

## Sustainability-driven entrepreneurship and high-growth SMEs: How to combine Davids' and Goliaths' worlds? <sup>1</sup>

*International Journal of Organisational Design and Engineering,*  
Special Issue on: Entrepreneurial Development, Vol. 4, n° 3/4, pp.195–212. 2016

**Céline BERARD** <sup>2</sup>, Assistant professor  
University of Lyon, Lyon 2, COACTIS  
14-16 avenue Berthelot, 69007 Lyon, France  
*celine.berard@univ-lyon2.fr*

**Séverine SALEILLES**, Assistant professor  
University of Lyon, Lyon 1, LSAF  
50 Avenue Tony Garnier, 69007 Lyon, France  
*severine.saleilles@univ-lyon1.fr*

**Abstract:** This paper aims to explore how sustainability-driven SMEs experiencing high growth can succeed in combining the best of the Davids' and Goliaths' worlds. An in-depth case study was conducted within a French SME, a pioneer in organic vegetable distribution that has succeeded in evolving from an 'idealistic David' to a 'high-growth David'. Research findings reveal two sets of key actions successfully carried out by this firm: development of a hybrid organisation through a staff representing the skills of both Davids' and Goliaths' worlds, and of a learning organisation through exploration and exploitation. They also illustrate some challenges facing most high-growth SMEs and identify some specific tensions that can arise due to the coexistence of these two worlds, in particular value diversity within the top management team.

**Keywords:** sustainability-driven entrepreneurship; high-growth SME; hybrid organisation; learning organisation; organic market; case study.

**BERARD Céline:** Céline Bérard is an Assistant Professor at University of Lyon 2 and member of the management research lab Coactis. Her research interests focus on strategic decision-making and high-growth SMEs.

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<sup>1</sup> This work was supported by French National Agency (ANR) through « Enterprises » Program (Project HYPERCROIS n°ANR-07-ENTR-008).

<sup>2</sup> Corresponding author: C. Bérard, +33 6 18 75 70 79, [celine.berard@univ-lyon2.fr](mailto:celine.berard@univ-lyon2.fr)

**SALEILLES Séverine:** Séverine Saleilles is an Assistant Professor at University of Lyon 1 and member of the research lab LSAF. Her research interests focus on greening entrepreneurship and networking in SMEs.

## 1 Introduction

A number of studies have recognized that a great transformation of industries is needed to reduce the detrimental environmental and societal impacts of current business practices (Hall et al., 2010). As a process of discovering opportunities in market failures that detract from sustainability (Dean and McMullen, 2007), or as a process of transforming institutions by altering or creating norms, property rights and government legislation (Schaltegger, 2002; Pacheco et al., 2010), entrepreneurship can help create a sustainable future (Gibbs, 2009).

In particular, Hockerts and Wüstenhagen (2010) have suggested that two types of organisations that engage in sustainable entrepreneurship can play a complementary role in an industry's sustainability transformation, namely 'greening Goliaths' and 'Davids'. The former are large incumbent firms that have a relatively high market share and are primarily interested in economic objectives, while the latter are small firms that are more recently founded, have a relatively small market share, and mainly aim at providing social and environmental value. Davids are thus small and medium enterprises (SMEs) that are 'sustainability-driven' (Parrish, 2010). When some of them have no intention to grow beyond their small niche for idealistic reasons, others seek to achieve high growth in order to improve social and environmental impacts and defend the market against incumbents. According to Hockerts and Wüstenhagen (2010), these 'high-growth Davids' are more business-like and less idealistic, and seek to grow proactively by combining the best of the Davids' and Goliaths' worlds.

Surprisingly, while high-growth Davids play a major role in the transformation of industries towards sustainable development, they have received limited attention in the literature. More

generally, sustainable entrepreneurship research has somewhat neglected the specific issue of growth (Nazarkina, 2012). Yet, growth creates a paradoxical tension (Smith et al., 2013; Weinberg, 1998) for sustainability-driven entrepreneurs: although it allows a firm to improve its social and environmental impacts, sustainability values might be only partially conserved (Parrish, 2010) when growing, and growth might in turn threaten these impacts (Smith et al., 2013). Besides, the principles that guide the organisation design process of sustainability-driven entrepreneurs, including those related to the question of enterprise growth, diverge in important ways from the design principles of conventional entrepreneurship (Parrish, 2010). As high-growth Davids combine both idealistic Davids' and more conventional Goliaths' worlds, they thus face the challenge of handling the tensions between the different logics they combine. The question is then raised as to how they grow by building and maintaining a 'hybrid organisation' (Battilana and Dorado, 2010). This paper therefore aims to explore, at the organisational level, how sustainability-driven SMEs experiencing strong growth can succeed in combining the best of both worlds.

