizational growth can lead a social

enterprise to serve only those beneficiaries who can afford to pay for products/services. For example, research shows that to attain the financial self-sufficiency necessary to support organizational growth in the face of little or no grant income, several social enterprises in the renewable energy industry in India shifted their focus from serving ultra-poor rural people to middle-income rural people who can afford to pay. Similarly, due to the decline in funding from donations and grants, social enterprises in Kenya’s solar market sector were targeting rural middle-class people because rural lower-class people could not even afford the cheapest product. Thus, vigorously pursuing an organizational growth strategy in an environment characterized by the absence of or significant reduction of donation and grant income can lead a social enterprise to focus excessively on financial self-sufficiency, thus serving only those beneficiaries who can afford to pay, ignoring those who genuinely need its products/services.

To address this issue, social enterprises can focus on generating revenue beyond donations and grants through a variety of mission-aligned, sustainable business models. Some of these strategies could include fee-for-service contracts (e.g., private or public service contracts to provide services like training, consulting, or community development under formal agreements), funding from impact investors (i.e., attracting capital from investors who seek both financial returns and social impact), and asset-based income (e.g., leasing out unused space, tools, or other resources).

A holistic framework for unintended consequences of organizational growth as a social impact scaling strategy in social enterprises

This section provides a holistic view of the unintended consequences of scaling social impact through organizational growth strategy in social enterprises. It highlights how seven growth-related activities can prompt ten conditions under which organizational growth can create unintended consequences in social enterprises. [Table 1](#) presents a detailed breakdown of these activities and conditions, while [Fig. 1](#) provides a high-level visual summary of the relationship between organizational growth and its unintended consequences.

As part of scaling their social impact through organizational growth strategy, social enterprises develop new products/services to satisfy the unmet needs of beneficiaries. However, the development of new products/services can create unintended consequences under certain conditions. First, when social enterprises grow businesses by developing new but incompatible products/services (i.e., incompatible with their context, mission, or management capability), they can experience a significant waste of their limited resources, which can threaten the survivability of the entire organization. Second, the development of new products/services can also create unintended consequences when such a development occurs in collaboration with an incompatible partner whose mission, ideology, and/or partnership objectives do not align well with those of the focal social enterprise. Developing products/services with incompatible partners can attract backlash from various stakeholders, resulting in social enterprises receiving reduced financial and nonfinancial support from these stakeholders. At its worst, the incompatible partners can prevent social enterprises from developing the most desirable products/services to increase beneficiary wellbeing.

While pursuing an organizational growth strategy to scale their social impact, social enterprises also expand their geographic coverage to serve a larger number of beneficiaries. However, social enterprises’ geographic expansion can create unintended consequences under certain conditions. The first condition is when social enterprises grow their businesses by engaging in unplanned geographic expansion – that is, when they hastily expand into new locations while still being largely unorganized in their original locations. This creates significant operational and coordination challenges for social enterprises, draining their limited resources and thus impairing their ability to effectively serve target beneficiaries in both new and original locations. Second,

Table 1

A framework for unintended consequences of scaling social impact through organizational growth strategy in social enterprises.

Growth-related activities	→	Conditions under which unintended consequences can emerge	→	Unintended consequences
↓		↓		↓
<ul style="list-style-type: none"> Product/service development 	→	<ul style="list-style-type: none"> When social enterprises grow businesses by developing incompatible products/services When social enterprises grow businesses by developing products/services with incompatible partners 	→	<ul style="list-style-type: none"> Leading to a significant waste of social enterprises' limited resources, which can threaten the survivability of the entire organization Illustrative example: Guide Dogs for the Blind Association (A UK-based social enterprise) Receiving backlash from various stakeholders, thus receiving reduced financial and nonfinancial support from them Preventing social enterprises from developing desired new products/services to increase beneficiary well-being Illustrative example: Hearing Support (a UK-based social enterprise)
<ul style="list-style-type: none"> Geographic expansion 	→	<ul style="list-style-type: none"> When social enterprises grow businesses by engaging in unplanned geographic expansion When social enterprises display greater organizational activities in the bottom-of-pyramid markets When social enterprises grow businesses by expanding geographic coverage with exploitative local partners 	→	<ul style="list-style-type: none"> Creating significant operational and coordination challenges for social enterprises, which can impair their ability to effectively serve target beneficiaries in both original and new locations Illustrative example: Tiempo de Juego (a Colombian social enterprise) Attracting unwanted attention from illegitimate actors who can impose significant extortion demands on social enterprises and can even harm beneficiaries to pressure social enterprises to comply with their extortion demands Illustrative example: The Cookie Project (a South African social enterprise) Exposing vulnerable beneficiaries to exploitative local partners, which can lead to significant beneficiary suffering through the local partners' exploitation Illustrative example: Several microfinance institutions in Sri Lanka
<ul style="list-style-type: none"> Staff management 	→	<ul style="list-style-type: none"> When organizational growth creates cultural clashes 	→	<ul style="list-style-type: none"> Preventing social enterprises from developing desired new products/services to increase beneficiary well-being Illustrative example: Hearing Support (a UK-based social enterprise) Creating compartmentalization in social enterprises, thus decreasing staff