The remainder of this paper is organized as follows. In the next section, previous research that has focused on high growth in sustainability-driven SMEs is reviewed. The research method, which is based on a case study conducted within a pioneer in organic vegetable distribution in Europe, is then detailed. Finally, the case study findings, which allow us to highlight the challenges and the ways of combining the best of both worlds, are presented and discussed.

## **2 High growth in sustainability-driven SMEs**

This section briefly reviews existing research related to high-growth SMEs, before focusing on the specific context of hybrid organisations.

### *2.1 The phenomenon of high growth in SMEs*

Research has recently distinguished between the general phenomenon of growth and the specific one of high growth (Barringer et al., 2005; Delmar et al., 2003). The latter tends to be associated with a firm's entrepreneurial behaviour (Moreno and Casillas, 2007), and has generated increasing interest in small business literature (Delmar et al., 2003; Saint-Jean et al., 2008). Previous studies have indeed shown that high-growth SMEs, which can be of all sizes and ages and exist in all industry sectors (Nicholls-Nixon, 2005), are the firms that contribute most to the creation of new jobs (Littunen and Tohmo, 2003) and play an important role in regional dynamism and restructuring (Saint-Jean et al., 2008).

According to Moreno and Casillas (2007), high-growth SMEs tend to prioritize growth over profitability and show the following main characteristics: (1) they experience strong growth in size, which often leads them to double their initial size, and (2) this strong growth is concentrated within a short period of time. There is, however, no consensus about their specific definition, and many authors have pointed out the diversity of growth indicators and measures used in previous studies on organisational growth (Delmar et al., 2003). The fact remains that rapid and sustainable growth is difficult to achieve and maintain (Barringer et al., 2005), and most high-growth SMEs do not follow a linear or unbroken growth path (Saint-Jean et al., 2008). Growth rate is influenced by a number of determinants and barriers. For instance, Weinzimmer (2000) identified three sets of determinants of organisational growth: industry attributes, organization strategies and top management characteristics. More recently, Wiklund et al. (2009) suggested that entrepreneurial orientation, environmental characteristics, the firm's resources and the manager's personal attitudes can influence, directly or indirectly, the growth of a small business. In the same vein, and with regard to the specific phenomenon of high growth, Barringer et al.

(2005) revealed four influential categories of factors: founder characteristics, firm attributes, business practices and human resource management practices. In sum, growth can be achieved quickly, slowly or not at all, depending on the strength of growth aspirations and on the existence of growth-enabling factors, which usually refer to market opportunities, management capability and organisational resources (Littunen and Niittykangas, 2010).

Besides, while firms can benefit from growth in many ways (Weinzimmer, 2000), they have to undergo organisational changes in order to face the new tasks and problems that growth elicits (Kazanjian and Drazin, 1989). High growth indeed involves a real shift in a firm's evolution and a dramatic change in its strategies, actions and behaviours. For instance, it may necessitate reshaping the product-market position of the firm and transforming the structure of resources and capabilities developed so far (Moreno and Casillas, 2007). In particular, real challenges are encountered when it comes to the acquisition and coordination of new resources that are required to sustain growth (Saint-Jean et al., 2008). Definitely, "entrepreneurs in rapidly growing ventures often have difficulty determining what kinds of organisational changes or transitions are needed because they face greater managerial complexity than entrepreneurs in firms that are growing more slowly" [Nicholls-Nixon, (2005), p.78].

Thus, it is widely recognized that high growth generates complexity and tensions in SMEs (Saint-Jean et al., 2008). In the specific context of sustainability-driven firms, some authors have even argued that it leads to paradoxical tensions, given that a firm that grows would have difficulty staying 'green' (Weinberg, 1998) and that growth can increase but also threaten social mission impact (Smith et al., 2013).

## *2.2 High-growth Davids as hybrid organisations*

Sustainable entrepreneurship is “focused on the preservation of nature, life support, and community in the pursuit of perceived opportunities to bring into existence future products, processes, and services for gain, where gain is broadly construed to include economic and non-economic gains to individuals, the economy, and society” [Shepherd and Patzelt, (2010), p.142]. Two forms of sustainable entrepreneurship must however be distinguished. On the one hand, sustainable entrepreneurs can be primarily a means of earning profits (Dean and McMullen, 2007) with ‘win-win’ outcomes and, therefore, without running counter to conventional entrepreneurship. On the other hand, they can have a greater normative identity (Moss et al., 2011), by embodying sustainability-driven values and motives. Parrish (2010) has proposed the term ‘sustainability-driven’ to qualify such enterprises whose primary goal is to contribute to ecological and social well-being.

Sustainable entrepreneurial initiatives can be developed by a variety of organisations: small or large organisations; start-ups or incumbents. Hockerts and Wüstenhagen (2010) have thus highlighted the complementary roles of ‘emerging Davids’ (small start-ups) and ‘greening Goliaths’ (large incumbents) in the transformation of an industry towards sustainable development. However, according to these authors, a true industry transformation can be achieved only when these two players gradually transform their practices, and especially when some Davids become more business-like and seek to grow. These so-called high-growth Davids “combine the best of both worlds by orchestrating the product innovation of the early Davids with the process innovation that Goliaths are typically good at. Having observed the development of the bioneers they have a good understanding of the market niche and now aim to extend it through more professional management” (p.489). High-growth Davids can thus be seen as hybrid organisations, which incorporate competing institutional logics (Pache and Santos,

2012). Combining logics means bringing together novel combinations of capital, tacit knowledge, and regimes of justification. But the innovative potential of hybrid organisations may be reduced if one logic comes to dominate (Jay, 2013). To retain their hybrid nature over time, these organisations need to create a common organisational identity that strikes a balance between the logics the organisation combines (Battilana and Dorado, 2010). The study of two commercial microfinance organisations from Battilana and Dorado (2010) has suggested that the crucial levers for developing such an organisational identity are hiring policies, which define who can become an organisation member, and socialization policies, which teach and reinforce desired behaviours and values in hires.

Nevertheless, as sustainability-driven entrepreneurs adopt specific business practices (Choi and Gray, 2008), principles of organisation design diverge in important ways from the conventional principles of entrepreneurship. For instance, Parrish (2010) has highlighted five design principles of sustainability-driven entrepreneurship (termed ‘perpetual reasoning’), including: resource perpetuation (i.e. produce benefit streams), benefit stacking (i.e. stack as many benefits as possible onto each operational activity), strategic satisficing (i.e. strategically identify satisfactory outcomes of multiples objectives), qualitative management (i.e. use expected quality of outcomes and processes as decision criteria) and worthy contribution (i.e. structure benefit streams to privilege worthy recipients). These principles go against the design principles of ‘exploitative reasoning’ that are typical of conventional entrepreneurs. For example, regarding the principles of perpetual reasoning, the question of enterprise growth is addressed by focusing on outcome quality (‘Is growth a way to improve our positive social and environmental impact?’), rather than on quantitative outcomes (‘Is growth a way to make more money?’) or ideological considerations (‘Is growth inherently desirable or undesirable?’).

Given that “the interpretive scheme conventionally associated with entrepreneurship can actually be detrimental to the success of organizing sustainability-driven enterprises” [Parrish, (2010), p.521], the challenge for high-growth Davids is to handle the tensions between the two different visions of sustainable entrepreneurship they combine.

### **3 The study of a pioneer in organic vegetable distribution: the case of BioDistri**

This section explains the research design and method, before presenting the growth trajectory of the case of BioDistri, a French SME that was a pioneer in the organic sector.

#### *3.1. Research design and method*

Based on a single-case study design (Yin, 2009), an in-depth case study was conducted within a French SME (referred to as “BioDistri”), a pioneer in organic vegetable distribution and leader in Europe. The case of BioDistri was chosen because it reveals key information about the phenomenon of interest. First, BioDistri has experienced a rapid and strong growth in size (see Figure 1). Secondly, this growth was mainly driven by a desire to develop the organic market according to the principles of fair trade, to transform a polluting industry to one of good quality and then to defend it against market incumbents.

#### **INSERT FIGURE 1 ABOUT HERE**

The study of this case was based on data collected through two sources. On the one hand, secondary data was used, including annual reports, press releases, video and audio interviews from the CEO. On the other hand, an on-site visit was organized and semi-structured interviews (lasting between 1 and 2 ½ hours) were conducted with seven participants within BioDistri: the founder-CEO, the corporate secretary and five functional managers (see Table 1). The interview guide mainly focused on facts and behaviours related to the history of the enterprise and its

market (focusing on key events) and the respondent's career and position. At the end of the interview, the participants were also asked to express their thoughts on the factors that positively and negatively influenced the firm's success and their own view of the firm's evolution. All the interviews were recorded and transcribed (interview transcripts totalled 148 pages).

### **INSERT TABLE 1 ABOUT HERE**

A content analysis technique was used, based on open coding of the interview transcripts. Two researchers independently developed codes for broad themes based on the data content and completed coding of the interviews, before confronting their analysis. This coding process allowed us to consider multiple points of view for each interview and, consequently, reduce researcher bias in the qualitative data analysis (Kreiner et al., 2006). Then, an event listing was used to organize a series of events in chronological order (Miles and Huberman, 1994). To enhance descriptive validity and minimize bias related to retrospective interviews, both the interview transcripts and the secondary data were used to track the major events of the history of BioDistri and of its growth trajectory.