Table 1 (continued)

Growth-related activities	→	Conditions under which unintended consequences can emerge	→	Unintended consequences
↓		↓		↓
<ul style="list-style-type: none"> Growth opportunity management 	→	<ul style="list-style-type: none"> When social enterprises pursue growth opportunities on a first-come-first-serve basis 	→	<ul style="list-style-type: none"> among staff members in social enterprises motivation and increasing staff turnover, which can lead to a compromise in the quality of services delivered to different beneficiary groups Illustrative example: Incubator-BUS (a Brazilian social enterprise) Capitalizing short-term growth opportunities (which come more frequently) at the expense of long-term growth opportunities (which come less frequently), leading to significant financial challenges for social enterprises to serve beneficiaries in the long term Illustrative example: Vietnam Livelihood Initiative (a Vietnamese work integration social enterprise)
<ul style="list-style-type: none"> Competition management 	→	<ul style="list-style-type: none"> When organizational growth strategy prompts social enterprises to overemphasize commercial activities to remain competitive in the market 	→	<ul style="list-style-type: none"> Allocating fewer-than-needed resources for beneficiary wellbeing-oriented activities, which can lead to decreased quality of services provided to beneficiaries Illustrative example: Alpha (an Italian work integration social enterprise)
<ul style="list-style-type: none"> Performance measurement 	→	<ul style="list-style-type: none"> When the organizational growth strategy prompts social enterprises to operate exclusively on growth-based metrics to gain necessary resources from key stakeholders 	→	<ul style="list-style-type: none"> Focusing on "numbers" instead of "people", thus jeopardizing the social mission of social enterprises Illustrative example: Youth Venture (A Chilean social enterprise)
<ul style="list-style-type: none"> Financial management 	→	<ul style="list-style-type: none"> When social enterprises vigorously pursue organizational growth in an environment characterized by the absence of or significant reduction of donation and grant income 	→	<ul style="list-style-type: none"> Focusing excessively on financial self-sufficiency, which can lead social enterprises to serve only those beneficiaries who can afford to pay, ignoring those who genuinely need their products/services Illustrative example: Several social enterprises in the renewable energy industry in India

organizational growth strategy also backfires when social enterprises grow their businesses by expanding geographic coverage with exploitative local partners. This is because such a geographic expansion exposes vulnerable beneficiaries to exploitative local partners who can exploit beneficiaries through various means, such as withholding products/services from selective beneficiaries, intimidating women beneficiaries,