### *3.2 The growth trajectory of BioDistri*

The key events of the history and development of BioDistri can be summarized as follows (see Table 2).

BioDistri was founded in 1987, in the south of France. The business was quite simple back then. It aimed to distribute organic fruits and vegetables to Germany through wholesalers, in response to unsatisfied German demand: *"We handled production but we had virtually nothing to do. Customers would call and off went the products"* (R3). In its infancy, BioDistri *"grew, but without anyone really realizing it"* (R1). However, a transportation strike in 1992 shook the firm's foundations in the course of its history and development. There is no end of words to

qualify this tragic event: “*big economic issue, shock*” (R1), “*catastrophe*” (R3), “*an experience so painful*” (R2). German customers turned to Italy for business. Four of the eight BioDistri employees were laid off.

In view of this crisis, diversifying the number of supplier countries and distribution channels became a dominant logic for BioDistri. Then, in 1994, a collective decision was made, at a teamwork seminar, to implement a proactive growth strategy. The business “*became more complex*” (R1). To meet demand, the product line was extended (“*our position was that we had to be able to propose all the fruits and vegetables of a stall*”, R2) and new products were launched (for instance, BioDistri was the first to launch organic bananas in Europe). Rather than the German wholesalers of the early days, specialized shops in France and Northern Europe became the main customers. From that period, BioDistri made some organisational changes, including the creation of a quality function, and began taking an interest in profit in order “*to be able to invest and develop new initiatives*” (R2). And yet, it had never been its “*philosophy to run a profit-oriented firm*” (R4).

In 2001, BioDistri entered a new phase of development when the decision was made to get into the mass distribution market to have “*a new source of growth based on high demand*” (R1). This was also a means to turn more consumers to organic foods. To that end, the firm “*bought expertise*” (R3) by purchasing in 2003 a firm specialized in packaging for mass distribution. This external growth strategy aimed to “*become significant enough on the market to continue developing an organic market rather independent from the conventional one*” (R1). But it led the founder-CEO to find a financial investor as a new shareholder, who became in 2005 the majority shareholder with 51% of the firm. From then on, the firm entered “*a phase in which profitability*

*became, not necessarily the number one priority, but became important. That had not been the case before.”* (R4).

At that time, the sector became more competitive with many new entrants, which were non-specialists in organic foods, but were able to supply large quantities (such as conventional distributors and agricultural cooperatives). This “*very fast opening*” (R2) of the organic market, starting in 2008-2009, was boosted by strong public incentives and by the fact that “*the organic label looked like an alternative that made economic sense as well*” (R2). BioDistri’s “*market was changing*” (R2) and its development slowed down. Then, BioDistri chose to focus on its core business developed from the 1992 crisis, i.e. specialized shops. This shift resulted in the strengthening of French supply chains, given that a few stores “*decided to stop carrying foreign products at some point*” (R3). As a result, France became the main market of BioDistri. Finally, while a decline in its growth was observed since 2008, the firm continued experimenting with the development of new partnerships, the launch of organic fruit juice in 2009 and the beginning of a service delivering baskets of organic fruits and vegetables in 2010. The latter was, however, stopped in 2011.

#### **INSERT TABLE-2 ABOUT HERE**

#### **4 The challenges of striking a balance between Davids’ and Goliaths’ worlds**

As an idealistic David, BioDistri is characterized by its propensity to introduce new products, and its thorough understanding of the market. However, in order to defend the market against incumbents, a shift occurred with the decision to grow through acquisitions to serve, notably, mass-market retailing. Since then, BioDistri has gradually imitated some of the Goliaths’ practices through more professional management and process innovation. For instance, economic value and profitability have become greater concerns and its capital has been opened to a

financial investor. This section thus aims to explore how BioDistri has succeeded in evolving from an idealistic David to a high-growth David by combining the two worlds. In this case, two sets of key successful actions were identified: development of a hybrid organisation through a staff representing the skills of both Davids and Goliaths, and of a learning organisation through exploration and exploitation. The case study findings also serve as a basis for discussing the underlying challenges facing BioDistri.

#### *4.1 Developing a hybrid organisation through a staff representing the two worlds*

To succeed in achieving and sustaining high growth, BioDistri has acquired necessary skills that are closer to the Goliaths' world and that were missing in its infancy.

First, BioDistri has recruited more conventional employees to face high-growth challenges, including graduates of business schools and/or staff with experience in conventional markets. For instance, the founder-CEO explained that one of the early and idealistic employees *“is a great professional but he cannot become Executive Director because he does not have the required skills. The Executive Director must be sought elsewhere, outside the firm, even if he will take a long time to adapt to a business like this one”* (R1). Second, BioDistri has integrated practices and employees of the firms acquired during its external growth operations. Some of these firms were also pioneers in the organic market, and therefore had a relatively similar culture to BioDistri. In addition, the SME had worked with these firms before acquiring them, as the human resources director explains: *“We acquired firms with whom we worked for a long time and we conserved all the employees”* (R7). But integration of the acquired firms specialized in mass-market distribution was more difficult because they had a significantly different culture and they did not really share BioDistri's values and business practices: *“it is different because it is*

*another culture with its own practices” (R7); “people used to have a clear role in the organisation and have difficulty working differently” (R4).*

The composition of the top management team (TMT) also reflects this coexistence of idealistic and more conventional employees, or in other words, staff from the worlds of Davids and Goliaths. The two camps of the TMT play complementary roles in the success of BioDistri. On the one hand, the founder-CEO and the early and idealistic members are responsible for developing and maintaining partnerships with suppliers: providing support to producers, identifying and developing new supply chains. They are also in charge of the specialized retail market, which mainly includes activist firms. Finally, they are responsible for institutional work, including lobbying, legal environment scanning and public communication campaigns. All these activities are the core business of BioDistri through which the firm has developed a key competitive advantage over competitors and, in particular, over incumbent Goliaths (conventional fruits and vegetables wholesalers): *“The real differentiation, it is really the relationships with suppliers” (R2); “Most of our competitors are not involved in institutions of the organic sector, and so they are not promptly informed of any changes, unlike us” (R1).* On the other hand, most conventional members are responsible for logistics and commercial activities (especially in the mass-distribution market). They also manage external acquisition operations and relationships with financial partners.

To sum up, while members of the team differ regarding background, experience and expertise (functional and, more generally, informational diversity) and regarding age and gender (demographic diversity), the diversity of BioDistri’s TMT is especially close to the ‘value diversity’ as defined by Jehn et al. (1999): its members differ in terms of espoused values, that is, in terms of what they think the real tasks, goals, targets and mission of the business should be.

Note that many previous studies have analysed the effect of TMT diversity on corporate growth, but empirical results remain equivocal (Buyl et al., 2011; Kilduff et al., 2000). In fact, diversity can have a positive effect when the team overcomes fragmentation and acts as a behaviourally integrated group that favours the following processes: collaborative behaviour, high level of information exchange and joint decision-making (Hambrick, 1994). In the case of BioDistri, and to a certain degree, these processes are favoured not only within the TMT, but also in a broader organisational context. Indeed, some places (such as canteen and open offices) and several formal time slots (in addition to regular meetings, some collective working seminars and lunches between the founder and employees are planned) are provided to ensure a high level of exchange of information, ideas and points of view. Furthermore, but more recently, the SME began working in project mode to enhance internal collaboration and address the challenges generated by the coexistence of different “worlds”, such as the challenges linked to the integration of the Belgian subsidiary: *“We are working in project mode with people of the two sides. They discover that they really have useful things to do together and they are happy to work together”* (R1).

#### *4.2 Developing a learning organisation through exploration and exploitation*

Results also reveal that BioDistri has succeeded not only in exploring new ways of developing the organic market and achieving growth, but also in managing its current activities by simultaneously practicing a high level of exploration and exploitation. Indeed, the two forms of organisational learning identified by March (1991) are simultaneous present in the case of BioDistri: exploration (i.e. creating new knowledge, skills and processes) and exploitation (i.e. using existing knowledge, skills and processes). While the former may be associated with the world of Davids, the latter may be more close to the one of Goliaths.

On the one hand, by focusing on exploration, BioDistri has strived to develop capabilities in the creation of new knowledge and the search for new possibilities (Cegarra-Navarro and Dewhurst, 2007) to ensure growth of the firm and the organic market. As a result, the firm has entered new markets and developed new supply chains. This SME has often been the first to try out radically new ideas and to introduce new sorts of products on the organic market. For example, BioDistri was “*the first to launch organic bananas in Europe. But it was a gamble. It was quite different from what the business made previously*” (R2). The founder-CEO explained that “*more risks than others*” (R1) have been taken, and that experiments have marked the history of the firm. However, not all of these innovative projects have been successful, but the failures have not reduced the willingness to experiment new ideas: “*the most important thing is that there are more successes than failures. And sometimes, the project is only postponed, because you are too far ahead of your time. In 1995, we launched organic mangoes that were produced in Costa Rica, but it was a failure. And then, three years later, organic mangoes from Burkina Faso were a success*” (R3).