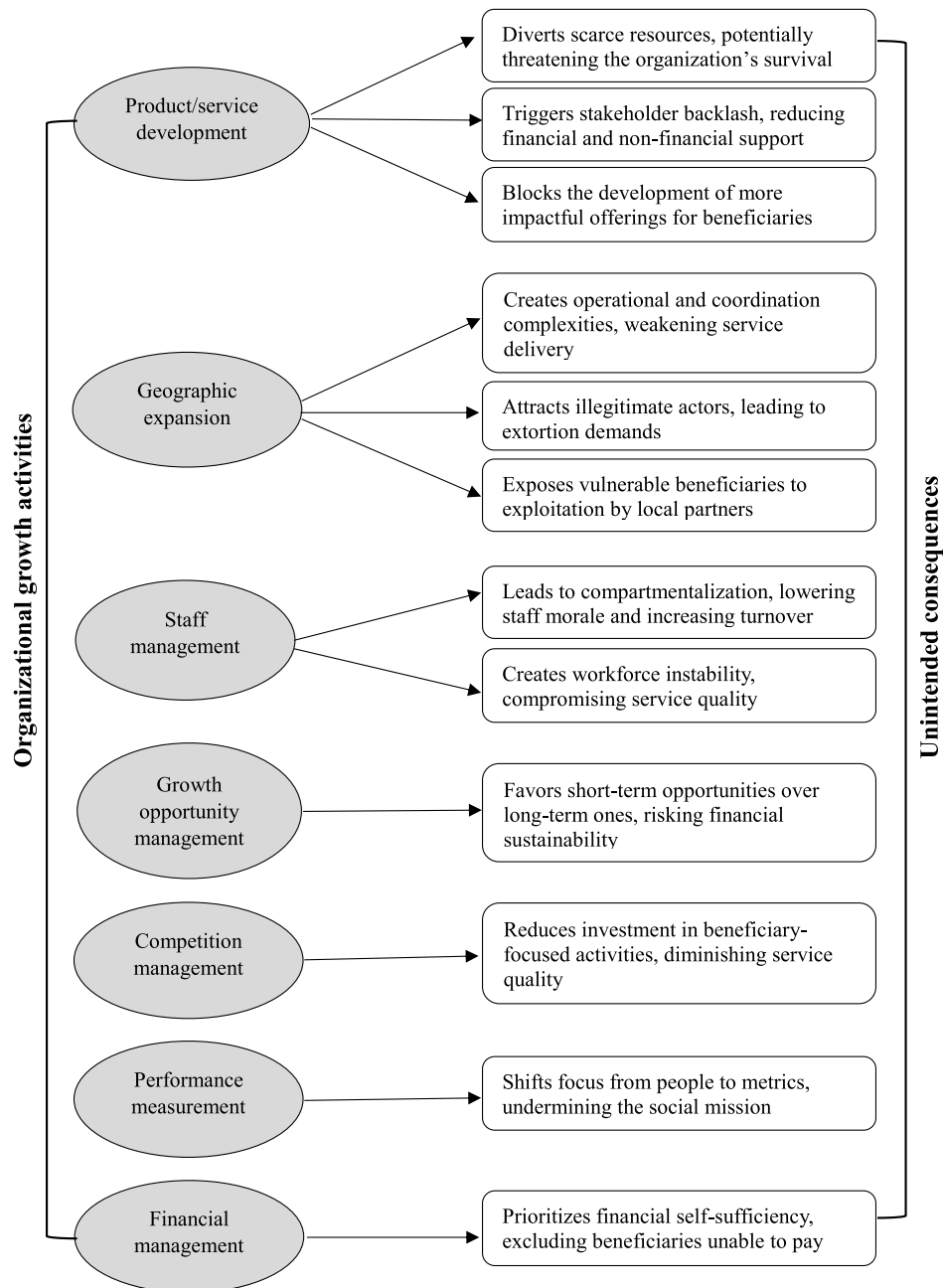


Fig. 1. Organizational growth and unintended consequences in social enterprises.

and soliciting sexual bribes. Third, social enterprises expand into BOP markets to serve the poorest of the poor beneficiaries. However, when they display greater organizational activities in BOP markets, they attract unwanted attention from illegitimate actors who equate greater organizational activities with larger profits. As such, these illegitimate actors can impose significant extortion demands on social enterprises and even harm beneficiaries to pressure the focal social enterprises to comply with their extortion demands.

An organizational growth strategy can also create unintended consequences in social enterprises via staff management activities. Specifically, pursuing an organizational growth strategy can create significant cultural clashes within the paid staff members as well as between the paid and volunteer staff members. This creates compartmentalization in social enterprises, thus decreasing staff motivation and increasing staff turnover. This, in turn, compromises the quality of services delivered to different beneficiary groups.