On the other hand, by focusing on exploitation, which is about making best use of what the firm already knows (Rodan, 2005), BioDistri has strived to develop capabilities in the use of existing knowledge (Cegarra-Navarro and Dewhurst, 2007). In particular, strong emphasis has been placed on improving the quality of processes (in production, logistics, etc.). As noted earlier, BioDistri has been since its beginnings “*obsessed with product quality, customer service, etc.*” (R1). For instance, the quality manager explained that “*two traceability tests were put in place for customers*” and that “*about thirty on-site audits, including certification and customer audits, have been developed*” (R6). In addition, BioDistri has frequently adjusted its procedures and rules to make things work better. These intricate adjustments are seen as consequences of

growth: *“For us, growth has been the growth of the firm itself, but also an external growth. So, in terms of quality, the objective was to harmonize the procedures of the various sites that have joined us. It is easy to say but it was complicated and it still is today”* (R6).

To be capable of simultaneously exploiting existing knowledge and competencies (closer to practices of Goliaths) and exploring new knowledge and opportunities (closer to practices of Davids), BioDistri has strived to maintain an organisational context that favours creativity. Creativity, which is defined as the generation of new ideas useful for business (Amabile et al., 1996), can indeed lead to the development of exploration and exploitation innovations (Simon and Tellier, 2008). In fact, the employees of BioDistri who produce creative work have always been seen as valuable resources. For example, this has been expressed in the following terms: *“this person is very creative and is always looking for information. So, he is one of those who have played a real dynamic role. There are several people in the firm who had that role.”* (R2). Likewise, in this firm, time is dedicated to formal and informal exchanges in order to promote ideas and projects and there is a high level of information democratization: *“access to information by all has always been something very obvious”* (R2). As a result, the evolution of the firm *“has been experienced at the pace of market development and by being more creative than the competitors”* (R3).

In addition, the firm has successfully developed a real social capital, which can itself contribute to both exploration and exploitation of knowledge (Yli-Renko et al., 2001). First, the SME has created and maintained relationships with a large number of stakeholders on the organic market in France and in foreign countries and has been able to build an extended social network. Its social network has been built in particular through meetings with foreign producers and distributors of organic fruits and vegetables. For instance, BioDistri has met with *“people*

*that produced organic bananas in Dominican Republic*” in order to “*see how they do it*” (R2). Moreover, the founder-CEO himself has worked with some professional organisations in the organic sector, regulatory agencies and laboratories in order to exchange and be present “*in all places where it is important to ensure the good quality of work, in terms of regulation, of certification, etc.*” (R1). In fact, as an institutional entrepreneur (Pacheco et al., 2010), the founder-CEO has participated in the construction of market rules and has been involved in several institutions to guarantee the highest sustainability standards.

In short, the sustainability-driven SME has strived to simultaneously excel at exploration and exploitation and has been successful in both the development of radically new knowledge and exploitation of existing knowledge. This ability plays a major role in the success of sustainable high growth and suggests that BioDistri can be assimilated to an “ambidextrous organisation” (Raisch et al., 2009; Tushman and O’Reilly, 1996).

#### *4.3 Coping with the challenges of high growth and the coexistence of two worlds*

Obviously, BioDistri has faced the common challenges facing any high-growth SME. Notably, the coordination of new resources, and in particular new employees, has been a real challenge, especially during the external growth strategy pursued from 2001 to 2008. As pointed out by Saint-Jean et al. (2008), new employees may sometimes not fit in well and can undermine the firm’s culture and routines or even bring in an undesired trade union. According to the authors, this critical phenomenon can even occur at the management level as new executives can also disrupt the team’s stability and culture, thereby upsetting organisational consistency. In the case of BioDistri, the failure to recruit an executive director in 2005 is indeed a good example: “*someone extremely bright and smart who begins to structure the firm perfectly. After one year,*

*the firm was structured but it stopped. Everything was perfect but it was finished, there was nothing at all.*” (R1).

More broadly and as explained by the founder-CEO himself, this failure reveals the tension generated by growth between the beneficial effect of being disorganized and the need of being more structured and formalized. On the one hand, the more BioDistri grew, the more there was the need for a formal organisation chart, job description, etc. On the other hand, in order to continue to grow, the firm had to preserve flexibility. Interestingly, some early employees claim that they “*do not want a hierarchical post*” and “*want to remain free in a flexible structure*” (R3). The founder-CEO has described one of them in these words: “*He is an entrepreneur. You cannot tell him: ‘sit down at this table and do this’. He does what he wants to do*” (R1). The fact remains that the literature on small business growth has also recognized long ago the complexity of striking a balance between “too much” and “not enough” structuring and formalization (Fombrun and Wally, 1989). BioDistri has therefore experienced some difficulties in determining and implementing organisational changes that were needed because of its high growth. For instance, after attempting to split a sales department and a purchasing department, they “*realized, after three months, that it actually paralyzed the firm. There was no initiative anymore and some things were no longer visible.*” (R2). In fact, BioDistri has evolved to be more structured and formalized, but through a flexible process of trial and error. To cope with the challenges generated by growth, the SME had indeed developed a real ability to “*question itself, to try things but to turn back if one realizes that they lead us straight to disaster*” (R2).

Besides the challenges facing most high-growth SMEs, the case of BioDistri also reveals some specific tensions that have arisen due to the coexistence of Davids’ and Goliaths’ worlds. Indeed, it appears that some of the Davids’ values may compromise profitability, which has been

one of the firm's primary goals since 2005. For example, BioDistri has maintained fair trade exchanges with foreign suppliers, even if they no longer correspond to market demand: *"We have a moral commitment when we develop production in Morocco. We cannot ask suppliers to stop producing just because our customers want products that come from France."* (R3). Conversely, some of practices that are typical of Goliaths may disrupt the David-like values that still guide the founder-CEO and a large proportion of BioDistri's employees. In particular, the mass-market orientation and funding of growth with venture capital have generated real debate inside the SME. Indeed, as one of the key principles of BioDistri is to *"work with customers or suppliers that do not have socially reprehensible behaviour"* (R1), the mass distribution orientation is not unanimously applauded. For example, interviewees frequently noted that *"players in mass retail distribution are not able to change their practices, even in the organic market"* (R2). Also, the entry of a financial investor in the capital in 2005 is subject to criticism. This event has changed the climate of BioDistri, which some of the early employees regret: *"After opening the capital, attitudes have changed"* (R4); *"the spirit of [the founder-CEO] has been less present. It is still there, but it is less influential. We feel the effects."* (R7). On this subject, the founder-CEO explained that *"the financial world is an appalling world, but there is no other choice"* (R1). In sum, given that diversity in BioDistri is mainly based on value diversity due to the coexistence of two worlds, the SME had to deal with the underlying risks of this specific type of diversity. More generally, these risks can include reduced cohesiveness, more interpersonal conflict, distrust and even decreased task performance (Harrison and Klein, 2007).

## **6 Conclusion**

The aim of this paper was to explore how sustainability-driven SMEs can succeed in achieving and sustaining high growth by combining the best of Davids' and Goliaths' worlds. Studying the case of BioDistri has allowed us to enrich the literature on small business growth by focusing on an issue that is still somewhat neglected: the phenomenon of high-growth Davids. Results reveal two sets of key actions successfully carried out by the firm: development of a hybrid organisation through a staff representing the skills of both Davids and Goliaths, and of a learning organisation through exploration and exploitation. It also helps illustrate some challenges facing most high-growth SMEs (such as the complexity of coordinating new resources and of striking a balance between structuring and creative freedom) and identify some specific tensions that can arise due to the coexistence of these two worlds and, in particular, value diversity.

Moreover, this research opens two interesting avenues for discussion. First, the case of BioDistri allows us to question the growth strategies that a sustainability-driven SME can pursue. This specific question has received limited attention in the literature, but has been raised by Nazarkina (2012). She has shown that sustainability-driven enterprises with a strong normative identity (i.e. firms that contribute to social welfare and environmental preservation, as opposed to utilitarian firms that are financially sustainable or profitable) tend to recognize mostly domain-defensive growth opportunities, whereas those with a weak normative identity tend to recognize mostly domain-offensive growth opportunities. Our research moves beyond this dichotomy, given that the sustainability-driven SME under consideration pursued both defensive strategies (organic growth) and offensive growth strategies (acquisitive growth). By combining growth strategies, BioDistri has been able to scale its social innovations (both exploitation and exploration innovations). Second, our study points out the key role of the founder-CEO both in the high growth of BioDistri and in preserving sustainability-driven principles. On the one hand,

the CEO's ability to network extensively favours ambidexterity (Cao et al., 2010) and entrepreneurial growth (Anderson et al., 2010). On the other hand, this case also highlights the prominent role of the idealistic founder-CEO in preserving its David spirit and values in spite of high growth.