Another aspect of pursuing an organizational growth strategy is to effectively manage different growth opportunities as they arise. Regarding scaling social impact, not all growth opportunities are the same for social enterprises. Some growth opportunities enable only short-term scaling of impact, while others enable long-term scaling. When social enterprises pursue growth opportunities on a first-come-first-serve basis, they can unintentionally spend their limited resources to capitalize on short-term growth opportunities (which come more frequently) at the expense of long-term growth opportunities (which come less frequently). This can lead to significant financial challenges for social enterprises to adequately serve beneficiaries in the long term. In the worst case, this can lead social enterprises to go out of business in the long term.

Organizational growth can also create unintended consequences in social enterprises via competition management activities. To support organizational growth by winning customer orders in a highly

competitive market, social enterprises need to compete with fellow social enterprises and other for-profit private enterprises. To remain competitive in the market, they need to demonstrate their ability to deliver products/services that will meet the time, cost, and quality requirements of customer orders. This can lead social enterprises to focus more on commercial activities (e.g., activities to increase employee productivity, boost customer satisfaction, and gain more political power in the market) at the expense of beneficiary wellbeing-oriented activities (e.g., providing training programs for beneficiaries), leading to decreased quality of services provided to beneficiaries.

Organizational growth can also create unintended consequences in social enterprises via performance measurement activities. Many key stakeholders (e.g., investors and funders) tend to provide more resources and support to social enterprises for pursuing growth-based social impact (e.g., numbers of disadvantaged people served) instead of holistic social impact (e.g., an increase in the quality of life of disadvantaged people served). As a result, to gain necessary resources from key stakeholders to support organizational growth, social enterprises can end up operating exclusively on growth-based metrics. This leads social enterprises to focus on “numbers” instead of “people”, thus jeopardizing their social mission.

Finally, an organizational growth strategy can create unintended consequences in social enterprises via financial management activities. Many social enterprises are not fully financially self-sustainable; instead, they rely on donations and grant income to varying degrees to run their operations smoothly. However, to support organizational growth in an environment characterized by the absence of or significant reduction of donation and grant income, social enterprises excessively focus on attaining financial self-sufficiency by pursuing aggressive revenue-enhancing tactics (e.g., increasing the product/service prices and launching a higher number of revenue-generating trading activities) and cost-reduction tactics (e.g., cutting down welfare activities to reduce operational costs). This excessive focus on financial self-sufficiency to support organizational growth can lead social enterprises to serve only those beneficiaries who can afford to pay, ignoring those who genuinely need their products/services but cannot afford them.

ImpactProtect: a growth risk assessment tool for social enterprises

Building on the preceding discussion, this article introduces a diagnostic tool — *ImpactProtect: A Growth Risk Assessment Tool for Social Enterprises* — designed to help social enterprises evaluate their vulnerability to unintended consequences associated with organizational growth. As outlined in Table 2, the tool consists of two key components: (i) a set of instructions for assessing growth-related risks, and (ii) a scoring guide to interpret the results. Table 2 also incorporates a brief hypothetical example illustrating how a social enterprise might apply the ImpactProtect tool in practice.

Future research directions

This study lays the groundwork for several promising directions in future research. First, empirical validation of the ImpactProtect tool across diverse social enterprise contexts would strengthen its practical relevance and reliability. Such validation could involve field testing the tool with practitioners and analyzing its effectiveness in identifying and mitigating growth-related risks. Second, longitudinal research could explore how social enterprises evolve in their risk profiles over time, particularly in response to strategic decisions and external pressures. This would offer insights into the dynamic nature of mission alignment and organizational resilience during scaling efforts. Third, future studies could examine sector-specific growth risks — for example, in health, education, or environmental enterprises — where unintended consequences may manifest differently due to regulatory, cultural, or operational factors.

Conclusion

Although scaling social impact through an organizational growth strategy is popular in social enterprises, this strategy can create unintended consequences. This paper provides a comprehensive account of when and how an organizational growth strategy can backfire. It highlights the unintended consequences of pursuing an organizational growth strategy in social enterprises, identifies the conditions under which the unintended consequences can emerge, and sheds light on the growth-related activities that can prompt these conditions. This paper suggests that unintended consequences (as much as intended consequences) are an inherent feature of the organizational growth strategy in social enterprises. As a result, while implementing an organizational growth strategy to scale social impact, managers and social entrepreneurs need to pay adequate attention to this strategy’s unintended consequences in addition to its intended consequences. The framework and the diagnostic tool presented in this article can enable managers and social entrepreneurs to avoid the pitfalls of pursuing organizational growth as a social impact scaling strategy.