Some limitations can, however, restrict the scope of this study and inspire topics for future research. First, we must be cautious about any generalizations made from a single case study. Thus, further research, based on multiple case studies, should seek to continue exploring the phenomenon of high growth in sustainability-driven SMEs. Second, while our results suggest that BioDistri can be assimilated to an ambidextrous organisation (Raisch et al., 2009; Tushman and O'Reilly, 1996), future research is clearly needed to explore the ways in which sustainability-driven SMEs that seek to grow can, in practical terms, achieve ambidexterity. Finally, it would be interesting to apply the model of organisation design principles proposed by Parrish (2010) to describe value diversity in TMT. Indeed, one may suggest that the TMT of high-growth Davids includes some members that adopt the principles of perpetual reasoning (i.e. generative rules used by sustainability-driven entrepreneurs), when others adopt the principles of exploitative reasoning (i.e. conventional entrepreneurial reasoning).

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**Table 1** Description of respondents

	<b>Position</b>	<b>Gender</b>	<b>Date joined BioDistri</b>	<b>Member of the executive committee</b>
R1	Founder-CEO	Male	1987	Yes
R2	Corporate secretary	Female	1996	Yes
R3	Outsourcing manager	Male	1989	Yes
R4	Accounting manager	Male	2002	No
R5	Logistics manager	Female	2009	Yes
R6	Quality manager	Female	1998	Yes
R7	Director of human resources	Male	2003	Yes

**Table 2** Key events of BioDistri's history and its environment

<b>Growth stages</b>	<b>Key events of the firm's history</b>	<b>The firm's environment</b>
<b>1987-1991: A promising beginning</b>  <i>Sales x 2</i> <i>Staff x 8</i>	1987: Creation of a French firm exporting organic fruits and vegetables to Germany through wholesalers. 1989: Development of supply chains in Corsica and Spain.	Global demand is weak, apart from Germany (no demand at all in France). Weakly structured supply (production by pioneers without any certification, distribution made by almost unskilled actors—mainly activists, almost no a competition).
<b>1992-1994: The crisis</b>  <i>Sales: not communicated</i> <i>Staff / 2 then x 2.5</i>	1992: 4 employees were laid off. The need to diversify both supplier countries and distribution channels.	1992: Transportation strike. Development of organic specialized shops in France. European regulation of organic agriculture and development of organic production, especially in Italy and Spain.
<b>1994-2001: Proactive, organic growth</b>  <i>Sales x2 (between 1998 and 2001)</i> <i>Staff x 4</i>	1994: collective decision for proactive growth strategy. Development of many supply chains in Mediterranean countries Africa and America. Development of outlets for specialized retailers and French and Northern European markets. 1998: Creation of a quality function. 2001: Construction of a new HQE (High Quality Environmental standard) building, partly funded by the municipality.	Heath crisis (BSE, chicken contaminated with dioxin, etc.) and dramatic rise in demand for organic products.
<b>2001-2005: Entry on the mass distribution market, launch of external growth strategy and continued organic growth</b>  <i>Sales x 1.5</i> <i>Staff x 2</i>	2002-2003: Acquisition of a firm specialized in packaging for mass distribution. 2003: Acquisition of a competitor that had been set up in Brittany in 1988. Development of new supply chains in Africa.	Democratization of organic food with consumers who are more demanding on price and less demanding on quality, and with backing of producers. Entry of new competitors (conventional wholesalers, agricultural cooperatives) and distributors (mass distribution) on the market.
<b>2005-2008: Opening of capital and reinforcing the external growth strategy</b>  <i>Sales x 2.5</i> <i>Staff x 2.6</i>	2005: Entry of a financial investor in the capital (the majority shareholder with 51% of the firm). 2005-2006: Recruitment of a financial manager, an executive director (unsuccessfully at first), and a commercial manager (who set up an Executive Committee). 2006: Acquisition of a Belgian competitor specialized in hypermarkets and supermarkets. 2007: Acquisition of a competitor specialized in Spanish fruit and vegetables.	"Grenelle" environmental summit: public policy for developing organic production and demand (in particular food services). New market opportunities (food industry and food services).
<b>2008-2010: Decline in growth and refocusing on the core business</b>  <i>Sales + 15%</i> <i>Staff remains stable</i>	Development of new supply chains (Camargue) and reinforcement of existing ones in France (with the creation of a producers association). 2009: Partnership with a conventional distributor (specialized in catering). 2009: Launch of a fruit juice offer. 2009: Recruitment of an inter-site logistics manager. 2009: Launch of a site in the Paris area in order to supply specialized retail shops. 2010: Launch of a fruit and vegetable delivery service (stopped in 2011).	Important development of short food supply chains and the demand for local products. Questioning of exported organic products (uncertainties about certification, environmental impact, etc.). Decisions taken by several specialized shops to offer only French / local products.

**Figure 1** The growth of BioDistri