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- Easter, Conway Dato-On [2] Bridging ties across contexts to scale social value: The case of a Vietnamese social enterprise. *Journal of Social Entrepreneurship* 6: 320–351.
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Table 2

ImpactProtect: a growth risk assessment tool for social enterprises.

ImpactProtect: A Growth Risk Assessment Tool for Social Enterprises		
Instructions to assess growth risk		
For each statement below, rate your organization on a scale from 1 (Strongly Agree) to 5 (Strongly Disagree). Once all items have been rated, calculate your total score and refer to the scoring guide to interpret your results.		
Category	Assessment Statement	Rating (1–5)
Product/service development	Our new products and services are thoughtfully developed to align with our organizational context, mission, and management capacity.	
Product/service development	We rigorously vet product and service development partners to ensure alignment in values, strategic goals, and ethical standards.	
Geographic expansion	Before expanding into new geographic regions, we comprehensively review our operational capacity to manage larger-scale coordination.	
Geographic expansion	We proactively avoid partnerships with local entities that may exploit or harm vulnerable beneficiaries.	
Geographic expansion	Our initiatives in Bottom of Pyramid markets are co-designed with community input and guided by principles of long-term sustainability.	
Staff management	We actively foster cultural integration during periods of organizational growth to prevent internal cultural clashes and maintain team cohesion.	
Growth opportunity management	We strategically evaluate growth opportunities based on short-term benefits and long-term impact on our mission and business sustainability.	
Competition management	We maintain a balanced approach to commercial activities, ensuring they support rather than compromise our social mission, even in competitive environments.	
Performance measurement	We use a diverse set of metrics to evaluate success, avoiding an exclusive focus on growth-based indicators.	
Financial management	We have robust contingency plans in place to ensure operational sustainability without relying solely on donations or grant funding.	
Score interpretation guide		
After rating each statement from 1 (Strongly Agree) to 5 (Strongly Disagree), calculate your total score out of 50. Use the guide below to interpret your results.		
Score Range	Risk Level	Interpretation
10–20	<input type="checkbox"/> Low Risk	Your organization is well-aligned with its mission and manages growth responsibly. Keep reinforcing these practices.
21–35	<input type="checkbox"/> Moderate Risk	Some areas may need attention. Consider reviewing specific strategies and partnerships to reduce risk.
36–50	<input checked="" type="checkbox"/> High Risk	Your organization may be highly vulnerable to unintended consequences. A strategic review is recommended to realign with your mission and values.
Note: <i>ImpactProtect</i> is a diagnostic tool to help social enterprises and other social impact organizations evaluate their vulnerability to unintended consequences associated with organizational growth.		
Hypothetical example of tool application		
EcoHarvest is a rural social enterprise that supports smallholder farmers by providing access to sustainable farming tools and fair market channels. As the social enterprise considers launching a new product line of organic fertilizers and expanding into neighboring districts, the leadership team uses the ImpactProtect tool to assess growth risks.		
After completing the assessment, EcoHarvest scored 38, placing it in the High Risk category. The results highlighted two major concerns:		
<ul style="list-style-type: none"> <input type="checkbox"/> The new product development process lacked alignment with the social enterprise’s mission and operational capacity. <input type="checkbox"/> The expansion plan did not include a thorough review of local partner risks, especially in areas with limited oversight. 		
In response, EcoHarvest pauses the product launch and initiates a stakeholder consultation process to better align the offering with the needs of farmers. They also revise their partner selection criteria to include ethical screening and community feedback mechanisms.		

CRedit authorship contribution statement

Syrus M. Islam: Writing – review & editing, Writing – original draft, Formal analysis, Data curation, Conceptualization.

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Declaration of Competing Interest

Nothing to declare.

Data availability

No data was used for the research described in the article.

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